



2023

xFusion Digital Technologies Co., Ltd.

Sustainability Report



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Corporate Profile

xFusion Digital Technologies Co., Ltd. (hereinafter referred to as "xFusion") is committed to being a leading global provider of computing infrastructures and services, always adhering to the vision and mission of "Let computing serve you better." Since our establishment in 2021, we have upheld core values of "customer-centric, dedication-oriented, perseverance, and win-win," with continuous innovation as the driving force.

Our strategy revolves around cultivating a robust technological ecosystem that fosters independent advancement across diverse industries. By harnessing the transformative power of AI and security technologies in computing and security & software fields, we deliver comprehensive infrastructures and digital innovation services to cities and businesses. Our approach aims to nurture sustainable and high-quality growth of computing technology and industrial ecosystems.

Computing stands at the heart of the global digital economy, significantly propelling technological progress, digital governance for societal well-being, and digital transformation of various industries. Recognizing this vital role, xFusion has embraced the responsibility of "creating an innovative, low-carbon, and sustainable computing industry ecosystem". Aligned with our Green Development Strategy initiated in 2022, we have established a comprehensive green computing system that spans the entire product lifecycle. We have also integrated the concept of sustainable development into R&D and production, business operations, corporate governance, and brand building.

Embracing the opportunities and challenges of the new era of computing, xFusion will revitalize the global computing industry ecosystem with innovation, to let computing serve you better.



Report Profile

This is the first sustainability report issued by xFusion Digital Technologies Co., Ltd. and its subsidiaries (hereinafter referred to as "xFusion," "the Company," or "we"). With a focus on objectivity, standardization, transparency, and comprehensive accountability, the report aims to summarize xFusion's progress in sustainable development for the year 2023 (from January 1, 2023 to December 31, 2023). It highlights how the Company integrates sustainable development management concepts into its operations, explores best practices to advance sustainability, enhances communication with stakeholders, and addresses key concerns related to significant sustainability issues.

The report is prepared with reference to the Global Reporting Initiative Standards (GRI Standards) issued by the Global Sustainability Standards Board (GSSB) and aligns with the United Nations Sustainable Development Goals (UN SDGs). Unless otherwise specified, the policies, statements, data, and information presented in this report cover the actual business scope of the Company. xFusion is accountable for the authenticity and accuracy of the report content.

You can view or download the 2023 Sustainability Report at the official website of xFusion.

We highly value suggestions and comments from our stakeholders and encourage readers to contact us through the provided channels. Your suggestions and comments will help us further improve the report and enhance our sustainability performance.

For any report-related questions or suggestions, please contact:

E-mail: ir@xfusion.com

Message from Leadership



"The doorway to reshaping the computing industry landscape has opened. The sustainable development of computing will profoundly and extensively impact the overall digital society. We will continue to deepen technological innovation and ecological sustainability, constructing an intelligent, secure, and open computing ecosystem. We aim to actively contribute to the global digital economy and let computing serve you better."

Liu Hongyun

Chairman of the Board and CEO

Shaping a New Landscape of Industry with Diversified Computing

Today, our global society is undergoing two transformative shifts: the digital transformation propelled by emerging productivity and digital technologies, and the sustainable transformation necessitated by human survival and development. These transformations intertwine to forge a dual path towards digitalization and sustainability.

As a staunch proponent of sustainable development principles, xFusion has integrated social responsibility and sustainable growth into our planning and development since our establishment. These principles permeate every aspect of our operations, including conceptual integration, corporate strategy, institutional framework, cultural nurturing, and collaborative governance. Our overarching mission is to foster balanced progress across economic, social, and environmental fronts.

Wide open doorway to industry transformation

The rapid advancement of digital productivity has propelled trends such as digitalization, intelligence, and decarbonization with unstoppable momentum. Digitalization has extended across entire industry chains and diverse sectors, marking breakthroughs in AI development and ushering in a pivotal era of digital transformation.

As new scenarios, architectures, and trillion-parameter large models continue to emerge, the demand for diversified computing is surging. This trend is catalyzing unprecedented transformations in the computing industry and infrastructure, leading various industries into the era of "intelligent computing."

Computing lies at the heart of productivity, reshaping industry landscapes and powering societal operations and business activities. The sustainable development of the computing industry ecosystem is crucial for the efficient functioning of digital economic foundations, exponentially enhancing its pivotal role in societal and commercial operations.

Let computing serve you better

Aligned with our vision and mission of "Let computing serve you better," xFusion focuses on driving innovation across various industries with foundational technologies. We continuously develop core technologies in hardware, software, and engineering, bolstering computing and security & software fields with AI and software capabilities. Our extensive computing infrastructures and services support efficient and effective AI applications, facilitating urban and corporate transformations and contributing to widespread digital implementation.

Over the past two years, xFusion has mapped out a strategic outline for business design, workflows, and management. We've moved beyond simply leveraging existing global-leading platforms to crafting tailored business models that align with our resources, industry conditions, and organizational processes. This evolution has enabled us to deploy global supply chains, advance R&D capabilities, and implement effective marketing strategies. With a global footprint, we now serve over 100 Fortune Global 500 enterprises and operate more than 60 computing hubs across 100 countries and regions worldwide.

Promoting sustainable development with innovation

At xFusion, we are dedicated to pushing the boundaries of technological innovation. We not only strive to enhance our competitive edge but also drive the development of Operational Technology (OT) through the power of Information Technology (IT). Our goal is to democratize computing, positioning it as essential and pervasive as public utilities like water and electricity. In the era of intelligent computing, we collaborate closely with our customers to explore and implement practical AI applications. By optimizing software and technology, we bridge the gap between theoretical computing potential and practical computing capabilities, ensuring that diverse AI capabilities are effectively leveraged.

Today, xFusion's computing products and services are widely deployed across governments, telecoms, internet, finance, and other industries, setting numerous benchmarks and driving incremental advancements in these fields.

China Telecom Zhejiang Ltd and xFusion collaborate to develop a high-performance, intelligent computing-network service system within a liquid-cooling datacenter by harnessing technologies such as cloud computing, big data, and AI.

In collaboration with Peking University, our joint innovation yields a high-performance computing platform benefiting their students and faculty, fostering global exchange and development in university computing platforms.

In the financial sector, we explore sustainable computing with Industrial Bank and Xiamen University, exemplified by our digital twin platform in Fuzhou. This platform optimizes energy efficiency in datacenter facilities, achieving significant energy savings and carbon emission reductions. Consider a 1000 kW data-center: a mere 1 percent decrease in its PUE could save 87,000 kWh annually and cut carbon emissions by 61,000 kg — equivalent to planting 3400 trees each year.

Transforming data into social value for safer and smarter cities and businesses

The new wave of digital transformation is driving exponential changes in production and governance. As we transition from informatization to smart digitization, the digital transformation continues to unfold. The core of digitalization is to enable data to generate value. This evolution is driven by the digital demands of cities and businesses, coupled with technological advancements in data, AI, and security — accelerating the pace of digital business development and creating new opportunities for reshaping the landscape.

xFusion, with our profound technological expertise and extensive experience in digital transformation, collaborates closely with customers and partners to build inclusive, intelligent, and secure digital foundations. We're committed to making cities and businesses smarter and safer. Together with our partners, we've launched the City AI+ Innovation Industry Alliance. Our objective is to pioneer new approaches in building secure digital government systems, establishing smart city foundations, and accelerating innovations that boost productivity. From our recent experiences, we understand that businesses are facing myriads of challenges amidst digital and intelligent transformations. By joining hands with our ecosystem partners, we aim to help businesses overcome these challenges while accelerating the practical adoption of digital transformation.

Building a sustainable industry ecosystem together with partners

Since our inception, xFusion has always been committed to eco-friendly practices. We view IT development as a narrative of open-source collaboration, industrial ecosystem progress, and continuous innovation. Our ethos, "Create Value, Share Beliefs, Grow Together," underscores our dedication to partners and our own evolution. Guided by this philosophy, xFusion has cultivated deep partnerships with over 13,000 global collaborators, fostering mutual learning and capability development across enterprises, universities, research institutes, and end-users.

xFusion has launched diverse training and certification programs accessible to customers, partners, employees, consulting firms, universities, social organizations, and the public. In 2023 alone, these initiatives benefited over 210,000 individuals, actively promoting global industrial technology exchange and enhancing industry talent.

Over the past two years, xFusion has joined more than 50 global social and industry organizations, including the United Nations Global Compact (UNGC). We assume over 10 significant roles to apply our technical expertise and contribute professional resources. As a pivotal participant in the openEuler community, we work together with industry partners to advance this innovative OS open-source community.

xFusion actively drives technological innovation in green computing and liquid-cooling technology, facilitates discussions, and helps shape industry standards. We embed sustainable development principles deeply into our products, services, and business strategies. Our commitment extends to establishing efficient, low-carbon benchmarks for the computing industry, accelerating the adoption of green computing practices.

Looking ahead, xFusion is poised at the forefront of computing and ecosystem building, with a steadfast commitment to sustainable practices encompassing security & trustworthiness, environmental protection, and ecosystem harmony. We spearhead the advancement of inclusive computing and drive industrial innovation, making substantial contributions to the global digital economy. Let computing serve you better.



Message from Leadership



"At this moment, we are forging a future featuring sustainable digital economy. Only by working in a down-to-earth approach can we make steady and far-reaching progress in undertakings such as boosting social well-being and people's livelihood and driving the innovation and transformation toward a digital and intelligent world. xFusion will work with global partners to strive for the achievement of sustainable development goals and reshaping of the computing industry."

Fan Ruiqi

President of Strategy & Central Research Department

Focusing on Computing Innovation to Boost the Construction of a Sustainable, Digital, and Intelligent World

Contradiction, the source and motive force of the development of things

The digital economy era is yearning for new productivity. Computing is a new quality productive force and an engine driving high-quality development of the digital economy. In the traditional economy, the coordination between production relations and computing was poor. There were many contradictions between them. We believe that the computing industry is facing the following three major contradictions and challenges:

As the computing industry booms, construction of datacenters and AI factories accelerates. Such digital infrastructure is energy-intensive and carbon-intensive by nature, which contradicts the dual carbon targets. The global server energy consumption accounted for 1% of the global total energy consumption in 2020. This number will reach 3% in 2025. How to strike a balance between the carbon-intensive nature of datacenters and the goals of energy conservation and emissions reduction?

Artificial intelligence (AI) technology is already seeing adoption in a number of industries. Almost all forms of AI rely on large amounts of training/inference data. The data needs to be effectively flowed and fully shared. This situation has made security and trustworthiness (especially data security and privacy protection) challenges critical. Other challenges such as AI ethical issues are also inevitable. At the same time, advanced chips, technologies, algorithms, and large AI models are increasingly concentrated in "small

courtyards with high walls." How to achieve the technology inclusion and address the contradiction between digital sovereignty and digital hegemony?

The multi-dimensional explosion of demand for computing resources is reflected in aspects such as diversity, heterogeneity, and ubiquity of computing. Computing is becoming ubiquitous rather than centralized in datacenters. In the next five years, data will explode, and the global demand for computing resources will increase by eight times. As the Moore's Law continues to "slow down," the contradiction between demand and supply of computing resources will also become a challenge. How to deal with the contradiction between the explosion of demand for computing resources and the failure of Moore's Law?

The world is interconnected universally, and contradictions exist objectively. Those who can accurately capture and cast insights on the universal and special law of value reflected in these contradictions will be able to formulate right strategies and plans, take effective actions and overcome the challenges in the digital economy era. The right way to tackle these challenges is to drive the development of new quality productive forces with innovation.

Green computing, reshaping low-carbon digital economy in a far-reaching way

xFusion firmly promotes green development, actively participates in the construction of the liquid-cooling industry ecosystem, and introduces innovative end-to-end liquid-cooling solutions fitting into various scenarios. It advances large-scale commercial use of liquid-cooling, continuously boosts the evolution of liquid-cooling technologies, and accelerates the shift of datacenters toward energy conservation and zero carbon emissions.

We adhere to the principle of "sustainable development through green approaches and high-level environmental protection through measurable carbon emission reduction." Relying on scientific and technological innovation and cooperating with partners, we will unswervingly follow the path of high-quality green development that prioritizes ecological conservation and low carbon emissions, actively reduce carbon emissions throughout our operations, and create a virtuous circle of business value creation and environmental responsibility fulfillment.

Security and trustworthiness, a core responsibility of sustainable development

xFusion continues to build native security capabilities to ensure that its products and services comply with international security standards and industry security standards and help customers cope with security risks using technological innovations. We build an industry value chain that integrates the East and the West ecosystems to secure the supply of computing infrastructure. In addition, we endeavor to bridge hardware differences and integrate applications for better system security. In 2023, iBMC, the xFusion server management software, obtained the EAL4 certification (the highest level). Since its establishment, xFusion has conducted cyber security risk assessment and management for nearly one hundred suppliers

around the world and worked with them to make continuous improvements to jointly address cyber security and supply security challenges.

Open ecosystem with inclusive computing, empowering digital industry development

Sticking to driving the development of inclusive computing with innovation, we strive to make computing happen in more appropriate places. Specifically, we break the boundaries of processors, servers, and datacenters to build multi-dimensional energy-saving computing networks that offer heterogeneous and diverse computing capabilities. We will continue to build efficient and economical computing networks, deepen the digital transformation of cities and enterprises, and promote the intelligent upgrade of the industry. We have established our R&D centers in talent-intensive places around the world. In China, we have set up six R&D centers in Zhengzhou, Shenzhen, Beijing, Hangzhou, Xi'an, and Chengdu. We also have established international R&D centers in areas outside China, such as Singapore, to attract top talent. In addition, we are actively working with local universities and research institutes, such as Xiamen University and the Agency for Science, Technology and Research (ASTAR) in Singapore, to carry out scientific research and talent training programs to speed up the cultivation of digital talent and support the development of the digital economy.

Forge ahead together to drive development forward

Development has always been the primary objective of all actions. Sustainability is the fundamental belief for realizing long-term development value. As times goes by, novel resources and contradictions always emerge to drive development forward.



Executive Summary

xFusion remains committed to its sustainability strategy, actively identifying and managing risks across Environmental, Social, Governance (ESG) dimensions while fostering an inclusive, secure, green, and harmonious computing ecosystem. The integration of sustainable development values into daily operations, product R&D, and industry collaboration is deeply embedded in our practices.

Aligned with our sustainability strategy and guided by IFRS® Sustainability Disclosure Standards and the latest exposure draft of Chinese Sustainability Disclosure Standards for Business Enterprises – Basic Standard issued by the Chinese Ministry of Finance, we are proud to release our inaugural "xFusion Sustainability Report" in 2024, committing to ongoing disclosure of significant progress in our sustainability governance. We still believe that a responsible enterprise should disclose its sustainability efforts to stakeholders proactively.

Throughout 2023, we continued to enhance our governance strategies in inclusive computing, security and trustworthiness, environmental protection, and harmonious ecosystem. These efforts contribute to xFusion's progress towards achieving the UN SDGs. Notable achievements include:

Inclusive computing

3500+

Patents by the end of 2023

100+

Fortune Global 500 customers by the end of 2023

1.06 pPUE

Liquid-cooling rack-scale server products with as low pPUE as 1.06¹

TOP6

Top 6 in the global x86 server market²

TOP1

Top 1 in China's standard liquid-cooling server market with a 43% share³



¹ According to the TÜV SÜD certification

² According to the IDC Worldwide Quarterly Server Tracker, 2023

³ According to the IDC China Liquid-cooling Server Tracker, 2023

Security and trustworthiness

8

Vulnerability warnings

2

Security notices

75

OS CVE notices

35

Courses and exams on security and privacy protection

100%

Staff coverage of security and compliance training sessions

37

Security certifications

4

Contributed to the formulation of 4 cyber security standards



Environmental protection

13336.70 tons

Annual greenhouse gas emissions totaling 13,336.70 tons in 2023

2800+

29 green office promotion events throughout the year, reaching 2800+ individuals

600 tons

New packaging designs in 2023 for reducing carbon emissions by 600+ tons annually

130

130 environmental certifications



Harmonious ecosystem

0

No violation of corporate social responsibility red lines

400+

CSR performance evaluations for 400+ key suppliers

100%

100% assessments of application environments and social impacts for supplier screening

210,000+

Individuals benefitting from various training programs



01

Sustainability Management

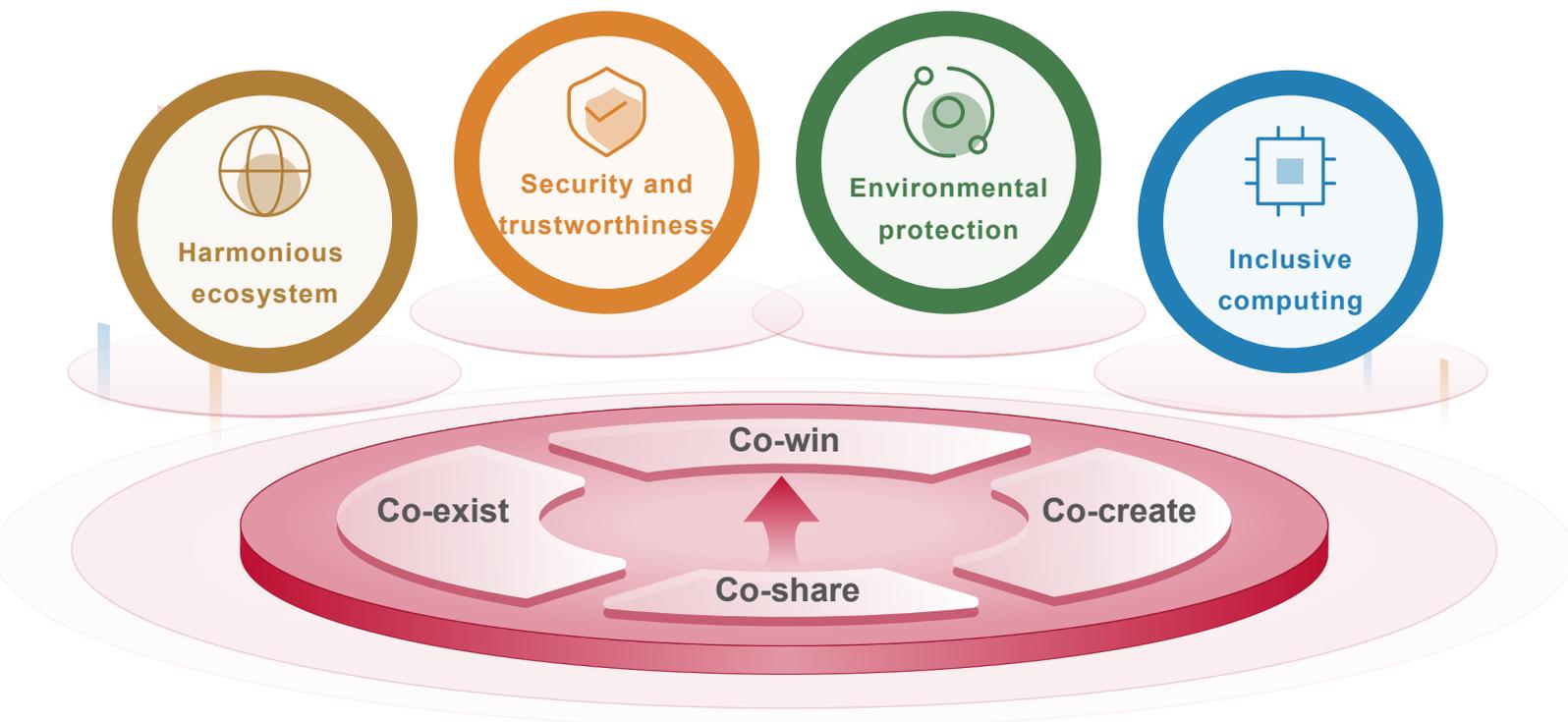
xFusion firmly believes that sustainable development hinges on continuous growth. We integrate sustainable management from strategy to execution, guided by a steadfast and practical approach. Embracing a scientific and systematic method, we pursue sustainability across four strategic fronts: inclusive computing, security and trustworthiness, environmental protection, and harmonious ecosystem. By collaborating with customers, partners, and stakeholders, we are collectively shaping a sustainable future for computing.

1.1 Sustainability Management

From the very beginning, xFusion has embraced a philosophy of responsible development. We believe that development is the key to sustainability. As a global leader in computing infrastructures and services, we are dedicated to driving digital transformation with our mission to "let computing serve you better." We adhere to principles of "co-creation with the industry, mutual benefits within the ecosystem, coexistence with the environment, and sharing with society," centering around four strategic pillars: inclusive computing, security and trustworthiness, environmental protection, and harmonious ecosystem. We conduct our operations responsibly to build secure and AI-enhanced green computing ecosystem, striving to balance environmental, social, and economic benefits, and contributing xFusion's strength to global sustainable development.

Let computing serve you better

By 2030, we aim to become a leading computing technology enterprise in the world, **setting the benchmark for sustainable development within the industry.**

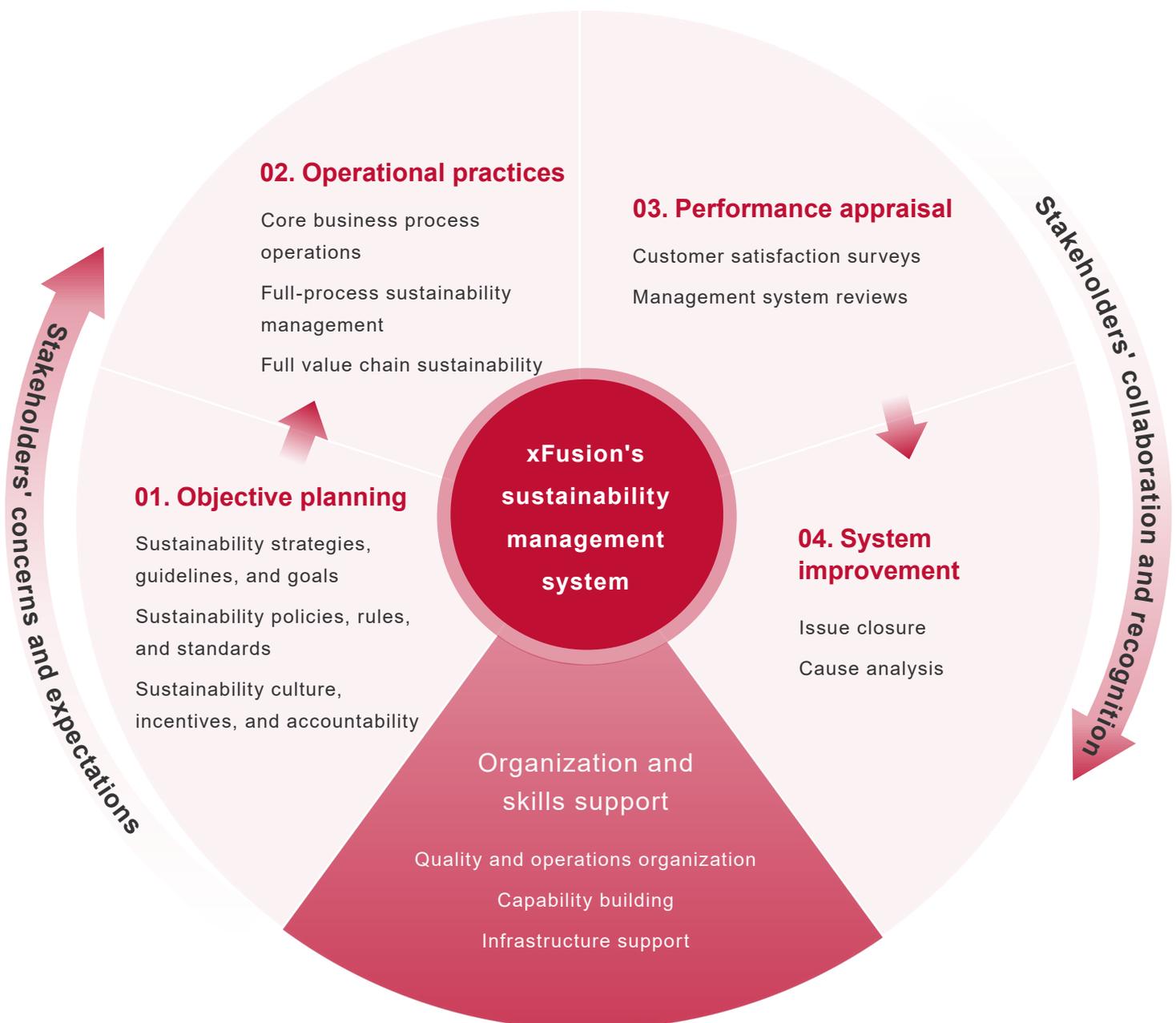


Framework of xFusion's sustainability strategy

1.2 Sustainability Management System

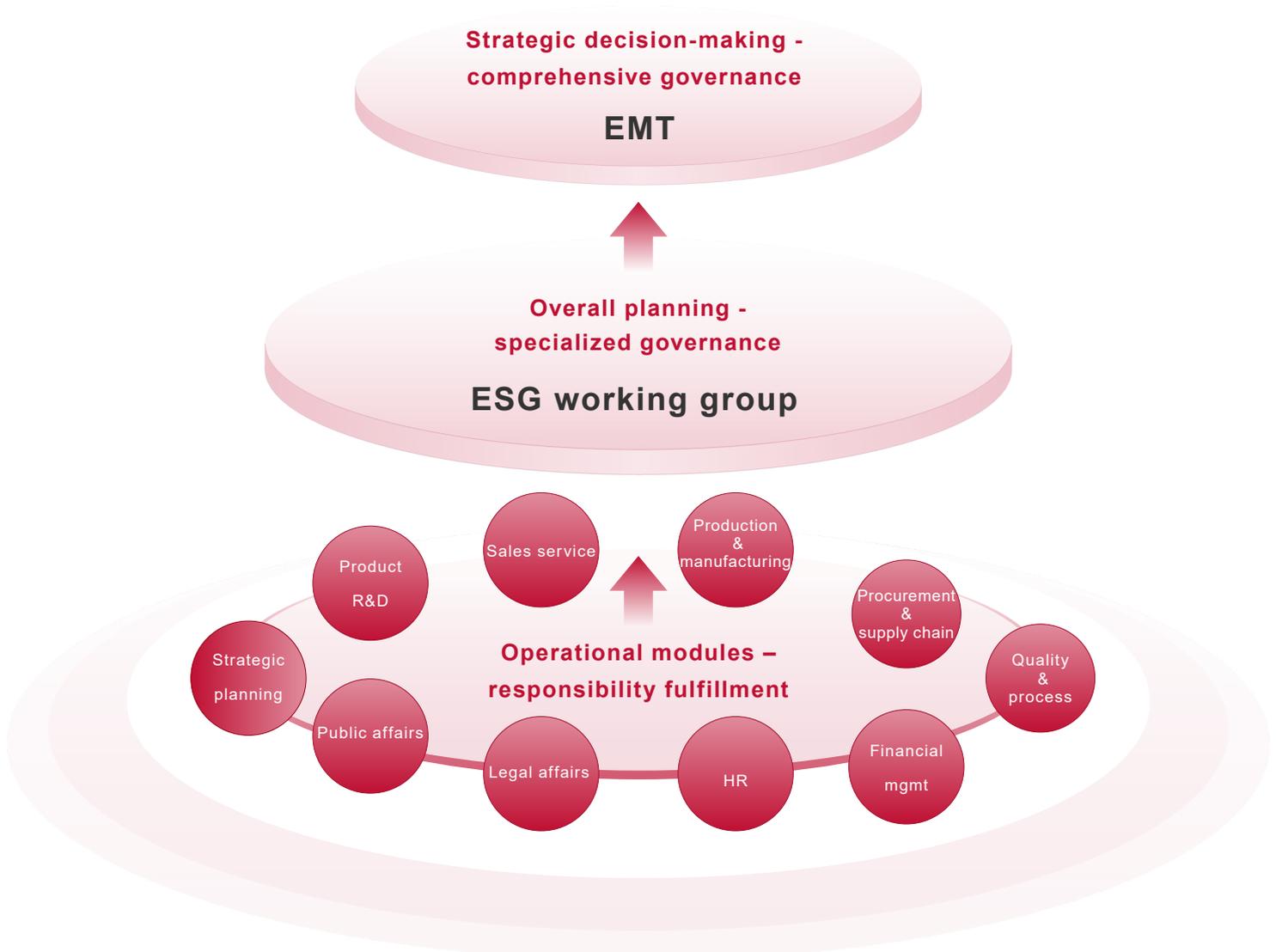
1.2.1 Sustainability Management System

xFusion has established a sustainability management system based on the plan, do, check, act (PDCA) cycle by considering both the internal and external business environments and referring to international standards such as ISO 9001, ISO 45001, ISO 28000, ISO 50001, SA8000, and QC080000. This system focuses on five key areas: objective planning, operational practices, performance appraisal, system improvement, and organization and skills support. Through this system, we aim to manage our sustainability strategies and goals in a closed loop, enhance digital operations, and increase stakeholder satisfaction.



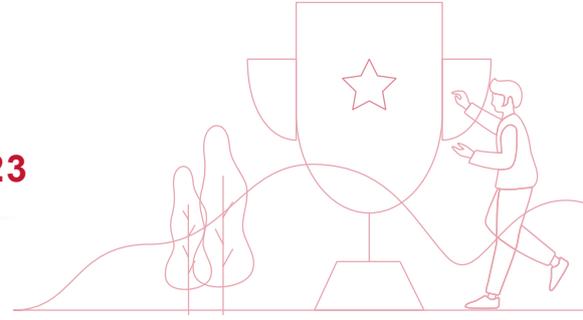
1.2.2 Sustainability Governance Framework

The Company's Executive Management Team (EMT) is the top decision-making body responsible for executing the Company's sustainability strategy and making major decisions regarding overall sustainability initiatives. To better integrate sustainability efforts into strategy and business, improve the Company's environmental protection, fulfill social responsibilities, and enhance governance levels, xFusion has established an ESG working group to coordinate and promote sustainability initiatives. The working group, established by EMT decision, comprises over 10 professional business and management organizations, including Strategic Planning, Global Marketing, Product R&D, Production & Manufacturing, Procurement & Supply, Public Affairs, Financial Management, Human Resources, Quality & Process, and Legal Affairs. The group leader is the President of Strategic Planning. By holding regular meetings, the ESG working group conducts timely process reviews and resolves issues to ensure the effective achievement of xFusion's overall sustainability goals according to the strategy. The working group receives guidance and oversight from the EMT and reports key progress to the EMT as needed based on the agenda.



Framework of xFusion's sustainability governance

1.3 Sustainability Honors and Awards in 2023



National Green Supply Chain Management Model Enterprise

Ministry of Industry and Information Technology of the People's Republic of China

Representative Vendor in Global Server Market

Gartner

Global Z-Carbon City Enterprise Leader Award

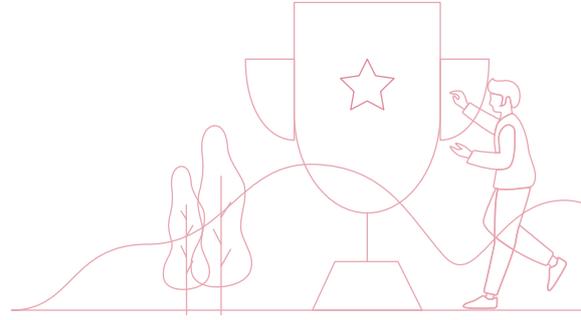
United Nations Industrial Development Organization (UNIDO) Global
Innovation Network Project

First-Ever Carbon Footprint Certificate for Server Products

InterTek

Green Supply Chain Management Model Enterprise

Department of Industry and Information Technology of Henan Province



Certification of Engineering Technology Research Center

Department of Science and Technology of Henan Province

Outstanding Contribution Unit of Computing Service Matrix

China Academy of Information and Communications Technology

2023 Green Leader Enterprise

China Environmental United Certification Center

Intellectual Property Model Enterprise

Zhengzhou Municipal Administration for Market Regulation

2023 Sustainable Development Pioneer Case

IDC

1.4 Sustainability Milestones in 2023

2023

December

xFusion received the world's first Excellent Server Workmanship Tick Mark certification.

xFusion made a significant appearance at GITEX Global 2023, actively engaging in the construction of the global liquid-cooling industry ecosystem.

September

xFusion established its first global supply center in Malaysia, actively enhancing supply chain resilience and regional computing hubs.

July

xFusion officially joined the United Nations Global Compact (UNGC), achieving phased success in actively fulfilling social responsibilities and promoting green development.

xFusion, as a leading open-source contributor in China, attended the OpenAtom Global Open Source Summit, collaborating with the OpenAtom Foundation and ecosystem partners to accelerate the construction of a thriving open-source ecosystem.

April

xFusion released the "2023 Environmental Development Report."

February

iBMC, xFusion's server management software, received the globally recognized IT security evaluation standard CC EAL4+ certification, making xFusion the sole company in the x86 server field to achieve this certification.

October

xFusion was invited to the Open Source Summit Europe 2023 as China's only server operating system (OS) manufacturer, contributing to digital transformation and innovative practices of the global industry.

xFusion's highly efficient energy-saving computing infrastructure project was granted the Gold Prize at the United Nations Industrial Development Organization (UNIDO) Z-Carbon Award.

August

xFusion's 2023 Partner Conference was successfully held, collaborating with industry partners for innovation and accelerating the construction of green datacenters.

June

xFusion obtained CTF & UA Lab Qualifications from TÜV Rheinland.

May

xFusion ranked among the top three in the Electronic and Electrical category of 2023 China Brand Value Evaluation Information, building an innovative, green, and trustworthy social brand.

1.5 Sustainability Risks and Opportunities

We believe that proactively identifying and managing sustainability risks and opportunities can help enterprises reduce operating risks and seize new business opportunities. This will form a positive cycle that allows enterprises to grow sustainably in our globalized world. In 2023, we incorporated the management of sustainability risks and opportunities into our sustainability workflow, serving as an important reference for planning, executing, managing, and optimizing sustainability efforts.

>>> Examples of sustainability risks and opportunities

Risk and Opportunity	Measure	Sustainability Strategy
<p>The rapid development of the digital economy has driven the intelligent transformation of various industries, creating a significant demand for computing. However, the diverse use cases and foundational differences across industries have constrained the advancement of this transformation.</p>	<p>xFusion has comprehensively upgraded its computing products, delving deeply into digital transformation scenarios across sectors. By actively engaging in joint innovation with customers and industry partners, xFusion is committed to facilitating the intelligent transformation of different industries.</p>	 <p>Inclusive computing</p>

Given that the supply chain for software and hardware components involves multiple countries and suppliers, there is a risk of malicious backdoor implantation or tampering, as well as a vulnerability due to weak security measures of the procured parts. This provides xFusion with opportunities to boost the security awareness of its supply chain partners through empowered management.

xFusion will address security challenges and opportunities from the supply chain through the following measures:

- Establish strict supplier selection and management processes to ensure suppliers meet international security standards.
- Conduct supply chain risk assessments and regularly audit suppliers' security measures.
- Adopt a multi-supplier strategy to mitigate risks associated with relying on a single supplier.
- Strengthen collaboration with suppliers to jointly develop secure and reliable hardware products.



Security and trustworthiness

AI systems need to process vast amounts of sensitive data, and any breaches could result in serious privacy issues and legal liabilities. This opens up opportunities to explore data protection solutions at the infrastructure level for AI scenarios.

xFusion will address security and trustworthiness challenges and opportunities of the AI era through the following measures:

- Exercise stringent data access control policies to ensure that only authorized users can access sensitive information.
- Anonymize or mask sensitive data without compromising the functionality of AI systems to minimize privacy risks.
- Deploy AI-assisted anomaly detection systems to monitor and respond to potential security threats in real time.
- Offer enhanced data protection solutions to increase product competitiveness.



Security and trustworthiness

The widespread adoption of AI large models has sparked an explosive growth in computing demand. Balancing rapid development with high energy consumption is crucial for achieving high-quality digital transformation.

xFusion continuously innovates green computing technologies to reduce the energy consumption of products and solutions. It also increases industrial collaboration efforts to promote the application of green computing and explore sustainable development paths for the computing industry.



Environmental protection

As computing demands rapidly increase, the complexity of individual servers has significantly increased. This necessitates enhanced production precision and comprehensive material tracking capabilities throughout the production chain to guarantee product quality upon delivery.

By leveraging full-process information management systems, xFusion tracks materials throughout their lifecycle and builds a digital supply chain to maximize resource utilization. The Company also establishes automated manufacturing lines to reduce the proportion of defective products generated during processing stages.



Environmental protection

The recruitment, development, and compliance of localized employees are important topics of concern for stakeholders.

Localized employment is a crucial talent strategy for xFusion. The Company strives to employ as many local staff as possible to leverage local talent's value. Positions related to global and overseas operations require English certification to better support and serve local employees. A global HR compliance task force has been established to provide necessary, differentiated policies and solutions for HR practices across various countries and regions, ensuring legal compliance in employment.



Harmonious ecosystem

Changes in the external environment pose compliance management risks to the Company, such as changes in laws, regulations, regulatory policies, and international trade sanctions.

xFusion closely monitors changes in laws, regulations, regulatory policies, and trade sanctions, and provides professional interpretations of these changes to develop compliance strategies and integrate them into business processes.



Harmonious ecosystem

The sustainable development of a harmonious ecosystem relies on the collaborative efforts of xFusion and its customers and suppliers. Suppliers demonstrating strong Corporate Social Responsibility (CSR) performance will enhance sustained competitiveness of both xFusion and its customers.

xFusion has established a standardized supplier CSR management system that is continuously improving. CSR requirements have been integrated into the suppliers' entire lifecycle management process from sourcing, certification, selection, performance management, to exit.



Harmonious ecosystem

1.6 Stakeholder Engagement

Stakeholders are individuals or groups with interests are or could be affected by the organization's activities. xFusion's primary stakeholders include customers, employees, suppliers and partners, governments, industry organizations and professional bodies, community, the public and the media.

To improve communication and collaboration with stakeholders, xFusion has established a variety of communication channels, including periodic visits, consultations, exchanges, interview and projects. These channels help us promptly understand stakeholders' concerns and requirements. We take these into account to improve our sustainability management and performance.

>>> In 2023, we identified the following major stakeholder concerns:

Stakeholders	Major Concerns	Communication Channels
 Customers	<ul style="list-style-type: none">• Exploring sustainable inclusive computing• Inclusive computing for industry upgrading• Inclusive computing for the scientific and educational development• Building a solid foundation of secure and trustworthy governance• Business continuity• Promoting emissions reduction• Environmental certifications	<ul style="list-style-type: none">• Pre-sale communication• After-sale service• Customer satisfaction surveys• Customer visits• Customer audits

Stakeholders

Major Concerns

Communication Channels



Employees

- Caring for employees
- Company governance
- Sustainability management

- Employee training
- Executives face-to-face activities
- Employee satisfaction surveys
- Reflection sessions
- Hotline and public email address for filing complaints, providing suggestions, reporting misconduct, and making an appeal



Suppliers and partners

- Responsibility for supply
- Business continuity
- Compliance management

- Supplier CSR audits
- Supplier training and coaching
- Regular communication and executives exchange visits



Governments

- Inclusive computing for the scientific and educational development
- Promoting emissions reduction
- Contributing to a circular economy
- Environmental certifications

- Meetings on government policies
- Governmental public consultations
- Government surveys and interviews

Stakeholders	Major Concerns	Communication Channels
--------------	----------------	------------------------



Industry organizations and specialist bodies

- Exploring sustainable inclusive computing
- Inclusive computing for industry upgrading
- Building a secure and reliable industry chain
- Promoting emissions reduction

- Academic exchange programs
- Industry association meetings
- Standards development
- Exhibitions



Communities, the public and the media

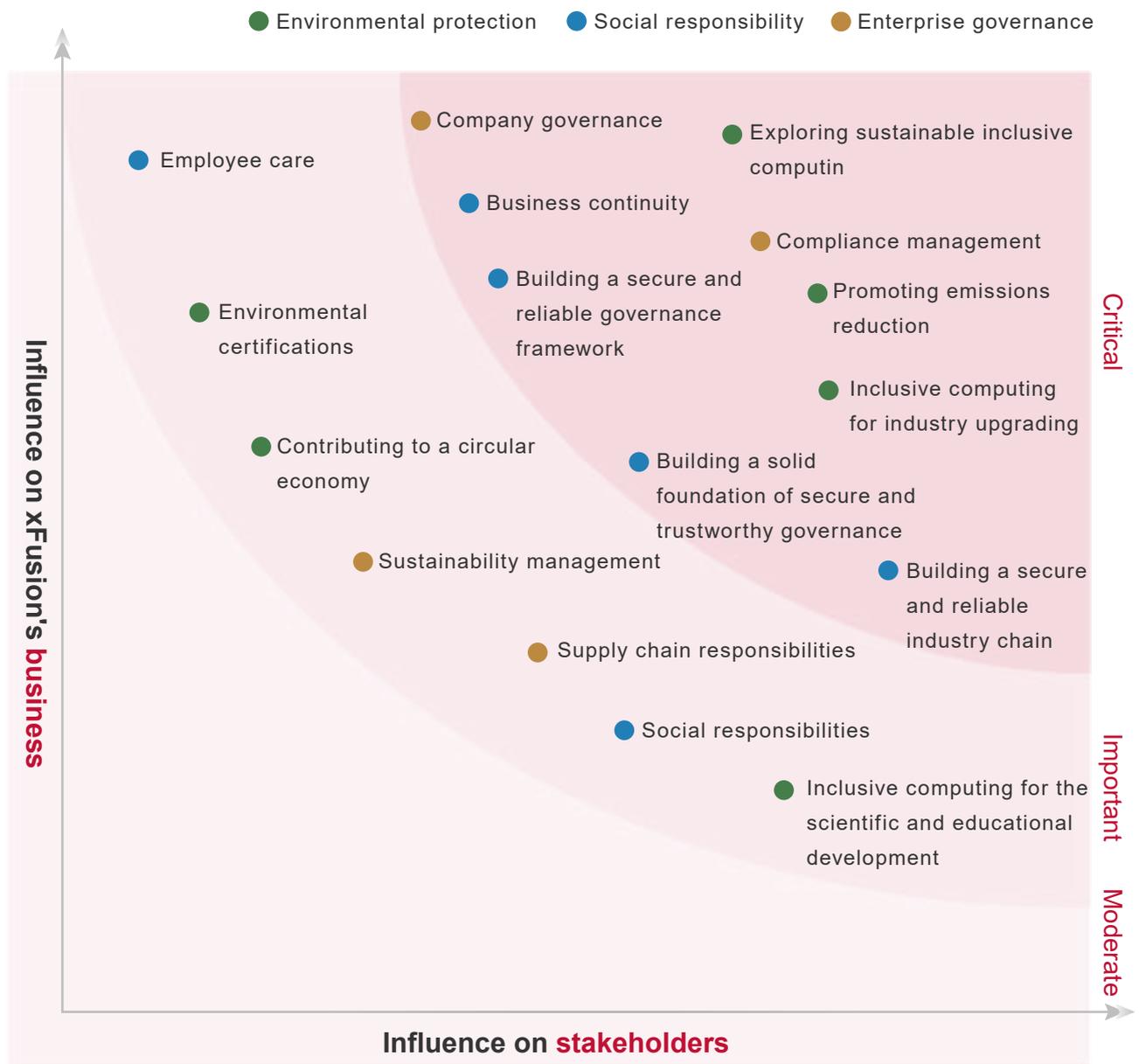
- Promoting emissions reduction
- Social responsibility
- Compliance management

- Local employment and procurement
- Community project engagement
- Social charitable activities
- Company websites and social media interactions

1.7 Analysis of Key Issues

Managing key issues helps us continually identify and assess the impacts of xFusion's business operations and the level of concern of our stakeholders, and offers an important reference for xFusion's ongoing efforts to improve the level of sustainability management and the transparency of our report.

In 2023, we followed the sustainability management process and referred to international authoritative standards, such as GRI Standards released by GRI, Sustainable Development Goals (SDGs) of United Nations Global Compact (UNGC), the exposure draft of Chinese Sustainability Disclosure Standards for Business Enterprises – Basic Standard newly issued by Ministry of Finance of the People's Republic of China. Based on that, we communicated with external experts and consultants to identify and establish our pool of sustainable development issues of 2023. After the discussion in 2023, we have identified a total of 16 key topics that are closely related to the sustainability of xFusion and disclosed these topics as highlights in this report. We analyzed and assessed these key issues, considering whether the stakeholders pay attention to them and their actual impact on the company's operation. Following the decisions of EMT, we have drawn up a matrix of key issues to provide a clearer guide to xFusion's work planning for sustainable development, which will be highlighted in the Sustainability Report.



02

Inclusive Computing

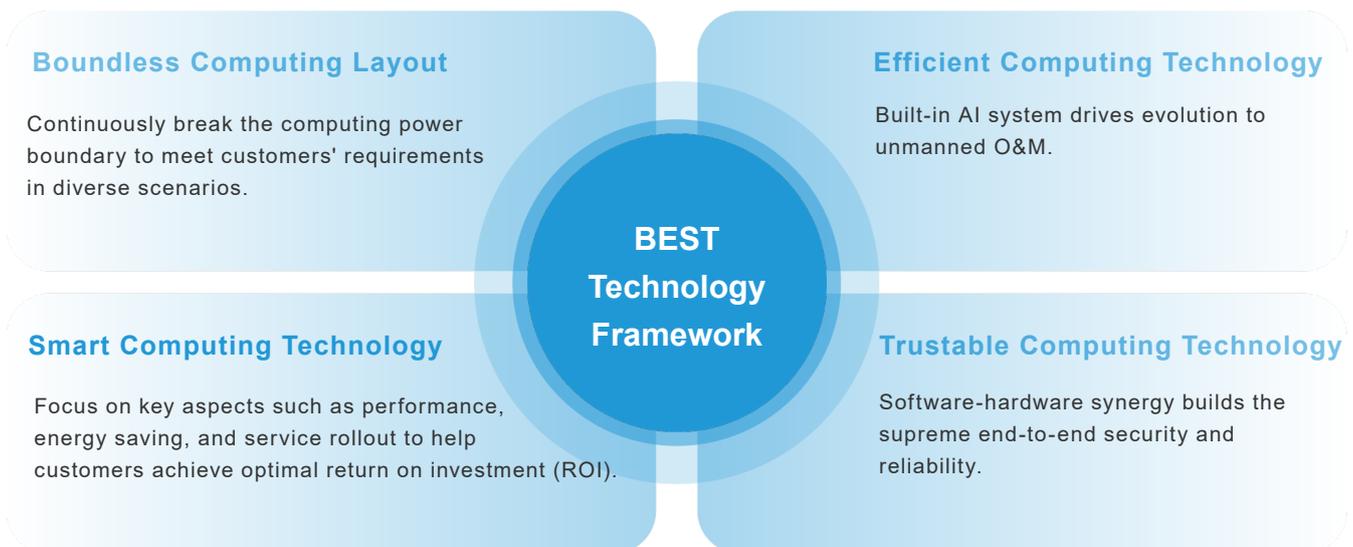
In 2023, artificial intelligence (AI) technologies, notably large models, have made a breakthrough. AI+ has become an important driver of a new round of industrial innovation and digital transformation, significantly changing people's work, life and study. As the foundation of digital economy, computing has played a crucial role in supporting the process of digital transformation across various scenarios and industries. xFusion is also committed to promoting technological upgrades of products through ongoing research and innovation, serving the era of smart computing and supporting the sustainable development of digital economy with sustainable computing.

Contributing to the UN SDGs



2.1 Exploring Sustainable Inclusive Computing

As an important approach to promoting sustainable development, technological innovation plays a significant role in improving the efficiency of resource utilization, and is also crucial for industrial upgrading and economic development. In the face of the increasingly prominent contradiction between computing and power, xFusion adheres to exploring the solutions through the innovation, firmly upholds the computing development strategy of the open ecosystem and secure heterogeneity. In this year, we have proposed the Boundless, Efficient, Smart, and Trustable (BEST) technological framework, which literally refers to boundless computing layout, efficient computing technology, smart computing technology, and trustable computing technology. The framework facilitates the technological innovation and capability upgrading. Based on the innovation of technology, we strive to improve the energy efficiency of computing products, continuously develop new green digital products to enrich components and ecosystems, and provide integrated applications of products and solutions to serve the sustainable and digital transformation of economy and society.



Boundless Computing Layout

Over the past year, the requirements of computing industry have undergone huge changes. AI technologies such as AI-Generated Content (AIGC) and large models have led to a surge in computing requirements. New scenarios and architectures such as the cloud gaming, live streaming, cloud rendering, digital twins, and metauniverse have driven the variety of computing requirements. The computing of single CPU cannot meet market demands.

In the face of demand changes, xFusion has continuously implemented the strategies of boundless computing, breaking the boundaries of CPUs, servers, and datacenter based on the self-developed software and hardware, core technology and vertically-integrated solutions. Ultimately, we have provided diversified and efficient computing to meet the customers' fast-growing demands in all digital scenarios. We are advancing upgrades of hardware such as CPUs, DIMMs, PCIe cards, along with upgrades of software such as BMC, BIOS, and cluster management. These efforts aim to provide users with enhanced computing performance.

Meanwhile, we have innovated a full-series AI servers to meet customers' diversified computing demands such as supercomputing, graphic processing, AI training, and AI inference.



Efficient Computing Technology

In the face of ever-increasing density of single cabinets, xFusion has established the end-to-end high-efficient computing from power supply, heat dissipation, interconnection, energy conservation and operation & maintenance (O&M) to provide customers with green computing service. Our 3,000 W gallium nitride ultra-titanium power supply unit (PSU) is the world's first power-density power supply with 15% higher power density and 12.5% lower power loss than the industry average. As the only 3 kW dual-input titanium power supply in the R&D industry, it achieves 67% higher power efficiency than industry standards in N+N redundancy. The LAAC liquid-cooling auxiliary air-cooling technology improves the cooling capacity by 43%, and its innovative airfoil and high-efficiency fans increase the air volume by 50%. The exclusive self-developed software optimization technology helps customers achieve energy conservation and emission reduction to promote green computing applications. In addition, we use the processor Dynamic Energy Management Technology (DEMT), intelligent floating voltage technology, virtual sensor technology, Model Predictive Control (MPC) + Proportional-Integral-Derivative (PID) speed adjustment technology, efficient Voltage Regulator Device (VRD) energy-saving technology, and light-load efficient PSU technology to achieve the exceptional energy-saving performance in the industry under the same configuration and load. With innovative technologies for efficient computing, xFusion's products can support higher computing density, greatly improve computing efficiency, and ensure the continuous evolution of digital transformation.



Smart Computing Technology

The FusionOnline O&M supports online datacenter access, automatic fault reporting, and expert attendance 24x7 to ensure stable service operation. In addition, the built-in AI technology interworked with the intelligent management software drives the evolution of datacenters to unmanned operation & maintenance (O&M) and efficient datacenter operation. Traditional memory faults have great impact on the running of datacenter devices. In addition, the repair approach is so simple that memory fault can be rectified only by manual replacement. Our self-developed intelligent memory fault self-healing technology can greatly reduce the downtime rate of customers devices by continuous training of millions of training samples, continuous optimization of local real-time inference, and isolation and repair of hardware and software. In addition, the AI-powered intelligent fault diagnosis & management (FDM) is supported. Through comprehensive monitoring and intelligent analysis, it achieves system fault diagnosis accuracy as high as 96%. This capability supports rapid identification of fault causes, ensuring continuous and stable service operations while enhancing service efficiency.



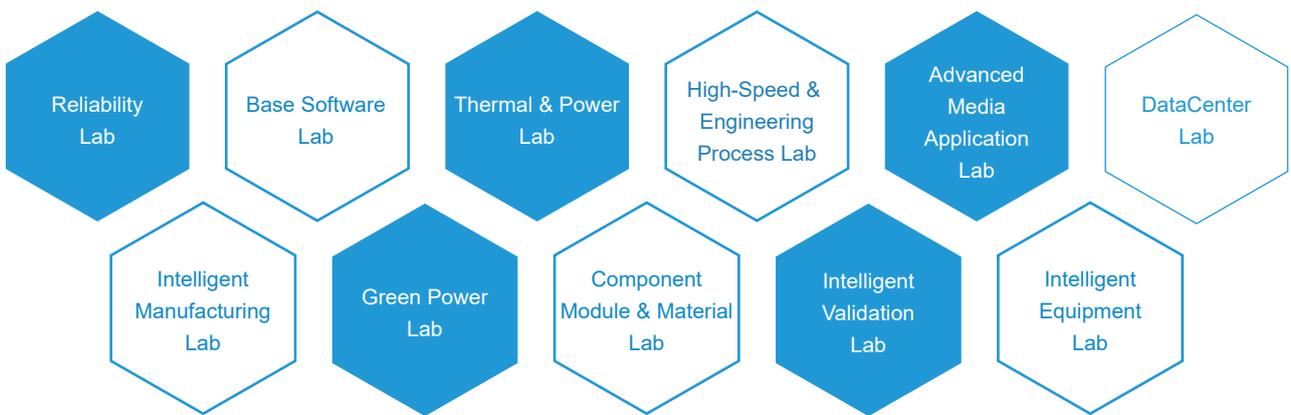
Trustable Computing Technology

xFusion continues to enhance its capabilities in safety and reliability technologies, providing customers with computing infrastructures that ensure high security levels in both hardware and software. Our self-developed Intelligent Baseboard Management Controller (iBMC) provides secure, intelligent, and easily-integrated stand-alone management systems for customers. The system robustness is strengthened to ensure the automatic recovery of firmware while realizing secure boot. At the same time, we have innovated reliability technologies, including the self-developed vibration resistance and noise reduction design, reliable power supply, and high current capabilities. These innovations have significantly reduced the hardware failure rate. In addition, our liquid-cooling reliability technology enables level 3 reliability with automatic liquid leak isolation, making it the industry's first TÜV Rheinland reliability certification.



Eleven Innovation Labs

During the reporting period, we successively obtained the titles of Henan Engineering Technology Research Center and Henan Enterprise Technology Center. Our xLAB in Dongguan Songshan Lake has obtained the Laboratory Accreditation Certificate (Registration No.: CNASL17556) from China National Accreditation Service for Conformity Assessment (CNAS), continuously improving of hardware, software, engineering, and security capabilities in xFusion.



2.2 Inclusive Computing for Industry Upgrading

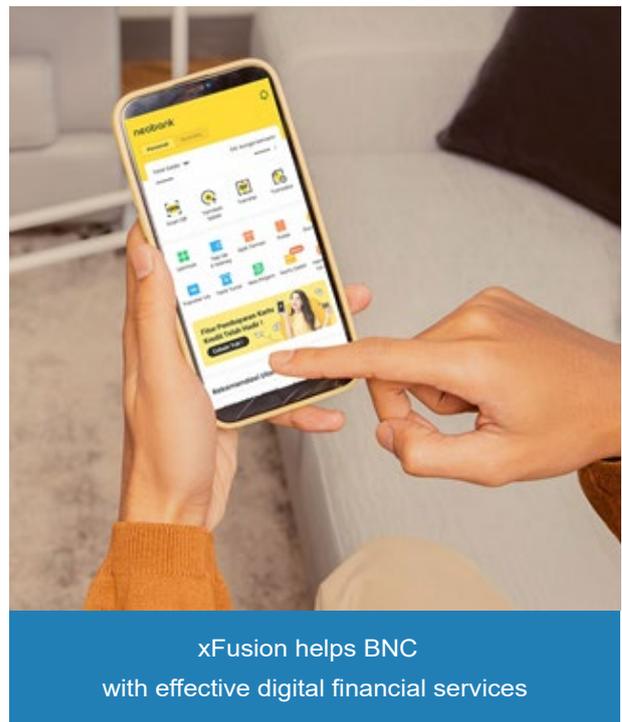
Economic growth, social development, and climate action depend a lot on investment in infrastructure, sustainable industrial development, and technological progress. In the face of the fast-changing global economic pattern, sustainable growth must involve sustainable development of industrialization, which is sustainable development for all. Computing is an important base for promoting sustainable and high-quality industrial development. Especially in the AI era, intelligent computing, as an important focus of new quality productive forces, is profoundly changing the structure and production methods of traditional industries. xFusion actively works with customers and partners to transform and upgrade the industry with the inclusive computing infrastructure and computing service solutions.



2.2.1 xFusion Helps Bank Neo Commerce Business Transformation

As a pioneer in digital banking, Bank Neo Commerce (BNC) is committed to providing customers with reliable, stable, and firm financial services. As the number of BNC customers increases, the growing businesses threaten its traditional datacenter infrastructure. The demand for reliable and scalable secure datacenters that support multi-domain operations has gradually increased. To this end, BNC has established a partnership with xFusion. With the help of our integrated solution centered on FusionServer 2288H servers, BNC provides essential transaction management tools for routine services and minimizes resources for maintenance and management.

To meet the unique requirements of BNC, we design high-performance network solutions to ensure fast data transfer and effective communication, provide a safety net for BNC operations, and effectively improve the operation efficiency by 50%. The DrMOS technology and cooling system developed by xFusion can save energy by 8% under the same configuration and workload, setting a benchmark for energy efficiency and saving a large amount of power costs. This provides an economical and eco-friendly solution for BNC. In addition, BNC uses xFusion proprietary PSUs to effectively reduce power losses by 12.5% and reduce power failure by 50%, achieving the new industry standard. With the support of xFusion infrastructure, BNC maintains its competitive edge to provide customers with outstanding digital solutions for financial services, which promotes the innovative development of banks.



2.2.2 xFusion Serves LG U+ with Business Innovation

LG Uplus (LG U+) is one of the top three telecoms in South Korea. To upgrade its user services, LG U+ has launched an innovative AI-driven Closed-Circuit Television Service called Smart CCTV. It helps enterprise customers store live and recorded videos in the cloud. It also enables users to utilize some intelligent functions via PC and mobile devices, such as video search, intrusion detection, and fire detection. However, Smart CCTV services have led to a surge in video traffic, posing significant challenges to the maintenance and responsiveness and stability of LG U+'s existing infrastructure.

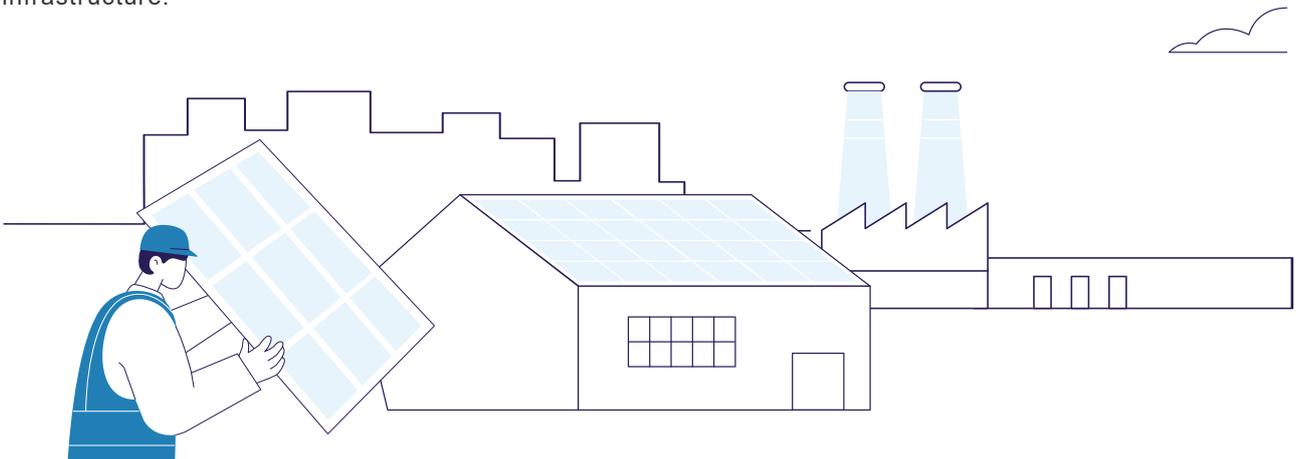
To help LG U+ meet these challenges, xFusion provides LG U+ with a comprehensive computing infrastructure and service solutions. The reliable hardware of FusionServer and powerful server management software iBMC ensure the stable 24/7 operation of the LG U+ smart CCTV service. iBMC provides advanced management functions, including accurate hardware fault location and automatic remote alarming. These functions improve troubleshooting efficiency during peak hours and optimize user experience while reducing operational stress. In addition, the FusionServer series uses the innovative xFusion energy-saving technologies to significantly reduce power consumption and operating costs, such as intelligent power consumption management, component hibernation, PID fan speed control, and active/standby PSUs.

To improve compatibility of key LG U+ applications, the xFusion engineering team quickly customizes FusionServer series to support these OS versions, introduces long-life components to improve reliability, as well as promotes effective communication between servers running different OSs. These adjustments provide LG U+ with a wider choice of OSs to prolong the system life and reduce upgrading and migration costs, which helps LG U+ carry out Smart CCTV service successfully.

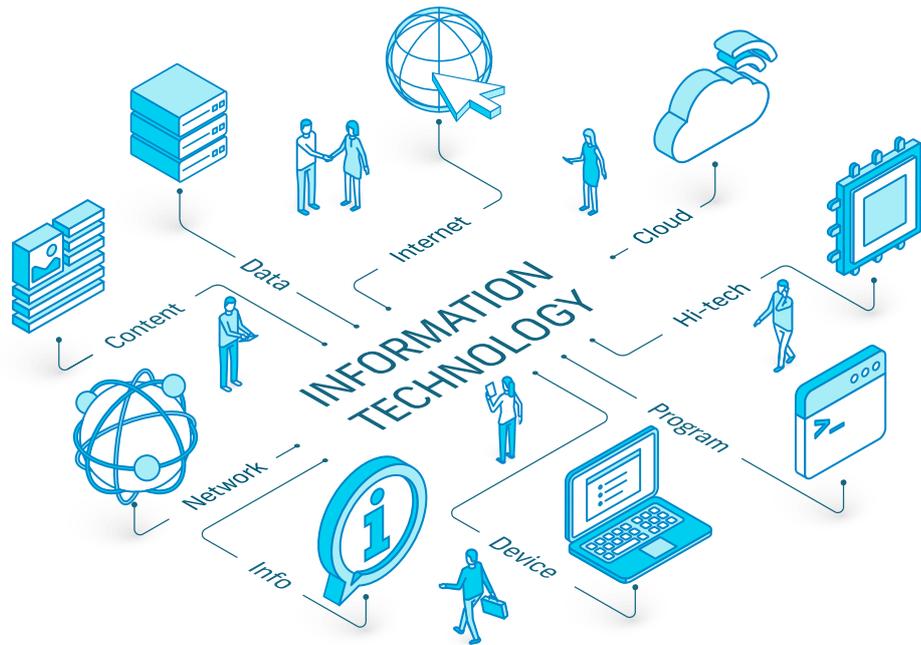


2.2.3 xFusion Helps Prutex Nylon Intelligent Manufacturing Transformation

With the expansion of business, manufacturing enterprises often build branch factories in different regions to better serve the local market. Meanwhile, more and more complex, random, and unexpected problems have appeared in front of the enterprises. To ensure reliable system running and smooth communication between the headquarters and branches, it is a top priority to renovate and upgrade the traditional infrastructure.



Zhejiang Prutex Nylon Co., Ltd. (hereinafter referred to as "Prutex Nylon") is an integrated nylon enterprise with a complete industry chain in China, including spinning, weaving, dyeing, printing, and other related businesses. With the expansion of the production scale, Prutex Nylon actively promotes its digital transformation, but encounters many challenges such as difficult O&M, low resource utilization, and high expansion cost. To address the challenges faced by Prutex Nylon during its digital transformation, xFusion provides a hyper-converged solution for the manufacturing industry. This solution integrates the FusionOne HCI core software with the FusionServer series servers and standard Ethernet switches, providing a simplified architecture that can facilitate robust business transformation for our customers.



Unified O&M

Through software-defined methods, we replace proprietary hardware with virtualized computing, storage and network. Computing, storage, and network resources are monitored and managed on a unified O&M management interface, which reduces O&M difficulties.

Maximized resource utilization

Computing and storage resources can be flexibly allocated based on actual business needs to maximize resource utilization efficiency.

Flexible expansion

Based on the unified hyper-converged IT architecture, customers can smoothly expand capacity on demand. Compared with servers and traditional centralized storage, the total cost of ownership (TCO) is reduced by 15%.

2.3 Inclusive Computing for Science and Education Development

Ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all is an important part of the UN SDGs. Utilizing big data, AI, and network technologies breaks through the time and space limitations of education to quickly replicate and disseminate educational resource in various ways. To boost the development of quality education, it is important to promote educational equity, improve the quality of educational, and build a ubiquitous learning environment to achieve lifelong learning for all. xFusion is committed to implementing computing infrastructure and computing service technology to advance the quality of scientific research and teaching for numerous teachers and students from colleges and universities both at home and abroad.

2.3.1 xFusion Helps Technische Universität Ilmenau Upgrade Its HPC Platform

Founded in 1894, Technische Universität Ilmenau (hereinafter referred to as the "TU Ilmenau") is a well-known national technical university in Germany and ranks among the best in Germany in many disciplines. As the number of students on its campus is growing, TU Ilmenau's existing datacenter cannot meet the daily learning requirements of teachers and students. The severe shortage of computing resources has led to the bottlenecks in computing and network speeds. TU Ilmenau datacenter expects to expand the capacity of the computing center by optimizing the existing computing platform with a solution that would improve both performance and speed of data access.

xFusion provides TU Ilmenau with a comprehensive High Performance Computing (HPC) solution and delivers it quickly within six weeks, ensuring efficient and smooth upgrade of the TU Ilmenau HPC platform.

Energy saving

8%



The high-density design achieves flexible deployment. This design also reduces energy consumption by 8% compared with the industry average under the same configuration and load by using efficient power supplies, MPC-PID intelligent fan adjustment, and virtual sensor. Moreover, it is equipped with both energy-saving and heat dissipation capabilities, which greatly improves the computing density of HPC nodes.

I/O density

10%



The specially-designed server uses the industry's first high-density connectors and modules dedicated for high-density deployment. It supports up to 150 W power per slot and slot detection, increasing the I/O density by 10%. This solution supports the latest networking devices with full bandwidth and adopts the advanced networking solution to ensure high-speed data transmission between new compute nodes and existing HPC nodes.



The collaboration between TU Ilmenau and xFusion demonstrates HPC's strength in driving the development of technology, scientific research, and academic training. Our collaboration not only accelerates scientific breakthroughs and innovation, but also provides universities with a superior computing infrastructure. The establishment of this HPC platform heralds a promising era where academic exploration and technological progress drive interdisciplinary breakthroughs and development.

– Professor Henning Schwanbeck
Principal Research Engineer of TU Ilmenau Computer Centre

2.3.2 xFusion Drives the Evolution of Peking University's HPC Platform

As a genuine base of scientific innovation, the HPC platform is an important backup for colleges and universities to improve the teaching and research level, carry out high-level scientific research, and cultivate innovative talents. Peking University attaches great importance to the role of scientific computing in improving the level of scientific research and promoting engineering technology innovation. As early as 2018, it built a high-performance computing university-level public platform to provide high-performance scientific and engineering computing services for the whole university, and to meet the requirements for large-scale data processing and scientific computing in various disciplines. With the increasing number of users, computing tasks and data, the network infrastructure performance of the original platform of Peking University cannot meet the requirements. To meet this requirement, xFusion and Peking University jointly innovate in the field of scientific computing to provide a high-performance and high-quality computing platform for teachers and students of Peking University.

The solution combines FusionServer series servers and full liquid-cooling datacenter that is equipped with intelligent and lossless computing network. The datacenter adopts a mixed mode of air-cooling and liquid-cooling, and its power usage effectiveness (PUE) reaches the leading level in China. The solution provides 1.43 PFLOPS computing and 4.5 PB storage capacity, greatly improving computing performance and shortening the time of job operating and queuing. The implementation of the solution promotes the network technology exchange and the development of computing platforms of global universities, which sets an example for the construction and upgrading of the IT infrastructure in universities.



03

Security and Trustworthiness

As a world-leading computing infrastructure and service provider, xFusion is aware that security challenges are becoming more severe and cyber security for computing infrastructures is becoming increasingly important as the digital economy continues to develop rapidly. xFusion understands and pays close attention to the keen concerns of regulators and customers. In response, it takes effective measures to improve the security and trustworthiness of products and services and to help customers avoid and reduce security risks.

Contributing to the UN SDGs



3.1 Building a Cyber Security Governance Framework

Referring to applicable laws, regulations, and mainstream standards, we have formulated cyber security governance principles and a general policy to protect cyber security and personal data and to safeguard business activities for stakeholders such as customers, suppliers, partners, and employees. For details about the principles and the policy, see the *Statement on Establishing a Global Cyber Security Assurance System*⁴ and the *xFusion General Privacy Protection Policy*⁵.



We have established the Compliance Management Committee (CMC) that acts as the company's highest authority on compliance management. The CMC is responsible for deciding on and approving the company's overall strategy for cyber security and privacy protection. Moreover, we have a Risk Control Officer (RCO) of Cyber Security and User Privacy Protection, who is responsible for leading his or her team to develop a cyber security and privacy protection strategy and policies, and for managing and supervising the implementation of cyber security and privacy protection in business domains. The officer also drives communication with stakeholders such as governments, customers, suppliers, partners, and employees.



3.2 Laying a Solid Foundation for Cyber Security Governance

xFusion attaches great importance to vulnerability management. It promptly detects vulnerability information and traces it back to the affected versions quickly and accurately throughout the product/solution lifecycle, and releases vulnerability patching measures for affected customers to mitigate risks. xFusion product and solution incident response team (PSIRT) handle suspected vulnerabilities in xFusion products in accordance with industry standards such as ISO/IEC 30111 and ISO/IEC 29147. In 2023, xFusion detected eight vulnerabilities, and completed investigation for each of them within 24 hours. Customers paid great attention to two of the eight vulnerabilities. In response, xFusion released security notices on the two vulnerabilities in time. In addition, xFusion released 75 CVE notices for FusionOS in 2023.

⁴ For details about the *Statement on Establishing a Global Cyber Security Assurance System*, visit <https://www.xfusion.com/en/compliance/cyber-security/cyber-security-declarations>.

⁵ For details about the *xFusion General Privacy Protection Policy*, contact legal@xfusion.com.



Intel's disclosure of its high-risk CPU vulnerability (CVE-2023-23583) triggered xFusion's security emergency response process⁶. The PSIRT team completed the vulnerability investigation within 24 hours, worked out the vulnerability repair plan within three working days, and released the patched version according to the SLA requirements.

We have continued to refine our privacy compliance framework. We have passed 37 security/privacy certifications or qualifications, covering management systems, product security testing, security technologies, and emergency handling. In addition, we participated in the formulation of security white papers issued by the Firmware Industry Innovation Alliance and the Global Computing Components (GCC).

xFusion has released the IPD privacy protection requirements by referring to relevant laws and standards such as GDPR, ISO/IEC 27701, GAPP, ENISA *Privacy and Data Protection by Design - ENISA*, and NIST *Privacy Framework*, covering seven privacy protection principles and five privacy risk control objectives. It observes the privacy protection principles throughout the six R&D phases and provides customers with products compliant with privacy-related laws and regulations. xFusion has identified 193 items of general personal data of employees in 25 categories and 20 items of sensitive personal data in five categories and implemented five-grade risk management. It has maintained a good record of zero complaints. The xFusion Employee Behavior Guidelines specified that employees shall comply with 12 types of behavior norms and fulfill their data protection responsibilities for customers and partners.



In terms of privacy protection in O&M management scenarios, we have set 26 types of check items for enterprise O&M services and 16 types of check items for remote access services. We have obtained the ISO/IEC 27701-2019 Privacy Information Management System (PIMS) certificate. We have maintained a track record of zero privacy issues reported by employees, customers, and partners across different countries and industries.

We have been building native security capabilities. By integrating deep software and hardware development capabilities, we have built a hardware-to-software security protection system, which serves as a solid security base for digital infrastructure.

⁶ For details about xFusion security emergency response process, visit <https://support.xfusion.com/psirt/en/vulnerability-response-policies>.

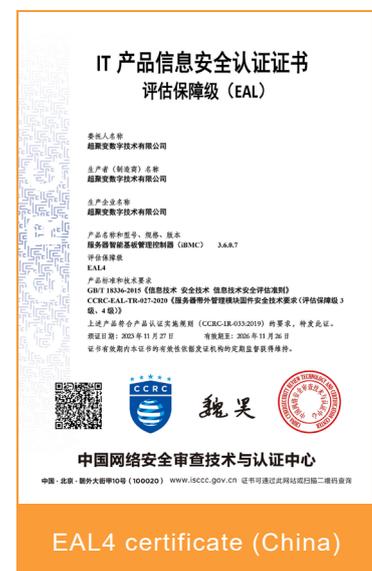
As a bridge between hardware and software in information industry, the operating system (OS) plays a key role in ensuring system security and data security. FusionOS, the server operating system of xFusion, has earned the Multi-Level Protection Scheme 2.0 (MLPS) level 4 certification (highest certification level for OSs in China), which means that FusionOS delivers leading security and reliability.

xFusion server management software iBMC has officially passed the security assessment of the UL Solutions lab and obtained the CC EAL4+ certification. UL Solutions is a world-renowned independent certification body, and the CC EAL4+ certification is globally authoritative IT security evaluation criteria. xFusion is the first in the world to obtain the CC EAL4+ certification in the x86 server field. The iBMC has passed the certification of the China Cybersecurity Review Technology and Certification Center (CCRC) and obtained the EAL4 security certification (the highest level of assurance in China). This indicates that xFusion iBMC is industry-leading in information security assurance.

Information and identifiers of products and services are important ways to remind customers of the potential safety and health risks of products and corresponding protective measures. xFusion effectively conveys relevant information such as health and safety risks and protective measures to customers through certification marks, instructions, and manuals of products and services.



CC EAL4+ certificate



EAL4 certificate (China)

Comprehensive and in-depth staff education training available for employees

Targeted training is provided for employees in key positions. Our employees in key positions are classified into five types: software development, technical support, manufacturing, order management, and IT equipment development, operation, and maintenance. Tasked with cyber security and privacy protection requirements, these employees receive at least one targeted training session on cyber security and privacy protection every year. Records of the training sessions are archived. In addition, we regularly (monthly or bimonthly) review the list of employees and their access rights and promptly revoke employees' access and permissions upon their departure from the company.

Basic cyber security and privacy requirements are communicated to all employees. For example, in 2023, the following measures were taken to communicate the requirements: We organized a series of courses called "Security Lectures" which benefited more than 500 people. We set up the Cyber Security and Privacy Protection knowledge community. We promoted security knowledge and hot issues for more than 50 times using the internal public account. We held attractive events such as expert lectures, knowledge contests, and technical conferences for employees to boost their security awareness and professional capabilities. By 2023, xFusion has developed and offered 35 general and targeted security and privacy protection courses and exams, covering all employees.



Covering all employees

3.3 Cooperating with Other Key Players on the Industry Value Chain for Better Security and Trustworthiness

As an active contributor to development of technical standards, xFusion cooperates with supply chain partners, industry partners, and open-source communities in various fields to build secure and trustworthy ecosystems in an open and win-win manner.

Participating in standard formulation

xFusion played a key role in the formulation of the Cyber Security Technology — Security Evaluation Method for Open Source Code of Software Products (GB/T 43848-2024), a National Standard of People's Republic of China. With membership of three security working groups of China National Information Technology Standardization Network (NITS) TC260, xFusion attended more than five standard workshops, participated in development or review of standards for digital security, commercial passwords, and confidential computing, and provided more than 90 review comments. It took the lead in the development and release of the BMC Security Technical White Paper as a member of the working group of the Firmware Industry Innovation Alliance.

Working with partners to build joint security solutions

As a prominent contributor to server OSs and security software, xFusion joined hands with NSFOCUS (300369.SZ) to develop joint solutions based on xFusion's server OS FusionOS and multiple network security products of NSFOCUS. The joint solutions feature fast compliance standards (such as MLPS 2.0 level 2), flexible scalability, and adaptation to multiple environments, providing customers with high performance, high reliability, and easy O&M.

Collaborating with partners to create and share sustainable ecosystem for a win-win future

xFusion and Beijing Rising (836598) jointly completed mutual recognition of certificates. The results of strict tests indicate that xFusion FusionOne hyper-converged infrastructure (HCI) solution and Rising Virtualization Malware Protection System V2.0 are fully compatible with each other. Featuring stable operation and excellent performance, they are ideal for customers who embrace digital transformation. Rising Virtualization Malware Protection System is the first enterprise-level cloud security protection solution launched by Rising in China. It effectively protects enterprise virtual systems and physical network environments from viruses.

xFusion openEuler-based BMC OS, a role model contributing to open source communities and filling the technology gap in china server os market.

– openEuler

The openEuler community together with China Industrial Control Systems Cyber Emergency Response Team (CICS-CERT), selected the Euler-based BMC-embedded OS of xFusion as the openEuler leading business practice project in 2023 since it filled the technology gap in the server BMC OS field. The openEuler community commented, "This is a small step for xFusion BMC OS, and a big step for the technology ecosystem." According to the IDC report, openEuler would take up 36.8% of the China server OS market in 2023, becoming the first piece of basic software gaining the highest market share in China.

xFusion was certified as compliant with OpenChain ISO/IEC 5230, the international standard for open source license compliance (the OpenChain program was initiated by the Linux Foundation to develop open source software supply chain standards and help enterprises worldwide solve open source compliance problems more efficiently). In addition, it obtained the first OpenChain Capability Certificate for Trusted Open Source Supply Chain in China server market. Its server management software iBMC obtained the first Product Capability Certificate for Trusted Open Source Supply Chain.



Cyber security management on suppliers

The management scope covers the entire process from development of the cyber security certification standards for suppliers to supplier PSIRT management. Over the past year, xFusion has assessed and managed cyber security risks of over 80 new suppliers worldwide. The suppliers have signed cyber security agreements/commitments. xFusion has built an end-to-end security system, including incoming material checks, manufacturing, and product delivery, and owned a supply chain tracing system which enables it to track software and hardware throughout the entire chain from incoming materials to customers. The tracing system effectively supports rapid issue rectification and risk mitigation. For example, the code of the Intel high-risk vulnerability CVE-2023-23583 was recorded in the system so that engineers can quickly find information about the purchased parts or open-source components when problems occur.



3.4 Business Continuity

In today's highly specialized society, xFusion's operation relies on a large number of third parties such as vendors and institutions. This makes business continuity critical. xFusion has developed effective measures regarding pools of supply resources, component selection, real-time IT system monitoring, and regular risk identification. These measures include supply resource backups (enabling Central China, South China, and overseas regions to respectively focus on their own customer attraction capability building and to quickly restore supply to customers using the backup supply), quick and effective alternative component selection solution, real-time monitoring of the MES system, regular supplier inspection, and supplier performance management (including quality system, corporate social responsibility or CSR, environmental protection, process, delivery, cyber security, and information security). xFusion can purchase materials/goods/service from a supplier in its pools of supply resources, designated by a customer, or determined on demand instantly (spot buy).



04

Environmental Protection

It is a shared responsibility of humankind to protect the eco-environment and promote sustainable development, and it is an inevitable choice to advance green development for coordination between social development and natural resources. xFusion firmly promotes green development and believes that only sustainable development can bring true sustainability. Specifically, we adhere to the principle of "sustainable development through green approaches and high-level environmental protection through measurable carbon emission reduction." Aiming at green digital transformation of service industries, we endeavor to promote energy conservation, carbon reduction, and environmental protection in an innovative and planned manner. In addition, we use our own development to accelerate the green economic and social transformation, fulfill our environmental responsibilities conscientiously, and create a virtuous circle of business value creation and environmental responsibility fulfillment.

Since its foundation, xFusion has been pursuing green development to proactively address climate and environmental challenges. We use our green computing based on leading IT technology to advance sustainable digital transformation by focusing on two areas: continuously advancing energy conservation and emission reduction and contributing to circular economy.

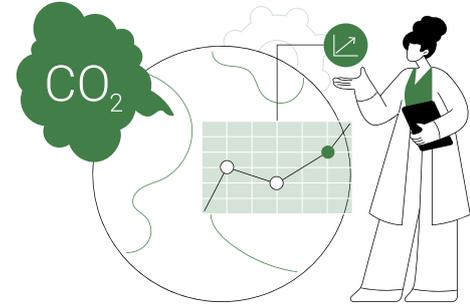
Contributing to the UN SDGs



4.1 Advancing Energy Conservation and Emissions Reduction

4.1.1 Green Operations to Tackle Climate Change

xFusion pays intense attention to collecting statistics on own carbon emissions in compliance with the Law of the People's Republic of China on Energy Conservation and the National Plan on Climate Change. By thoroughly investigating carbon emissions at the main operating sites, including offices, labs, and exhibition halls, we accurately calculated our baseline carbon footprint, identified the key sources of carbon emissions, and envisioned our potential in carbon emissions reduction. This has laid a solid foundation for future emission reduction.



Statistics on xFusion's greenhouse gases (GHG) emissions in 2023: The annual total CHG emissions are 13,336.70 tons CO₂ equivalent and the carbon density is 2.09 tons CO₂ equivalent/TFLOPS. TFLOPS stands for trillion floating-point operations per second. The statistical process was conducted according to the accounting system and methods defined in the *Greenhouse Gas Protocol Corporate Accounting and Reporting Standard*.

Based on the carbon emissions statistics, we will continue to actively undertake the responsibility of environmental protection, implement the green development strategy, reduce carbon emissions in all aspects of our operations, and rely on science and technology to protect the natural environment and promote green development.

4.1.2 Green Workplace

Building a Green Corporate Campus

Sticking to the concept of sustainable coexistence between people, buildings, and the environment, we make full use of natural resources to relieve the burden exerted by buildings on the environment and to provide a safe, healthy, comfortable, and environment-friendly workplace. xFusion corporate campus, which serves as the company headquarters and an R&D center, features a unique blessed natural landscape with rich water resources and geographical advantages. Livability, resource conservation, health, and comfort are prioritized in the campus design which conforms to the one-star green building standard. The enclosed natural landscape of the headquarters and well-designed artificial greenery form a large-scale inward garden. The garden and a connected vertical courtyard constitute an eco-friendly and comfortable campus. Dense tree canopies in the park slow down rain and ease the heat island effect. A sponge city design enhances the permeability of green belts and the rain garden. Native plants in the campus enrich biodiversity, enabling employees to have close contact with the nature.

⁸ The current CHG statistical data was collected from xFusion's office areas, exhibition halls, and labs in China.





R&D center and headquarters

We are committed to creating a diverse, low-carbon workplace. The unique campus design combines eco-environment protection with modern aesthetics using innovative technologies in compliant with sustainable building design principles.



Design efficient building envelopes to reduce heat transfer losses.

Adopt a green garden system to slow down the flow of rainwater and strengthen the insulation function of the building roof.



Use unitized curtain walls made of eco-friendly materials and recyclable materials to reduce the environmental impact of the building.

Increase the window area on building facades to take advantage of natural ventilation and daylight and reduce the need for mechanical ventilation and artificial lighting.



Use local materials to decrease carbon emissions from transportation.

Install charging piles for electric vehicles and construct pedestrian walkways to reduce emissions



To maximize energy efficiency of buildings, we will equip the campus with energy-saving equipment such as lighting equipment, photovoltaic equipment, frequency conversion equipment, and district heating and cooling systems. In addition, a rainwater collection system and water-saving sanitary fittings will be deployed for efficient recycling.

The campus will use a smart building management system to comprehensively manage energy consumption of buildings and optimize the use of energy and resources. Regular maintenance and inspection will be

performed to keep efficient system operation. Providing training on green building knowledge for users, we encourage them to save energy and water and to jointly build a low-carbon green campus.

Advocating for Low-Carbon Daily Operations

xFusion released and updated the xFusion Regulations on Energy Management and the xFusion Regulations on Use of Air Conditioning and Lighting Equipment during the report period based on its energy conservation and environmental protection goals and related requirements to strengthen energy management and further optimize green operation management.

Dynamic energy consumption management and intelligent air-conditioner adjustment are implemented for improved energy efficiency in office areas. In addition, to avoid unnecessary energy waste, power-on and power-off of office lighting systems are scheduled and patrols are carried out to promptly turn off lights in office areas where no employees are present.

To reduce the carbon emissions from business travels, xFusion encourages employees to share rooms and provides subsidies for those doing this. In addition, conference rooms are equipped with teleconferencing equipment. We encourage employees to hold remote conferences using the equipment for less business trips and actively advocate for green business travels.

Organizing Training on Environmental Protection

We hope to pass on the concept of green development to every employee through our own actions. During the reporting period, visual signs were posted at key positions in office areas to remind employees to develop environment friendly habits.

xFusion distributed publicity (such as publicity pictures) to all employees to promote energy conservation, consumption reduction, and green environmental protection and to spread feasible environmental protection measures. It regularly recorded uncivilized behaviors in office areas and disclosed the records to employees to raise employees' environmental awareness of environmental protection and urge employees to work and live in a green way.

During the reporting period, xFusion launched 29 publicity campaigns to promote green workplace, covering more than 2800 person-times. It also sent online posters on saving energy and water to all employees for 21 times, covering more than 4,300 person-times. These measures effectively improved employees' environmental awareness.

During the reporting period

29 publicity campaigns to promote green workplace, covering more than **2800** person-times.

Online posters on saving energy and water sent to employees for **21** times, covering **4300** person-times.

4.1.3 Green Manufacturing

xFusion follows the creative concept of clean manufacturing, and continuously applies the prevention-oriented environment strategy to the manufacturing process and adopts low-carbon manufacturing to increase eco-efficiency and mitigate environmental risks.

Pollutant Treatment

xFusion leverages advanced processes, equipment, and pollution treatment technology. In accordance with the "three simultaneous" guidelines, it regulates waste discharge management and invites external organizations to monitor its environmental indicators regularly.



1. Wastewater discharge

The company uses municipal water and adopts ultrasonic cleaning in manufacturing. Therefore, it does not discharge industrial wastewater. Domestic wastewater is processed in septic tanks first and then discharged into the municipal sewers for centralized disposal. A small amount of cooling water is used by air conditioners for refrigeration. The cooling water is fully recycled and is not discharged to the natural environment.



2. Waste gas discharge

Waste gases produced in manufacturing such as particles, tin and its compounds, and non-methane hydrocarbons are disposed of by the waste gas treatment facility on the roof of the factory building and then discharged once they meet the required standards.



3. Solid waste

The solid waste produced in the manufacturing process is classified into general solid waste, hazardous waste, and domestic waste. General solid waste is temporarily stored in a dedicated temporary storage room from which designated recycling companies regularly remove the waste for recycling. Hazardous waste is stored in a dedicated temporary storage room from which certified companies regularly collect and dispose of the waste in a harmless way. Domestic waste is collected to garbage cans and then handed over to the sanitation department for disposal. All the solid waste is reasonably disposed of without secondary pollution.



We have established, implemented, and continuously polished a process control management system for hazardous substances. This system features a three-layer (strict certification, systematic prevention, and continuous improvement) protection network. With this system, xFusion implements rigorous certification on suppliers and materials to ensure that selected suppliers and materials meet xFusion environmental protection requirements. To effectively reduce environmental risks from suppliers, we urge our suppliers to improve their environmental protection technology and management capabilities by taking regular managerial measures (such as environmental risk

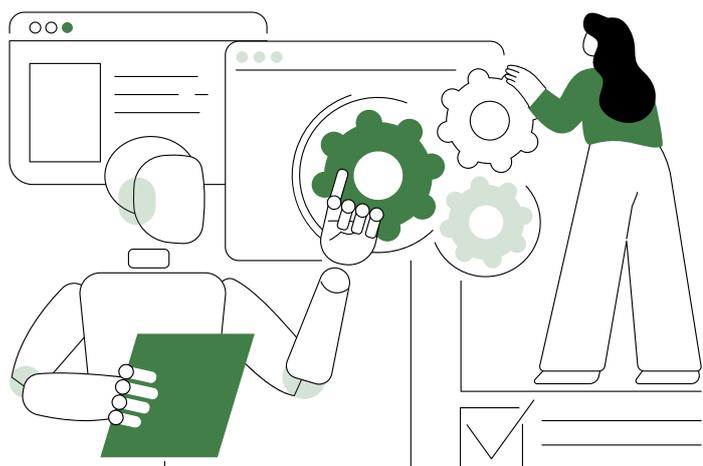
assessment, environmental protection system self-check, and environmental protection redline management for suppliers, as well as environmental inspection on high-risk suppliers). Emphasizing green, value-based, and scientific purchasing, we require suppliers to pass the ISO 9001 and ISO 14001 certifications and incorporate the management requirements in CSR and RoHS environmental protection systems into our supplier certification standards. We continuously optimize the environmental protection management system for purchased materials to constantly improve the environmental compliance of purchased materials. We have passed the third-party certification by Guangdong Zhong Ren Lian He Certification Co., Ltd. (certificate number of ZRC22HSPM0011R0M).

Technology, Process, and Equipment

In terms of manufacturing, we use manufacturing equipment from world-leading vendors and AOI/X-Ray and other testing equipment to ensure the quality of products. We carry out "zero defect" activities to uplift our First Pass Yield (FPY) and to lower energy consumption and generated waste. We actively boost automated manufacturing to increase production efficiency. Specifically, we transform the manufacturing process toward intelligence using science and technology.

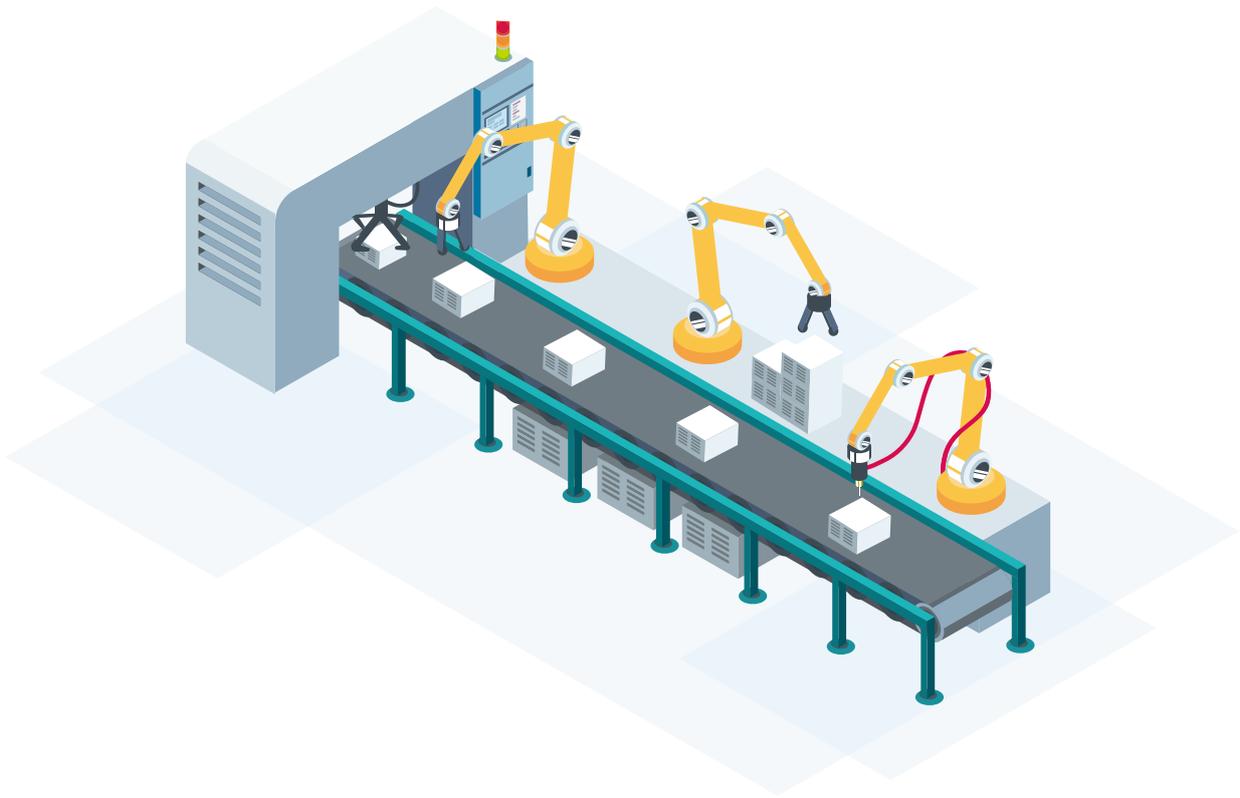
1. Accurate energy control

For enhanced energy efficiency, xFusion reduces labor input and energy consumption and accurately controls energy input and output.



2. Standardized work

Automated equipment can improve the yield and avoid quality issues caused by workers' fatigue and negative emotion resulting from long working hours and highly repetitive work in the manual manufacturing process. With control technology, robots, and clear production standards, it boasts improved manufacturing quality, higher yield, less defective products, and less waste. In addition, the automated assembly line automatically sends its finished products to the testing line, which reduces material turnover, saves vehicles and labor used for material transportation, and effectively optimizes the production structure.



Automated server assembly line (schematic diagram)

Green Warehousing and Logistics

xFusion actively engages in the shift toward low-carbon development. Pursuing green warehousing and logistics, it reduces energy consumption in warehousing and logistics, helping enterprises continuously improve their green development and contributing to the society's shift toward green development.

xFusion adopts a green packaging design strategy known as "6R": Right, Reduce, Returnable, Reuse, Recovery, Recycle, among which "Right" is the most important. Specifically, we aim to develop right packaging designs featuring sufficient protection for products, reduced package footprint, recycling of packaging materials, and less waste packaging materials to cut packaging, logistics, and waste disposal costs and achieve energy conservation and emission reduction throughout the lifecycle of product packaging.

"6R" green packaging design strategy



Right & Reduce

Reduce the use of packaging materials and cut packing & transportation costs by continuously pursuing suitable packaging designs that feature lightweight materials and small footprints.

Measures:

- Methods such as LCA, CAE/CAO, and logistics scenario analysis and research on the application of processes.
- Paper instead of wood, transparent packaging, and aggregate packaging.

Returnable & Reuse

Enable packaging materials to be used for longer by setting up an effective recycling system.

Measures:

- Standardization of packaging recycling and tools and third-party logistics mode
- Research on the application of RFID tags

Recovery & Recycle

Reuse resources and energy by using eco-friendly and renewable materials as much as possible.

Measures:

- Material recycling: wood/paper→pulp→corrugated cardboard; Plastic→pelletizing→molded plastic
- Energy recycling: heat and biomaterials

To achieve the objectives of logistics management: low pollution, low consumption, low emission, high performance, high efficiency, and high benefit, we optimize the supply chain by removing unnecessary nodes on the chain. For example, we directly deliver boards to the assembly factory. This eliminates board storage in the central warehouse, extra board processing in the factory, and relevant vehicle scheduling, releasing space in the central warehouse and improving. Improving transportation efficiency. In addition, electric forklifts are used in warehouses and vehicles that meet China VI vehicle emission standards are used for road transportation to reduce vehicle exhaust emissions. The intelligent loading model improves the vehicle load rate, reduces the number of used vehicles, and decreases waste during transportation, contributing to green logistics.

Aggregate packaging is adopted for goods such as boards and chassis for more convenient transportation and delivery of the materials, reducing the package footprint by **50%**.

The shift from non-recyclable packaging to aggregate packaging featuring recyclable packaging materials reduces the investment in packaging materials by over **80%**.

Recyclable boxes and pallets are used for material transportation between suppliers' sites, warehouses, and factories, covering **70%** of business scenarios.

4.2 Contributing to a Circular Economy

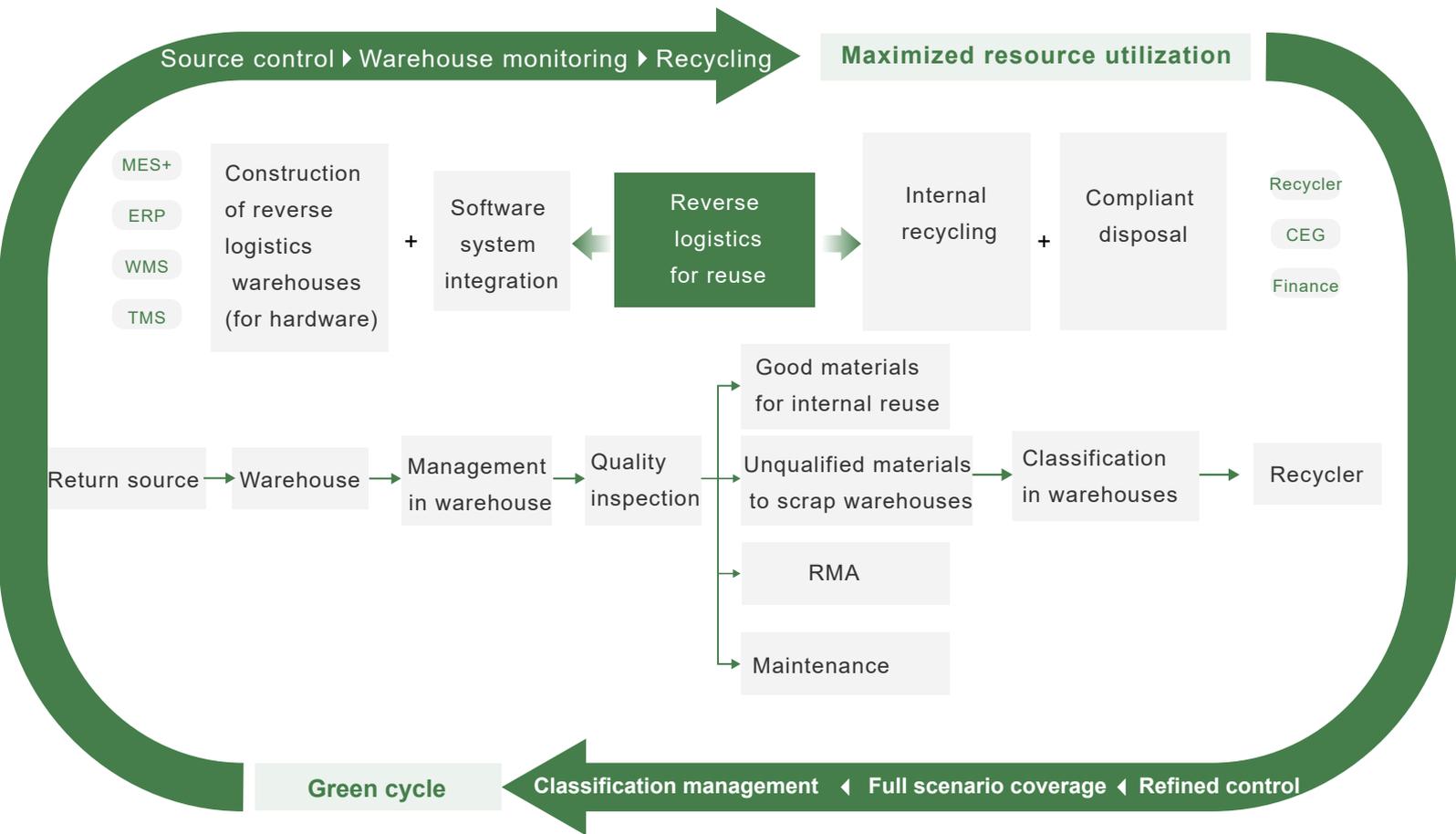
4.2.1 Circular Economy

Product post-lifecycle management plays a key role in green development. Effective product post-lifecycle management can not only reduce the environmental impact of products, but also promote recycling of resources and reduce the dependence of enterprises on natural resources. xFusion attaches immense importance to product post-lifecycle management. It launched a comprehensive post-lifecycle management solution during the reporting period, aiming to set a role model of green development in the computing infrastructure industry.



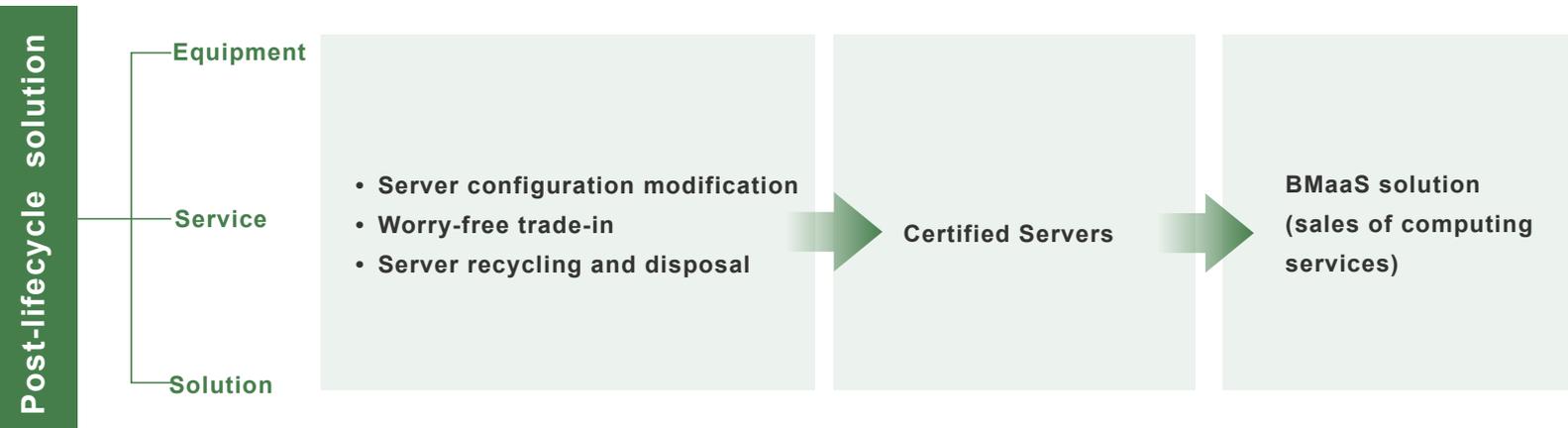
Through green design and product lifecycle management, xFusion has achieved an industry-leading product material recycling rate of more than 90%. For better recycling of products, xFusion launched a worry-free trade-in program to encourage partners to recycle its products. With this program, it has achieved recycling and reuse of some products and components with partners' help. Recyclable components, such as the drive backplanes, power supply backplanes, mainboards, drives, and RAID controller cards, are returned to xFusion along the supply chain (reversely) for inspection, repair, or recycling.

xFusion proactively builds warehouses in reverse logistics and improves its reverse logistics management, especially management of warehouses and materials inside. It adopts professional methods to determine whether faulty and scrap materials are worth recycling. Physical materials worth recycling and compliant with quality standards for good parts are recycled internally for maximum resource utilization. Materials that are not repairable or worth recycling are sorted and managed in detail based on their material attributes, and then disposed of by different certified companies by category. In this way, recycling and reuse scope is extended to the maximum extent.



4.2.2 Product Recycling and Reuse

To make better use of old servers, we comprehensively manage the recycling, dismantling, and reuse of our products. We hope to provide customers with higher value and bring more benefit to the society with less resources through systematic management.



xFusion Certified Servers

In the reporting period, xFusion introduced the Certified Server solution based on its comprehensive post-lifecycle solution to extend the lifecycles of its components and products. This solution enriched xFusion's services for promoting circular economy (such as server configuration modification, trade-in, recycling, and disposal). xFusion also cooperated with professional external organizations to recycle long-life components with stable quality, for example, CPUs, memory modules, and I/O cards. xFusion Certified Servers are produced using these recycle components, new quality-sensitive consumable components such as hard disk drives (HDDs) and solid-state drives (SSDs), new energy components (such as PSUs), new chassis, new packages, and accessories (such as manuals). With the Certified Servers, xFusion can better meet diversified computing requirements of customers in various industries.

Case

Certified Servers Helping Customers Increase Efficiency at Lower Cost and Promoting Material Saving and Carbon Emissions Reduction

An enterprise outside China needed to purchase dozens of servers to support its digital transformation of services. Besides good operating quality, cost-effectiveness was its top concern. xFusion addressed the customer's concerns about product use and maintenance by providing quality certifications and service assurance for the customer. Finally, the customer purchased dozens of 2U2P Certified Servers that incorporated recycled long-life components with stable quality, such as CPUs, DRAMs, HDDs, and HBAs and new sensitive and consumable components. Featuring reduced resource and energy consumption, these servers enabled the customers to reduced CAPEX and cost. The launch of xFusion Certified Servers manifested xFusion's pioneering exploration of resource conservation, energy conservation, and carbon emissions reduction in the computing industry.

4.3 Environmental Certificates

Throughout 2023, we continuously promoted the application of multiple authoritative green and environmental certifications for our products to improve their green degree and make all of them certified to be green and environmentally friendly. All of our mainstream rack servers meet the Government Procurement Demand Standards for Green Datacenters released by the Ministry of Finance and Ministry of Ecology and Environment of the People's Republic of China in 2023, making us one of the first batch of server enterprises that are certified according to the standards. Our mainstream products meet the Version 4.0 ENERGY STAR Computer Server Specification released by the U.S. Environmental Protection Agency (EPA) in January 2024 and have earned the Energy Star Certification from the professional certification organization TÜV Rheinland, indicating that the energy efficiency of xFusion servers has been improved by several times. Meanwhile, we have built up the carbon footprint evaluation capability following the strict ISO 14067 carbon footprint evaluation methodology and ISO 14040/ISO 14044 life-cycle assessment (LCA) to continuously conduct product carbon footprint evaluation and optimize product design for energy conservation and carbon reduction. During the reporting period, we issued more than 50 carbon footprint evaluation reports. In addition, we have received the carbon footprint certificates from Intertek for our products of multiple series, including the world's first server carbon footprint certificate for our V7 servers. With incorporating the green concept into the product design and production processes, xFusion expected to provide more environmentally friendly and efficient computing infrastructure solutions for global users and help them achieve sustainable development goals.



The environmental certificates awarded to xFusion in 2023 (including but not limited to)

Carbon Footprint Intertek Green Leaf Certification for xFusion's FusionServer 2288H V7 Server

In February 2023, Intertek Group plc, a global leader in comprehensive quality assurance services, awarded xFusion's FusionServer 2288H V7 server with a carbon footprint green leaf certificate, which is the first global carbon footprint green leaf certificate issued by Intertek for server products. The certification not only reflects the outstanding performance of xFusion's V7 servers in low-carbon emission, but also demonstrates xFusion's commitment to low carbon, environmental protection, and sustainable development.



Industry's First Five-Star PSU Ecological Product Certification for xFusion Server PSUs

In February 2023, China Environmental United Certification Center (CEC), an authoritative certification organization, awarded xFusion's server PSUs a PSU ecological product certificate with the highest rating of five stars, which is the first five-star PSU ecological product certificate in the industry. The certification marks the industry-leading level of xFusion's server PSUs in the green and low-carbon field.



Tick Mark Certificate in Excellent Workmanship for xFusion's 2288H V7 Server

In December 2023, xFusion received the world's first Tick Mark Excellent Workmanship certificate from Intertek for its FusionServer 2288H V7 server. Intertek, globally recognized for its expertise in quality assurance, conducted 16 evaluations on the FusionServer 2288H V7 server, covering multiple dimensions including the server's craftsmanship, assembly, and maintenance, ensuring a thorough and multidimensional analysis. The certification demonstrates xFusion's commitment to its philosophy of taking quality as its lifeline and creating an industrial pattern based on the industry-leading quality.



World's First TÜV SÜD Certificate for Intelligent Datacenter Server for xFusion's FusionPoD for AI Rack-Scale Liquid-cooling Server

With the rapid growth of datacenters, TÜV SÜD has introduced the groundbreaking TÜV SÜD Certification for Intelligent Datacenter Server following the globally advanced standards and in combination with the features of datacenter servers. In January 2024, after performing rigorous tests on xFusion's FusionPoD for AI rack-scale liquid-cooling server, TÜV SÜD recognized the server as the world's first certified intelligent datacenter server. This recognition serves as a testament to the server's advanced intelligent technology and exceptional performance within the realm of datacenters.



Energy Conservation Certificates

China Energy Conservation Program (CECP) is a voluntary certification program aiming to promote more production of resource-efficient products and enable consumers to purchase continuable products to save energy resource and reduce carbon emission. In 2023, with more series of xFusion products being awarded the energy conservation certification by the China Quality Certification Center, all xFusion mainstream products were covered by the certificate.



05

Harmonious Ecosystem

xFusion firmly believes that truly sustainable development can only be achieved by creating and sharing value with partners. As a responsible enterprise, xFusion attaches importance to scientific and transparent internal governance and the cultivation and development of internal talents. Meanwhile, it works closely with partners to create a harmonious and healthy business ecosystem and actively participates in community building so as to build a sustainable digital economy world.

Contributing to the UN SDGs



5.1 Corporate Governance

5.1.1 Corporate Governance Structure

According to the Company Law of the People's Republic of China and The Articles of Association of xFusion Digital Technologies Co., Ltd., xFusion has established a modern corporate governance structure composed of the Shareholders' Meeting, Board of Directors, a supervisor, and senior management.

Meanwhile, xFusion makes consistent efforts to optimize its governance structure and standardize the daily operations of the Shareholders' Meeting, Board of Directors, Supervisor, and senior management, and has realized the efficient cooperation between its authoritative body, decision making body, supervisory body, and senior management and checks and balances among them.

Shareholders' Meeting

In accordance with the Articles of Association of xFusion Digital Technologies Co., Ltd. and Rules of Procedure of Shareholders' Meeting, xFusion standardizes the procedure of convening shareholders, holding shareholders' meeting, submitting proposals, and voting on proposals, treats shareholders equally, and ensures that shareholders can exercise their powers. In 2023, xFusion held two shareholders' meetings to deliberate and adopt seven proposals, including the annual financial budget report and financial results.

Board of Directors

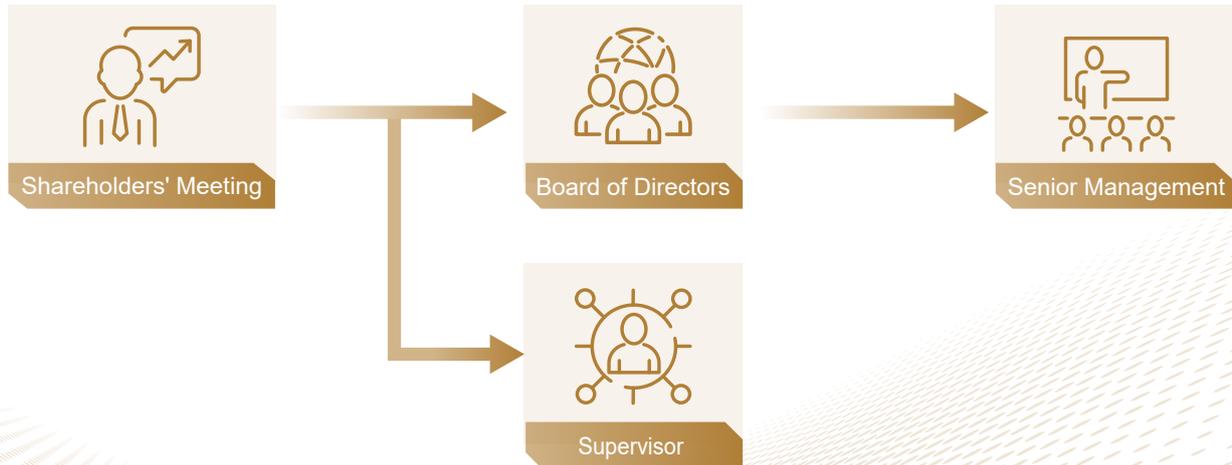
The Board of Directors is responsible for making decisions on and managing daily important issues of xFusion and is responsible to the shareholders' meeting. Directors of xFusion attend meetings of the Board of Directors where they carefully review all proposals and carry out works diligently and conscientiously in accordance with the Articles of Association of xFusion Digital Technologies Co., Ltd. and Rules of Procedures for the Board of Directors.

Supervisor

xFusion does not set up a Board of Supervisors but has one supervisor who exercises the authority of oversight within the scope of the functions and powers granted by the Company Law of the People's Republic of China and Articles of Association of xFusion Digital Technologies Co., Ltd. to safeguard the legitimate rights and interests of xFusion and its shareholders.

Senior Management

The Senior Management is responsible for the Company's daily operations management, implementation of the resolutions of the Board of Directors, the Company's annual plan and "Investment solutions, and formulation of the Company's specific rules and regulations, and exercises other functions and powers granted by the Articles of Association of xFusion Digital Technologies Co., Ltd. and the Board of Directors.



5.1.2 Operation of the Board of Directors

The Company regulates the discussion methods and decision-making procedures of the Board of Directors, urge the directors and the Board of Directors to effectively perform their respective functions, and enhance the standardized operations and scientific decision-making level of the Board of Directors in accordance with relevant laws and regulations such as the Company Law of the People's Republic of China, Articles of Association of xFusion Digital Technologies Co., Ltd., and Rules of Procedures for the Board of Directors.

The Board of Directors of the Company consists of five directors all of whom have been deeply engaged in their respective professional fields for many years and accumulated rich experience. In 2023, the Company organized and held 15 meetings of the Board of Directors. At the meetings, the Board of Directors reviewed and approved a total of 36 proposals involving major issues such as basic management system and investment.

Before each meeting, the Company would provide the meeting materials for the Board of Directors members in advance in strict accordance with the requirements of laws and regulations and its management systems so that the directors had enough time for review and study. During each meeting, the

directors could actively and conscientiously conduct in-depth discussions and made efficient decisions in accordance with laws and regulations.

5.2 Caring for Employees

Talents are the source of value creation to xFusion and the mainstay for its sustainable development. We adhere to the core values of "customer-centric, dedication-oriented, perseverance, and win-win" and recruitment principle of "compliance, openness, and diversity" and attach importance to the diverse and inclusive talent introduction. While benefiting customers and partners, we strive to build xFusion into a platform for diverse talents to work together, share values, and realize dreams.

5.2.1 Talent Diversity and Inclusion

xFusion is committed to becoming an ecological organization adhering to the win-win principle and recruitment policy of "attracting talents to work for us". Our recruitment policy involves no discrimination based on race, ethnic or origin, social class, descent, religion, gender, sexual orientation, family responsibility, age, or physical disability. xFusion explicitly prohibits the use of child labor and forced labor, and signs labor contracts with employees in accordance with laws and regulations to create an equal, comfortable, discrimination-free, and diversified workplace for employees. Since its establishment, xFusion has been in strict compliance with labor laws, contract laws, and relevant laws and regulations of various countries and regions, and has released a series of policy documents including the Employee Business Conduct Guidelines, Employee Behavior Guidelines, and Employee Personal Information Protection Regulations. xFusion has a well-established and compliant recruitment procedure and system that is in conformity with the SA 8000:2014 Social Accountability Management System certification, GB/T 31950-2015 Enterprise Integrity Management System, ISO 27701 Privacy Information Management System, and ISO 37001 Anti-bribery Management System.

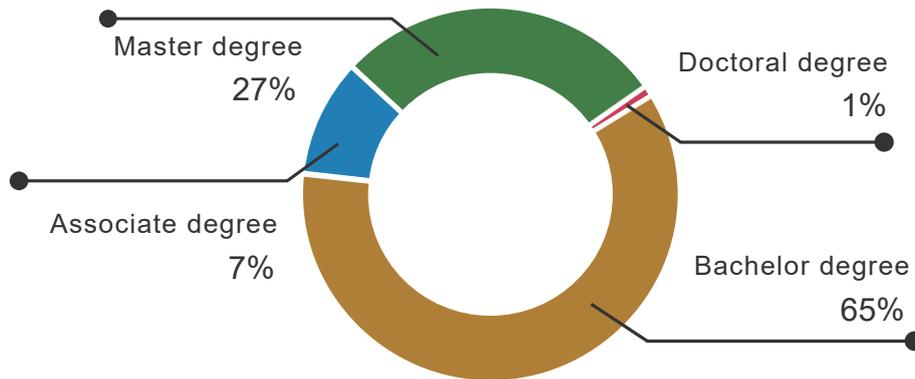
2023

BOSS Zhipin · 2024 Beloved Employer for Talent

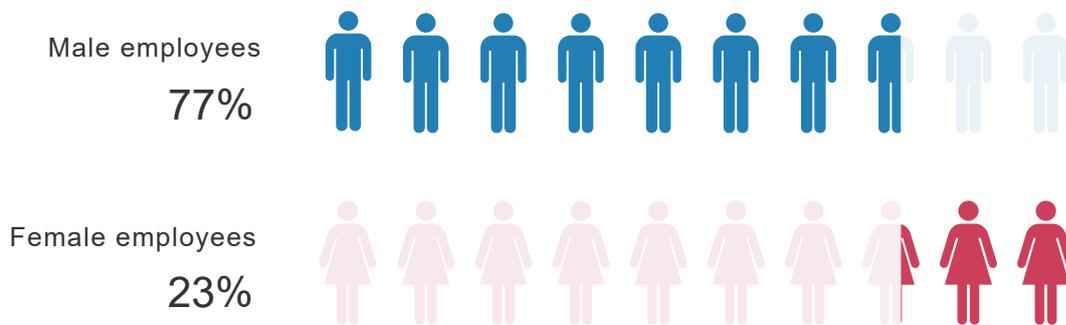
Liepin 2023 Henan Outstanding Employer of the Year



Adhering to the localized recruitment policy, the Company fully sources talents from local universities to achieve the precise matching between talents and enterprises and helps improve the employment rate and employment quality of localized talents. By the end of 2023, xFusion has 3211 active employees with an average age of 34.9 located in 11 countries and regions around the world, including 131 resident employees outside China among which 79 are local employees outside China. The localization rate of employees outside China reaches 60%.



Distribution of employees by college degree level



5.2.2 Employee Compensation & Benefits

Adhering to the concept of "more creation and more distribution" and the principle of equal pay for equal work, xFusion insists on responsibility and result orientation and contribution-based return and continuously optimizes the responsibility and result orientated distribution mechanism to achieve a virtuous circle of value creation, value evaluation, and value distribution. The Company determines the working hours and vacation length in accordance with relevant national and regional laws and regulations and ensures that employees can enjoy paid annual leave, marriage leave, maternity leave, sick leave, and medical examination leave. Meanwhile, the Company provides necessary support and convenience for employees to help them stay

healthy, enroll their children in schools, register households, and apply for visas, and arrange shuttle buses to make employees' travels more convenient. There are also holiday gifts, caring, and various benefits from the employee association for employees. All the above can greatly improve employees' satisfaction and sense of belonging. The Company is committed to creating a comfortable and diverse workplace for its employees and becoming a technology company that is respected by the society and of which its employees and their families are proud.

5.2.3 Talent Training and Development

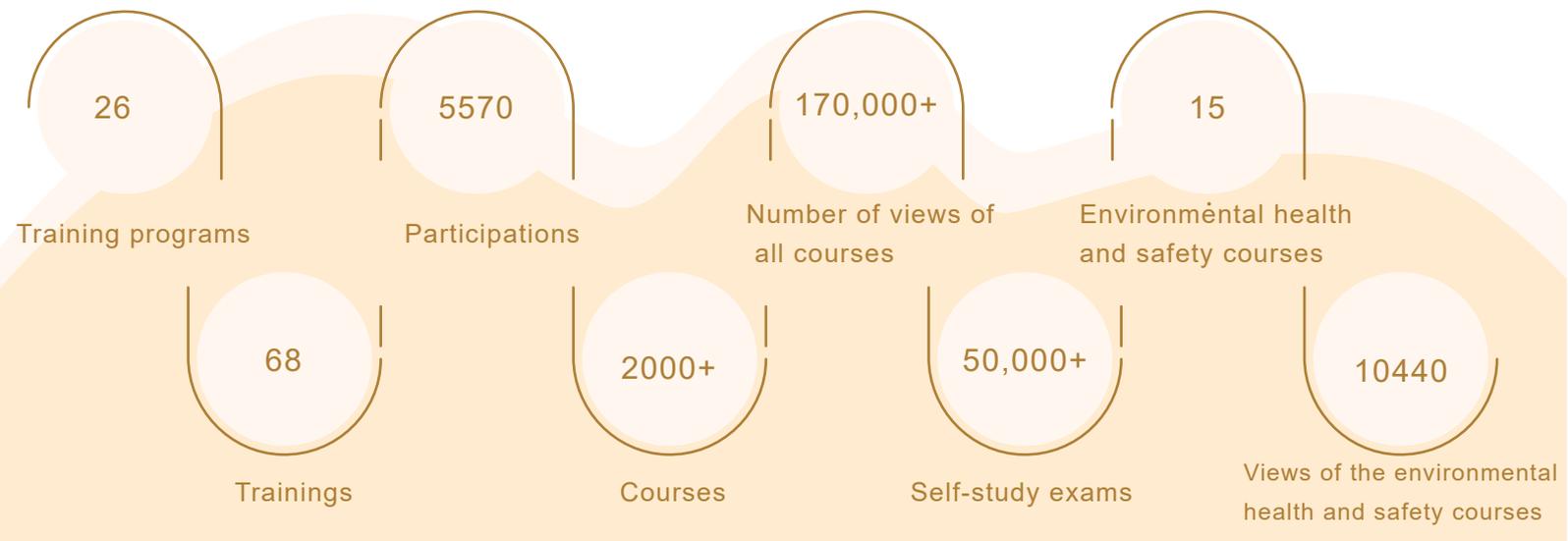
xFusion attaches great importance to employees' capability building and career development, and is committed to providing better products and services for customers. It provides diversified training courses and fair dual-channel promotion opportunities for all employees. For employee training, we adhere to the concept of "letting outstanding persons to cultivate more outstanding ones, pursuing self-development, and achieving development through practice". We provide clear career development paths for employees and guide and encourage them to make the greatest contributions in the most appropriate posts. The Company allows employees to take more responsibilities, provides more opportunities for them, and actively empowers them so that they can gain experiences and achieve personal growth. Meanwhile, every year the Company promotes employees based on their responsibilities and post performance to let outstanding employees take new responsibilities and face new challenges and enhance organizational vitality.

The Company launches the new employee orientation (NEO) program and sets up basic training camps for new employees in all business systems to give them basic training, and arranges one-to-one mentors to provide work and ideological guidance for new employees. With systematic cultivation programs and flexible cultivation methods, xFusion helps employees change their roles from campus students to enterprise employees or from enterprise employees to xFusion employees, and master basic knowledge and skills necessary for their posts.

The Company has designed and developed role recognition and professional competence empowerment programs for team leaders, junior managers, project managers, sales managers, and important teams based on their post responsibilities and requirements, and organized key business activities to provide clear guidance for over 1000 employees in corresponding posts, enabling them to recognize their roles and responsibilities and post requirements, improve their leadership, and identify and strengthen their weaknesses.

The Company provides various routine professional skill trainings for active employees, including internal and external trainings and online and offline trainings. The training programs cover products and solutions, service skills, management capabilities, professional technologies, general capabilities, quality management, and information security.

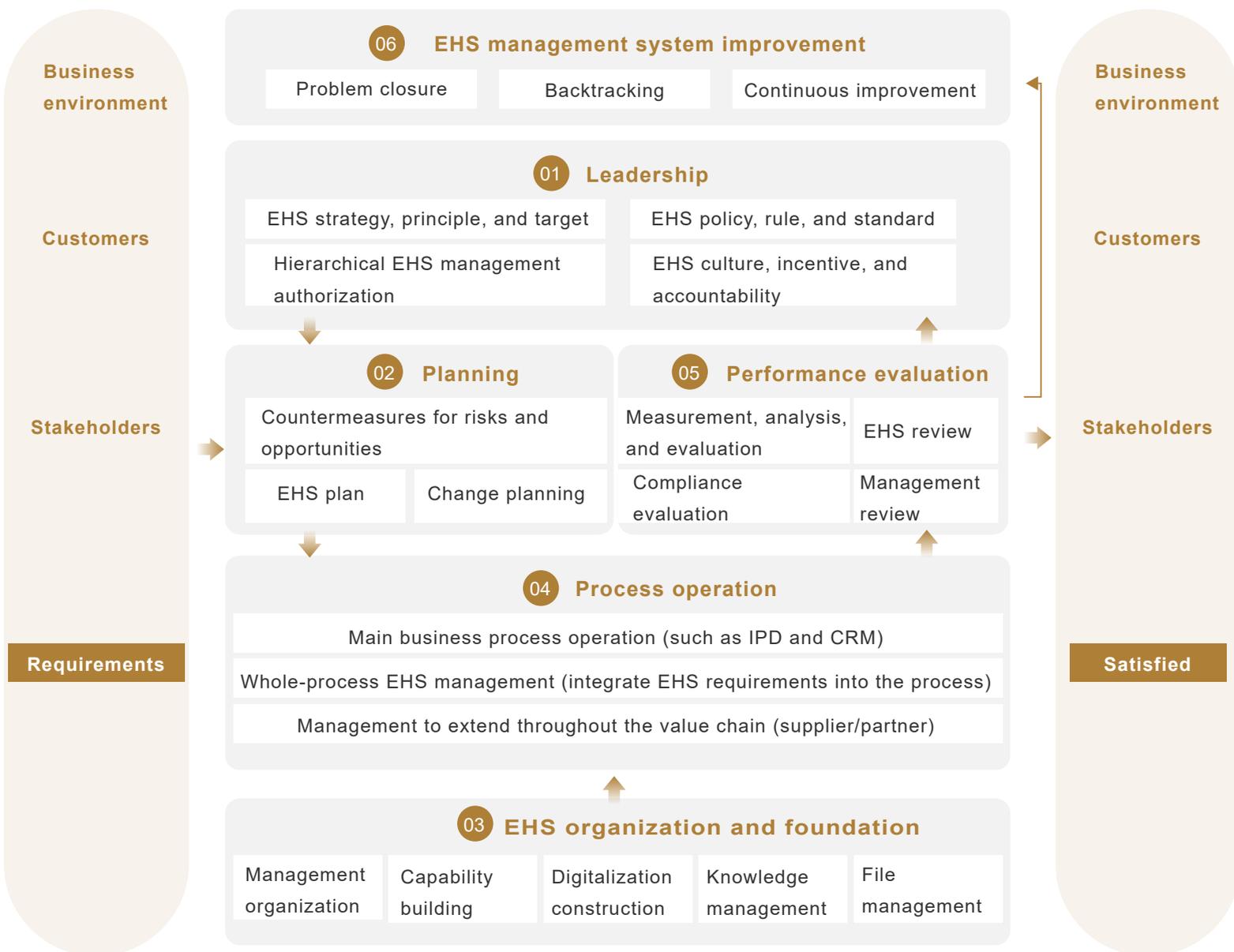
The Company initiated 26 training programs and organized 68 trainings with 5770 participants throughout the year. The online learning platform it builds and operates provides over 2000 courses including 15 environmental health and safety courses. The number of views of all courses, views of the 15 environmental health and safety courses, and self-study exams taken on the platform reaches over 170,000, 10,440, and over 50,000 respectively, indicating that all employees actively improve themselves and pay attention to the environment and safety.



5.2.4 Employee Health and Safety

The release of the EHS Management System Guide and EHS policy of "Safety First, Environmental Protection, and Employee Care" demonstrate xFusion's commitment to providing a safe and comfortable workplace for all employees and cooperating whole heartedly with suppliers to ensure that they take necessary measures and implement scientific management to guarantee the health and safety of their employees. The Company has received the ISO 45001 Occupational Health and Safety Management System certification and ISO 14001 Environmental Management System certification.

The Company has established an EHS committee and a working group which have a hierarchical structure. Each business domain has independently established its own EHS management system based on the Company's EHS management system model and its business characteristics. When establishing the EHS management system, each business domain took into consideration internal and external environments, local laws and regulations, and the requirements of stakeholders including the government, customers, and employees. Meanwhile, each business domain determined the scope of the EHS management system based on its actual internal business and adopted the PDCA cycle to achieve effective monitoring, measurement, analysis and evaluation. In 2023, the Company reached the target of zero serious injuries, zero deaths, zero work-related injuries, zero occupational diseases, and zero environmental pollution accidents.



5.2.5 Employee Care and Communication

The "xFusion Home" platform has multiple sections including Company News, Management Improvement, Daily Communication, Technical Communication, Life Sharing, and Problem Solving and covers various recreational and sports activities. It is designed to address specific needs of global employees, enhance their physical mental health, enrich their life, and create a simple, efficient, and caring working environment for them.

Enriching Employees' Life and Making Employees Healthy and Energetic

The Company advocates and actively builds a vibrant corporate culture through various ways, among which the most characteristic one is the organization of the "Health and Vitality Month" event in every April with the theme of care, warmth, and dream, aiming to help employees achieve personal development and realize dreams through interaction with each other. It specially organizes the "3+1" Health Week event to encourage employees to "make a friend, participate in a sport, develop a hobby, and read a good book", and carries out theme activities to spread the idea of healthy life among employees to improve their quality of life.

Meanwhile, the Company has organized multiple health lectures for all employees and invited various professional medical institutions to perform visual acuity tests and ECG monitoring and interpret physical examination reports for more than 1000 employees.



xFusion encourages employees to fully express themselves and participate in various activities. The six company-level recreational and sports associations, including the table tennis association, basketball association, badminton association, football association, reading association, and photography association, are jointly created and managed by all employees. The associations eliminate boundaries between departments, organizations, regions, and cultures and gather all xFusion employees. They have become an important bond of our unity, communication, and sharing.

Providing Diversified Communication Channels and Proactively Listening to Employee Voice

xFusion attaches importance to communication with employees. It has created multiple communication channels including Executive Management Team (EMT) Face to Face, President/Administration Team (AT) Face to Face, Director Open Day, and HRBP Interview aiming to communicate its strategic and business goals to employees and fully listen to their voices to realize good communication and mutual trust and improve relevant work. Meanwhile, xFusion conducts the satisfaction survey of administrative services on a quarterly basis and the survey of organizational climate involving team vigor, individual vigor, and confidence every year.



xFusion is committed to respecting and protecting the legitimate rights and interests of employees. To this end, we have set up a complaint mailbox BCGComplain@xfusion.com system to provide an unimpeded complaint channel for employees and partners. After receiving complaint emails, we will review them promptly and make fair judgement to ensure that the complaints can be promptly sent to and handled properly by relevant departments. In addition, we will follow up on the progress in real time to ensure that the problems are properly resolved. We are well aware of the importance of protecting the information of informants, complainants, and persons who have provided investigation materials, and have taken strict confidentiality measures to ensure that they are not subject to any form of retaliation for their participation in complaints. We regard any form of framing, slander, interference with reports or complaints, direct or indirect retaliation against the complainants, and report or complaint information leakage as a serious violation of the Company's disciplines. The personnel involved will be subject to disciplinary punishment. In serious cases, the labor relationship will be terminated as a punishment.

Planning Ceremonial Events to Inspire Potential and Improve Organizational Climate

xFusion is well aware of the importance of employee experience. Therefore, it carefully plans ceremonial events to motivate employees and give them a sense of glory, responsibility, and mission. The award ceremony, launching ceremony, inauguration ceremony, graduation/completion ceremony, induction and resignation ceremonies, and birthday celebration enable our employees to feel the caring and respect from the Company at important moments and can strengthen their faith and make them willing to play important roles.

We celebrate international holidays such as the New Year's Day, International Women's Day and traditional holidays of different countries online and offline. The organizational atmosphere with warmth and vitality can make every employee feel the warmth and support of the Company, which is good for their mental health.



Setting Benchmarks at All Levels and Expanding the Influence of Role Models

Role models and their stories are important for the practice of values and cultural transmission. The Company has conducted diversified forms of publicity to show the mental outlook of outstanding representatives of different fields and share their successful experiences, aiming to enhance the employees' confidence, arouse their enthusiasm for work, encourage them to learn from role models, continuously create more value for customers, and contribute more efforts to the society.



5.3 Compliance Management

In order to effectively prevent legal liabilities, economic or reputational damages, and other negative impact caused by the violation of laws and rules by xFusion and its employees during operation and management, ensure stable operation of the enterprise, enhance the Company's competitiveness, and create a fair and honest market environment, xFusion adheres to compliance management and takes it as a baseline to guide business.

xFusion is committed to conducting business with integrity, adhering to business ethics, and observing all applicable laws and regulations. For years, we have worked hard to build a compliance management system that aligns with industry practices and embeds compliance management into our business activities and processes.

xFusion attaches importance to and continuously builds a culture of integrity, and requests every employee to adhere to the Business Conduct Guidelines (BCG). Meanwhile, xFusion continuously carries out diversified publicity and training, including compliance publicity, training, exams, and signing of commitment letters.

5.3.1 Complete Compliance Management System

xFusion has established a compliance management system that consists of the Compliance Management Committee, Chief Compliance Officer and the Compliance Management Office, risk control owners (RCOs), and full-time and part-time compliance specialists of departments and branches.

The Compliance Management Committee holds meets on a quarterly basis to review the Company's compliance policies, regulations, and execution results.

The Chief Compliance Officer and Compliance Management Office are responsible for formulating the Company's compliance policies and annual compliance work plans, and reviews the compliance of the operational processes and business rules of each business system.

Each RCO organizes virtualization operations, guides and assists business systems to identify compliance risks, formulates business-level compliance regulations and risk management measures, and checks the implementation result.

The full-time and part-time compliance specialists of each department and branch are responsible for establishing the compliance systems and processes of their respective departments and conducting the implementation result.

In 2023, the Compliance Management Committee continued to conduct risk control and downgraded six risks in the year, achieving the compliance work goals it set.

5.3.2 High-Risk Scenarios Under Priority Management and Control

5.3.2.1 Trade Compliance

xFusion complies with the applicable export control laws and regulations of the countries and regions in which it operates, including China, the US, and the EU. We are committed to fulfilling our responsibilities and obligations related to export controls and have established and implemented an export control mechanism within the Company based on the principle of overall control. Meanwhile, we prioritize the export control compliance over our commercial interests and endeavor to build an international image of a responsible enterprise that conducts business with integrity.

xFusion has effectively prevented trade compliance risks by taking a series of trade compliance management measures. In addition, it pays close attention to new export control regulations and has promoted the implementation of the new regulations in multiple fields such as procurement, R&D, production, and sales by taking compliance measures including the interpretation of new regulations, internal investigation, and the clarification of specific compliance measures. By the end of 2023, xFusion launched over 50 trade compliance trainings, covering more than 50 business units in the sales domain.

5.3.2.2 Anti-Commercial Bribery Management

" Whether we want to achieve business success or build an outstanding team, the premise is that there is no violation of the BCGs. Procurement personnel face more risks and challenges in this regard. We must keep relevant management requirements in mind, and be well aware of policies, redlines, and rules. We must hold the BCGs bottom line and be strict with ourselves. "

– Chairman at the Procurement Department's annual meeting

xFusion has released 25 anti-commercial bribery policy documents including Employee Business Conduct Guidelines, Corporate Anti-bribery Policy, Procurement Business Conduct Guidelines, and Anti-corruption Policy for xFusion Partners, covering all major risk scenarios.

xFusion requires that relevant third parties cannot commit commercial bribery.

xFusion prohibits any act of aiding, abetting, assisting or colluding with a third party commit bribery. Third parties must not engage in any form of bribery and corruption when representing or cooperating with xFusion.

In 2023, xFusion organized anti-bribery training for over 1800 employees of 50 business units in the sales domain and held more than 100 large-scale brand activities for partners. The Company also publicized the honesty and integrity requirements to make all of its personnel foster a strong sense of anti-bribery and anti-corruption. Thanks to the Company's efforts, no supplier and partner complained about such violations or other major risks in the past year.

5.3.2.3 Trade Secret Management

Since trade secrets are the core competitiveness of enterprises, xFusion attaches importance to the protection of its own trade secrets while respecting third-party business secrets, and is committed to maintaining a market environment for fair competition. Since its establishment, xFusion has never been accused of violating others' trade secrets.

The Company has taken a series of control measures to prevent trade secret infringement and executes IT control for high-risk scenarios such as patent application, technical cooperation, sample borrowing, and recruitment. For example, xFusion stipulates that recruiters must clearly inform candidates that they must not use or disclose any non-public external information such as the information of their former employer at work and that they must sign the Letter of Commitment for Protection of Intellectual Property Rights and Trade Secrets that contains the above content and upload it to the recruitment system before taking an interview, and interviewers shall not explicitly or implicitly ask candidates to provide others' trade secrets.

5.3.2.4 Customs Compliance

To ensure that its import and export practice continuously meets regulatory requirements, xFusion has established various customs compliance systems and verification mechanisms. Based on actual business situations, it has developed and updated more than 50 process documents that are applicable to multiple risk scenarios such as import and export intellectual property authorization, customs declaration forms completion, import and export tax management, and royalty review, so as to achieve the annual compliance target without major risks.

5.3.3 Compliance Supervision, Inspection and Disposition Mechanism

5.3.3.1 Supervision and Inspection

xFusion conducts series of inspections including self-inspection within each business domain, Risk Control Owner (RCO) inspection in the top risk areas, reviews from the Chief Compliance Officer (CCO) and the Compliance Management Office, and internal independent audits, to ensure effective operation of the compliance management system.

We have established an open supervision system where an xFusion complaint mailbox (feedback@xfusion.com) was set up for our employees and third parties to complain and report actions that violate the laws and regulations. During the investigation and handling procedures, xFusion keeps all reporters' information strictly confidential and prohibits any attempts to threaten or retaliate against reporters.

5.3.3.2 Disposition Mechanism

To dispose the risks emerged in the inspections, audits, and reports, the CCO and RCO of the top risk domains will send a written rectification notice to require corrective measures from the relevant departments. For major risks and management deficiencies, a written report must be submitted to the Chairman of xFusion's Board of Directors.

xFusion holds strict accountability for violations against laws and regulations. The Audit Department, either independently or jointly with compliance management personnel, forms an investigation team for the investigation and verification of violations against laws and regulations before publishing an investigation conclusion. Violations against criminal laws will be reported to the judicial authorities.

5.4 Supply Chain Responsibilities

xFusion is serious about the societal and environmental impact of our global procurement and supply chain. We work closely with our customers and suppliers to promote the sustainable development of our global supply chain. We also integrate Corporate Social Responsibility (CSR) requirements into our global procurement processes including CSR system management, CRS risk rating and auditing, environmental protection and qualification of materials, supplier performance management, and supplier capability improvement.

5.4.1 CSR System Management

Based on the ISO14001&ISO45001&SA8000, xFusion established a procurement CSR management system to incorporate CSR requirements into its procurement strategies and business processes. We require all of our suppliers to comply with all applicable laws and regulations, and encourage them to promote diversity and constantly improve their own CSR management by adopting globally recognized industry standards. The CSR agreements that we sign with our suppliers covers a wide range of issues including labor standards, health and safety protection, environmental protection, business ethics and management systems. xFusion requires all suppliers abide by the agreements and convey the same requirements to their own suppliers. We consider the employment of child labor or forced labor to be red-line issues, and we have zero tolerance for such behaviors that cross CSR red lines.

In 2023, none of our suppliers were found to have crossed any CSR red line.



To reach the strategic goal of sustainable procurement, we provide employees from the procurement team with regular training on procurement CSR agreements, red lines, processes, and audit practices related to CSR in procurement.

5.4.2 CSR Risk Rating and Auditing

xFusion conducts supply chain due diligence using a risk-based approach. We work with suppliers to identify CSR risks and opportunities and to take measures to prevent and mitigate CSR risks. In 2023, xFusion conducted annual risk identification on all major suppliers, and made an audit plan, which was carried out as planned.

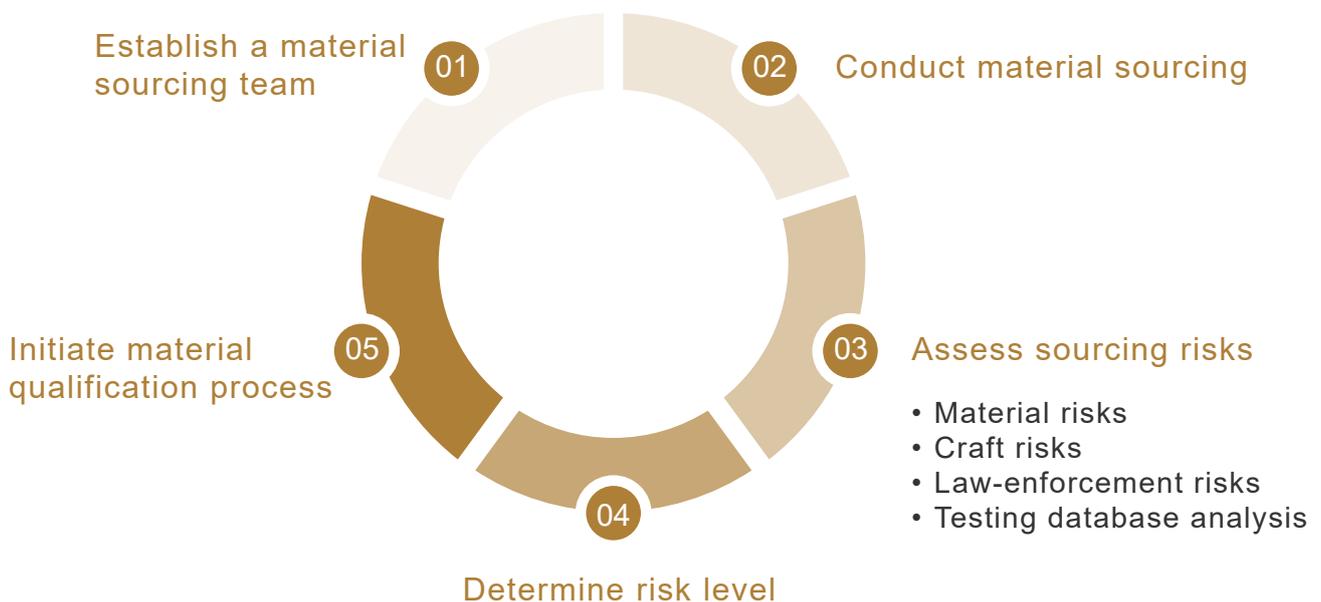
Our works on CSR auditing need to be further improved in areas such as working hours, fire safety, chemical safety, equipment safety and health, management system. In these areas, xFusion requires its suppliers to analyze the root causes, develop improvement and preventive measures, and provide targeted solutions for the common problems identified.

5.4.3 Environmental Protection and Qualification of Materials

Based on the IEC 63000 standards, xFusion and its suppliers have signed a declaration on providing environmentally friendly materials. Suppliers are required to provide lists of specified material components to ensure that the materials they provide are free from substances of very high concern (SVHC) listed in the *Registration, Evaluation, Authorization and Restriction of Chemicals* (REACH). We also conduct environmental audits on our suppliers according to their cooperation types and procurement categories to ensure that they meet our environmental requirements.

The emphasis on environmental protection of materials applies to the whole processes of material risk rating and supplier entry.

We attach great importance to the environmental compliance of materials, formulating series of documents such as IDP New Material Sourcing Process and xFusion Material Management Regulations. To further improve the performance of our procurement system in identifying and controlling material risks, in 2023, with the assistance of the professional institution SGS, we developed better understanding of the laws and regulations on environmental protection in major domestic and international target markets, and conducted applicability assessments. We have also established an identification and labeling system for material risks, as well as a material sourcing team and a decision-making team to see that material risks are systematically assessed and managed.



5.4.4 Supplier Performance Management

xFusion appraises suppliers' CSR performance annually with focus on five dimensions: labor management, commercial ethics, safety, environment, and management system. The CSR performance, as an integral part of suppliers' comprehensive performance, plays a crucial role in deciding the amount of business we do with each supplier, and is applied to supplier selection, tendering, portfolio management, and other processes.

In 2023, xFusion have appraised the CSR performance of over 400 major suppliers with the appraisal results being applied to the management of supplier portfolios.

5.4.5 Supplier Capability Improvement

To help our suppliers improve their CSR performance, we regularly provide them with CSR training and coaching. xFusion also encourages suppliers to adopt the best practices in the industry and incorporate the CSR requirements into their business strategies to reduce operating risks and improve efficiency.

In 2023, with the certification training from xFusion, Henan Letel Wonderful Information Technology Co. Ltd., a new supplier of xFusion in central China, finally succeeded in meeting xFusion's CSR and environmental protection criteria through continuous improvement.

5.5 Social Responsibility

xFusion firmly upholds the concept of sustainable development, gives equal weight to economic returns and social benefits, and works to strike a balance between corporate and social responsibilities. While focusing on business development, we actively engage in promoting the coordinated development between industries and communities, educating industry professionals, making charitable donations, and other social practices to fulfill our social responsibilities. We actively contribute to the countries and regions where we operate, and promote economic recovery and local industry development.

5.5.1 Building Regional Computing Ecosystem with the Development of the Industry



In September 2023, xFusion International Pte. Ltd. launched its first global supply center in Penang, Malaysia. While building competitiveness in global supply chains, we also supported the local region in promoting the development of the electronic manufacturing industry. Our participation in regional economic development and local employment has made us closer to the goals of building Penang into a leading computing hub in the world and creating a prosperous and dynamic computing ecosystem in Southeastern Asia.

Press Release from Invest Penang:

<https://investpenang.gov.my/press-release-xfusion-sets-up-a-global-supply-center-in-penang/>

5.5.2 Invigorating Education Through Technology and Promoting Industry-Academia Development

Digital professionals represent not only the key driving force for the high-quality development of the computing industry, but also the foundation for promoting the social advancement in the digital age. The application and innovation of artificial intelligence has become an important theme and core scenario of computing industry practices. xFusion has always been committed to providing a platform featuring

competent industry professionals and innovative application as part of its efforts to promote industry-academia development, so as to make digital technology available to a wider range of groups.

xFusion has joined hands with industry partners to support multiple computing competitions organized by universities where we exchanged insights on various computing-related topics with high performance computing enthusiasts. These competitions have served as platforms for young academic talents from universities and research institutes to share their ideas. From January to February 2023, we supported Peking University in successfully organizing the HPC Comprehensive Competence Competition. The competition attracted 341 contestants from 61 schools with more than 10,000 results submitted, effectively promoting the popularity and application of HPC in universities.

Press Release from Peking University:

<https://its.pku.edu.cn/announce/tz20230428105741.jsp>

5.5.3 Being Fully Committed to Building an Industrial Ecosystem

The collaborative and sustainable development of computing ecosystem is the common goal of xFusion and its global partners. Facing the fast-growing trend of computing technology, we pay attention to systematic support to our partners in building their capabilities while prioritizing the innovation-driven development within the company.



xFusion has set up 12 training centers in the world, among which the Hong Kong training center is dedicated for providing comprehensive training services globally. Our partner learning platform and training programs are open to customers, partners, consulting firms, universities, social organizations, and the general public. Currently, more than 10,000 individuals worldwide have participated in our certification exams and training programs. In 2023, over 3000 individuals have completed the xFusion certification requirements to become service engineers. Through these services and programs, we reinforced the development of IT professionals across countries and regions.

xFusion International Partner Learning Platform: <https://xlearning.xfusion.com/partner/#/preSales>

xFusion Training Programs: <https://partner.xfusion.com/en/education-service>

xFusion capability improvement center in China offers over 240 courses and more than 10 online professional certificates. Last year, we had over 30,000 people learning through our online platform, and more than 5000 people have obtained online professional certifications. We have also provided more than 250 on-site specialized empowerment training sessions for over 4000 business partners, and launched the "Panshi Plan" to provide long-term specialized empowerment support. With our efforts to build communication platforms both online and offline, we work to enhance the exchanges and interactions among partners, and bring about opportunities for common progress and innovations.

xFusion Learning Platform for Chinese Partners:

https://partnerlearning.xfusion.com/portal/1468392995309064194?pagelId=1468392999339282433&navGroupId=1468393000119422977&sxz-lang=zh_CN



5.5.4 Spreading Warmth and Care to Build Harmonious Communities

From the time of its establishment, xFusion has been playing an important role in education assistance, earthquake relief, rural revitalization, and many other activities. To better fulfill our social responsibilities, we have set up an all-round support system based on a robust organizational structure and sound procedures. Over the past three years, we have participated in over 20 public welfare projects.

Earthquake Relief

On February 6, 2023, a huge earthquake struck southern Türkiye, with the first quake reaching a magnitude of 7.8 Richter scale and followed by several aftershocks above magnitude 5. As of February 12, the unexpected earthquake had claimed the lives of 29,605 people, inflicting severe damage among local communities. On hearing the news, xFusion employees from local representative office took immediate actions to support the disaster relief efforts and donated emergency supplies to the Turkish Red Crescent.



In addition, we engaged in many public welfare activities. For example, we assisted the Third Primary School in Shufu County in building a new library featuring the audio-visual technology and classrooms for innovative teaching. To better fulfill our social responsibilities, we also joined hands with charitable organizations including the OpenAtom Foundation, Shenzhen Charity Federation, Shaanxi Youth Development Foundation.

Social Donations

Since the day it was founded, xFusion has made providing love and care for vulnerable groups part of our social responsibilities. By donating to some children's homes, we not only provided them with material support and emotional care, but also enhanced social harmony, demonstrating our sense of responsibility.



Looking into the future, xFusion will continue to play a greater role in public welfare activities with the internal support from organizational structure, policies and procedures, cultural orientation, special funds, and many other aspects. By doing so, we are also impressing the world as a responsible enterprise focusing on long-term sustainable development.

Appendix 1: Sustainable Development Goals and xFusion's Performance

SDGs

xFusion's Performance



Harmonious Ecosystem

To improve employees' senses of satisfaction and belonging, xFusion provides them with necessary supports and convenience in aspects such as health care, children's school enrollment, household registration verification, and shuttle bus services, sends festival greetings and wishes to them, and organizes diverse recreational and sports activities.

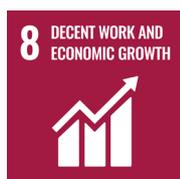
xFusion regularly provides employees with CSR training and coaching. xFusion also encourages suppliers to adopt the best practices in the industry and incorporate the CSR requirements into their business strategies to reduce operating risks and improve efficiency.



Inclusive Computing & Harmonious Ecosystem

To drive innovation jointly with our customers in the science and education industry, xFusion facilitated universities and scientific research institutions in upgrading and expanding their datacenters, allowing computing to play a greater role in improving the quality and efficiency of scientific research and education.

Given employees' needs for self-improvement and career development, xFusion offers a wide range of training programs. Throughout the year, we organized 68 training sessions with 2770 participants, and launched over 2000 online courses with more than 170,000 participants engaged in online learning and over 50,000 participants taking online self-taught examinations.



Inclusive Computing & Harmonious Ecosystem

Following the principle of contribution-based remuneration, we work to establish a diversified and competitive rewarding system in the industry. We continue to optimize our responsibilities-and results-oriented distribution mechanism that encourages exchange and sharing of experience.

By joining hands with our customers, we aim to transform and upgrade the industry with computing infrastructure and solutions, enable the sustainable development of the industry, and create more decent works and stronger economic growth.



Inclusive Computing & Security and Trustworthiness

xFusion served over 100 countries, covering telecom, internet, finance, manufacturing, education, transportation, medical care, and various sectors, with the volume of shipment ranking third in China and sixth in the world in 2023.

We attach great importance to innovation initiatives and intellectual property protection with more than 3500 patents.

Despite of the achievements, we continue to make effective measures to improve the safety and trustworthiness of our services and products, safeguarding the digital transformation of our customers.



Harmonious Ecosystem

When hiring employees, we follow the principles of person-job fit, fairness and justice, legality, and compliance. We never engage in or support any form of discrimination based on race, national or social origin, caste, birth, religion, gender, sexual orientation, family responsibility, age, disability, or any other condition that could give rise to discrimination. What we do is aimed at creating an equal, comfortable, and diversified working environment free from discrimination.



Inclusive Computing & Environmental Protection

We are dedicated to upgrading product technology through constant efforts in R&D and innovation, and support the sustainable development of digital economy in this intelligent world with sustainable computing.

We provided 2300 employees with cyber security and privacy protection training and exams.

We actively responded to climate challenges and accelerated the sustainable digital transformation with green IT technology of computing.



Environmental Protection

In 2023, xFusion's total GHG emissions was 13,336.70 tons of CO2 equivalent, representing a GHS emission density of 2.09 tons of CO2 per TFLOPS. Our products received over 130 environmental certifications.

Appendix 2: GRI Content Index

Note: xFusion Digital Technologies Co., Ltd. made this GRI Content Index with the reference to the GRI Standards during the reporting period (from January 1, 2023 to December 31, 2023).

Part I : General Disclosure (2021)

1. The Organization and Its Reporting Practices		
Disclosure	Description	Chapter Index
2-1	Organizational details	About xFusion
2-2	Entities included in the organization's sustainability reporting	About this report
2-3	Reporting period, frequency and contact point	About this report
2-5	External assurance	Appendix 3
2. Activities and Workers		
2-6	Activities, value chain and other business relationships	About xFusion
2-7	Employees	Caring for Employees
3. Governance		
2-9	Governance structure and composition	Sustainability Management System
2-10	Nomination and selection of the highest governance body	Sustainability Management System
2-11	Chair of the highest governance body	Sustainability Management System
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Management System
2-13	Delegation of responsibility for managing impacts	Sustainability Management System
2-14	Role of the highest governance body in sustainability report	Sustainability Management System
2-15	Conflicts of interest	Sustainability Management System
2-16	Communication of critical concerns	Sustainability Management System
2-17	Collective knowledge of the highest governance body	Sustainability Management System
2-18	Evaluation of the performance of the highest governance body	Sustainability Management System

4. Strategy, Policies and Practices

Disclosure	Description	Chapter Index
2-22	Statement on sustainable development strategy	Sustainability Sustainability Strategy
2-23	Policy commitments	Sustainability Management System
2-24	Embedding policy commitments	Sustainability Management System
2-25	Process to remediate negative impacts	Sustainability Management System
2-26	Mechanisms for seeking advice and raising concerns	Sustainability Management System
2-27	Compliance with laws and regulations	Compliance Management
2-28	Membership of associations	Cooperating with Other Key Players on the Industry Value Chain for Better Security and Trustworthiness

5. Stakeholder Engagement

2-29	Approach to stakeholder engagement	Stakeholder Engagement
2-30	Collective bargaining agreements	Care for Employees

Part II : Material Topics

Disclosure	Description	Chapter Index
3-1	Process to determine material topics	Sustainability Management
3-2	List of material topics	Sustainability Management
3-3	Management of material topics	Sustainability Management

Part III: Topic Disclosures

Anti-corruption (2016)		
Disclosure	Description	Chapter Index
205-1	Operations assessed for risks related to corruption	Compliance Management
205-2	Communication and training about anti-corruption policies and procedures	Compliance Management
205-3	Confirmed incidents of corruption and actions taken	Compliance Management
Material (2016)		
301-1	Materials used by weight or volume	Advancing Energy Conservation and Emissions Reduction
301-2	Recycled input materials used	Advancing Energy Conservation and Emissions Reduction
301-3	Reclaimed products and their packaging materials	Contributing to Circular Economy
Emission (2016)		
305-2	Energy indirect (Scope 2) GHG emissions	Advancing Energy Conservation and Emissions Reduction
305-4	GHG emission intensity	Advancing Energy Conservation and Emissions Reduction
Supplier Environmental Assessment (2016)		
308-1	New Suppliers that were screened using environmental criteria	Supply Chain Responsibilities
308-2	Negative environmental impacts in the supply chain and actions	Supply Chain Responsibilities
Employment (2016)		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Caring for Employees
Occupational Health and Safety (2018)		
403-1	Occupational health and safety management system	Caring for Employees
403-2	Hazard identification, risk assessment, and incident investigation	Caring for Employees
403-5	Worker training on occupational health and safety	Caring for Employees
403-6	Promotion of worker health	Caring for Employees

Disclosure	Description	Chapter Index
403-8	Workers covered by an occupational health and safety management system	Caring for Employees
403-9	Work-related injuries	Caring for Employees
403-10	Work-related ill health	Caring for Employees
Training and Education (2016)		
404-1	Average hours of training per year per employee	Caring for Employees
404-2	Programs for upgrading employee skills and transition assistance programs	Caring for Employees
404-3	Percentage of employees receiving regular performance and career development reviews	Caring for Employees
Diversity and Equal Opportunity (2016)		
405-1	Diversity of governance bodies and employees	Caring for Employees
Local Communities (2016)		
413-1	Operations with local community engagement, impact assessments, and development programs	Community Responsibilities
Supplier Social Assessment (2016)		
414-1	New suppliers that were screened using social criteria	Supply Chain Responsibilities
414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Responsibilities
Customer Health and Safety (2016)		
416-1	Assessment of the health and safety impacts of product and service categories	Advancing Energy Conservation and Emissions Reduction
Marketing and Labeling (2016)		
417-1	Requirements for product and service information and labeling	Laying a Solid Foundation for Cyber Security Governance

Introduction

TÜV Rheinland (Shanghai) Co., Ltd., member of TÜV Rheinland Group, Germany (hereinafter "TÜV Rheinland", "We") has been entrusted by the management of xFusion Digital Technologies Co., Ltd. (hereinafter "xFusion", "the Company") to conduct independent assurance of xFusion 2023 Sustainability Report (hereinafter "the Report"). All contractual contents for this assurance engagement rest entirely within the responsibility of xFusion. Our task was to give a fair and adequate judgment on the Report.

The intended users of this assurance statement are stakeholders who have relevance to xFusion' s overall sustainability performance and impacts of its business activities during year 2023 (1 January 2023 to 31 December 2023).

TÜV Rheinland is a global service provider of Corporate Social Responsibility (CSR) & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement, and we were not involved in the preparation of the Report contents.

Assurance Standard

TÜV Rheinland undertook the assurance work in accordance with the AA1000 Assurance Standard v3 (AA1000AS v3) Moderate level of assurance.

Scope & Type of Assurance

Our assurance engagement was carried out in accordance with the AA1000AS v3, Type 1, Moderate level on xFusion' s sustainability performance information and data disclosed in the Report. The following assurance criteria were used in performing the assurance work:

- With reference to GRI Sustainability Reporting Standards (GRI Standards)
- The United Nations Sustainable Development Goals (UN SDGs)
- Adherence to the AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness, and Impact.

Assurance Methodology

Our assurance activities included:

- Reviewing the company' s management practices and processes, to evaluate sustainability management system, including corporate governance, compliance management, risk management, stakeholder communication, material issue analysis, and key performance.
- Conducting interviews with company' s senior management and managers responsible for gathering and analyzing information on sustainability performance.
- Reviewing and examining sustainability management practices and performance information and data to test the accuracy of such information and data based on a sample basis and applied analytical procedures.
- Reporting assurance observations to management provides an opportunity for the company to take corrective actions before the assurance process is completed.
- Collecting documentary evidence and assessing management representations to support adherence to the AccountAbility Principles.

Limitations

TÜV Rheinland performed the assurance based on the scope of defined engagement agreement, and on a moderate level assurance under the AA1000AS for engagement. Information and performance data subject to assurance is limited to the contents of the Report.

Procedures performed in a moderate assurance vary in nature from, and are less in extent, than high level assurance.

Our assurance work did not cover financial report and its financial data, and other information not related to sustainability.

Conclusions

Based on our methodology and activities performed within the scope of this assurance, we can reach a conclusion that no instances or information came to our attention that would be to the contrary of the statement made as below:

- xFusion 2023 sustainability report and its contents adhere to the AA1000 AccountAbility Principles.
- The sustainability information and performance indicators disclosed in this report have been evaluated and supported by documentary evidence.

TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision on xFusion based on this Assurance Statement.

Adherence to the AA1000 AccountAbility Principles

Inclusivity: The key stakeholders identified by xFusion include customers, employees, suppliers and partners, governments, industry organizations and professional bodies, communities, the public and the media. Through the business activities of each function, the company collects the ideas and concerns of these stakeholders on sustainability issues. We recommend that xFusion build and implement strategies and plans for stakeholder engagement and communication and evaluate the outcomes of stakeholder engagement.

Materiality: According to the company's business model, peer practices and benchmarking, as well as stakeholders' opinions, xFusion analyzes and prioritizes the importance of topics from the two dimensions of "importance to stakeholders" and "impact on the company's business development". As shown in the issue matrix, topics of high importance include, but are not limited to, promoting green emission reduction, compliance management, inclusive computing power to help industry upgrading, exploring inclusive computing power for sustainable development, and business continuity, etc. The above material issues are reviewed and approved by the Management Team (EMT).

Responsiveness: xFusion communicates with key stakeholders on sustainability issues from time to time. These communication channels and methods mainly include customer service, employee training, grievance and reporting mechanisms, supplier audits and training, government policy research and communication meetings, industry academic exchanges and standard formulation, and public welfare projects, etc.

This report discloses data on performance indicators, including greenhouse gas (GHG) emissions, employee management, and supplier audits, etc. Evidence shows that the company issued a statement on the official website on building a global cybersecurity guarantee system to promote the effective governance of cybersecurity of computing infrastructure, and regularly released Green Development Reports, and the company officially joined the United Nations Global Compact (UNGC) in 2023.

Impact: xFusion's Executive Management Team (EMT) leads and oversees the implementation of the Sustainability Working Group's sustainability plan, overall goal achievement and actions. In 2023, the company created four strategic pillars: inclusive computing power, security and trustworthiness, green environmental protection, and harmonious ecology, and identified and disclosed the risks and opportunities of sustainable development to operations. We recommend that xFusion conduct an analysis of environmental and social impacts on the company's operations and business relationships, and establish appropriate processes to measure, evaluate and manage these impacts.



Daniel Pan

Corporate Sustainability Service Technical Manager
TÜV Rheinland (Shanghai) Co., Ltd



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Shanghai, China, 25 June 2024



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