ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

> We deeply understand that it is positive for our society if we actively fulfill our corporate social responsibility ("CSR") and advocate the corporate values of entrepreneurship and kindness while always focusing on creating quality products. It is also a necessary path to achieve our mission and vision.
>
> Lei Jun

1.   Overview of Xiaomi's CSR

1.1   Xiaomi's CSR programs in 2018

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations ("**UN**") adopted *Transforming Our World: the 2030 Agenda for Sustainable Development* and proposed 17 sustainable development goals ("**SDGs**"), which aim to mobilize global efforts to solve problems including poverty, hunger and climate change between 2015 and 2030.

Against the background of globalization, Xiaomi has a strong understanding of the economic, environmental and social challenges faced by human beings. We take a global view of the connection between our own development and the world, respond actively to the UN SDGs through identifying the priorities for the SDGs in light of the Group's industry attributes, and continue to take actions related to the Group's four core CSR areas including products, users, environment and society.

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UN SDGs	Xiaomi 2018 Achievements

Products

- Setting up the Quality Committee at group level, putting quality first;
- Implementing strict product quality, health and safety management;
- Winning the "Top Prize of China Quality Technical Award", the highest award in the field of quality in China in the 2018 annual conference of China Association for Quality;
- Winning the "2018 National Quality Benchmark Prize";
- Patent portfolio including over 16,000 pending patents applications and over 10,000 issued patents;
- Winning the "iF Gold Award", "iF Design Award", "IDEA Gold Award", "Good Design Award", "Red Dot Design Award", "DFA Design for Asia Award" and "China Red Star Design Award";
- Investing in more than 100 ecosystem partners, changing hundreds of industries;
- Pledging that Xiaomi's hardware business net margin would never exceed 5%;
- Implementing comprehensive management for user privacy and information security;
- Carrying out "Xiaomi Smart Life Security Protection Program" with one million RMB prize to create a safe ecosystem.

Users

- Establishing participation by involving users in creating products, delivering services, branding and sales, so as to create a brand that grows together with users;
- Developing numerous humanized functions;
- Ensuring the processing time within 24 hours for after-sales maintenance;
- Building more than 500 maintenance outlets providing carry-in services nationwide, more than 350 maintenance outlets providing home-delivery services, 5 delivery-repair centers; 30 provincial delivery-repair centers and 8 spare parts warehouses;
- As of December 31, 2018, the number of Mi Homes in mainland China had reached 586, and that of authorized stores of Xiaomi in mainland China had reached 1,378. At the same time, Mi Homes are also popular among consumers globally;
- The number of registered users of our Mi Community exceeded 130 million;
- Actively promoting the development of information accessibility design standards and the development and application of accessibility functions, facilitating information accessibility construction by an Internet development model with user's engagement, which have been highly recognized by the UN Educational, Scientific and Cultural Organization ("UNESCO").

Environment

- Promoting paperless office, saving about 1,153,220 pieces of papers throughout the year;
- Centralizing the recycling of office waste, reducing an estimated 8 million disposable plastic bags throughout the year;
- Energy saving product design;
- Package quantity reduction design and the usage of environment-friendly packaging materials;
- Holding the 2018 "Orange Run", incorporating the theme of environmental protection into public benefit activities. The activity produced only 41.26 kilograms of waste (excluding structures), of which 88% was recycled.
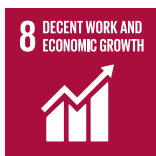
Society

- Building a harmonious employment relationship;
- Promoting employee diversity, with more than 16,000 employees from 44 countries;
- Sound health and safety management;
- Prohibiting child labor or forced labor;
- Providing rich resources for employee development and training;
- Establishing more than 14 employee clubs in total, with the attendance to each club exceeding 500 employees, so as to help employees realize work-life balance;
- Xiaomi won the "Human Resources Management Best Practice Award" at the 2018 China Annual Conference for Human Resources Management (Eleventh) and the Eighth Awarding Ceremony for China Human Resources Management Academy Award;
- From 2016 to 2018, Xiaomi invested more than RMB100 million accumulatively in public benefit donations (including the Group's donation and Lei Jun's personal donation);
- Xiaomi won the "Best CSR Brand Award" and won the "CSR China Education Award" with the project "Targeted Poverty Alleviation for the Disabled to Realize the China Dream" as the award-winning project at the third "CSR China Education Awards" ceremony in 2018.

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2.   Sincerity and Passion — Overview of Xiaomi's CSR

2.1   Who is Xiaomi? What does Xiaomi strive for?

Xiaomi's mission is "to relentlessly build amazing products with honest prices to enable everyone in the world to enjoy a better life through innovative technology", and Xiaomi's vision is to "be friends with our users, and be the coolest company in the hearts of our users". Since its establishment, Xiaomi's mission and vision have motivated us to pursue innovation and perfection. For the past eight years, Xiaomi, together with entrepreneurs who share the same core values, has changed more than one hundred industries and affected the lives of hundreds of millions of people around the world.

2.2   CSR concept

The core of Xiaomi's CSR concept is to improve people's lives through technology and become a respectable corporate citizen. With "products, users, environment and society" as the four core CSR areas, we actively fulfill our corporate responsibility and adhere to sustainable development, by pursuing equal and inclusive business environment, innovative technology and outstanding design in our products. We also adhere to the people-oriented principle, and comply with the code of conduct, attaching importance to environmental protection and investing in community capacity building.

2.3   ESG strategy

Xiaomi integrates ESG as a part of its strategy and promotes CSR work around five key dimensions including products, operation, users, environment and society, in order to facilitate CSR management consistently and to make an ongoing contribution in the field of sustainable development.

2.4   CSR management structure

The Board of Directors is responsible for overall CSR management. In addition, Xiaomi has established the CSR management team, which coordinates across main businesses and departments, in order to guide the overall implementation of our CSR policies in relation to products, operations, users, environment and society.

2.5   Communication with stakeholders

Xiaomi actively listens to and responds to the expectations of stakeholders. Based on the attributes of Xiaomi's businesses and operations, we have identified internal and external stakeholders including customers and users, investors, employees, suppliers and partners, government and regulatory agencies, public benefit organizations and other social groups, news media, etc. In addition, we took the initiative to establish communication mechanisms with stakeholders, and maintain smooth and timely communication and feedback through diversified online and offline communication channels including shareholders' meetings, MIUI Forums, supplier conferences, staff communication meetings, etc.

Key stakeholders	Key considerations	Major communication channels
Governments and regulators	Compliance Anti-corruption The environment and natural resources	Policy consultation Event reporting Site inspection Information disclosure Meetings with government agencies
Shareholders and investors	The Company's business performance Industry risks Compliance	Shareholders' meetings Annual reports/interim reports/results announcements Meetings with investors Results release conferences News releases/announcements
Consumers/users	Quality of products and services Marketing compliance	Official website Social platforms such as MIUI Forums Instant messaging software Customer service hotline Press conferences Social media
Employees	Employment Health and safety Development and training Labor standards	Staff communication meetings Instant messaging software
Suppliers/partners	Supply chain management Anti-corruption	Supplier conferences Communication meetings with partners Invitations to bid Site invitations
Media and NGOs	Emissions Use of resources The environment and natural resources Employment Supply chain management Product responsibility	Social media Press conferences and news releases Interviews
Community	Emissions Use of resources The environment and natural resources Community investment	Community activities Press conferences Public benefit activities Social media

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2.6   Materiality assessment

In 2018, through ongoing communication with major stakeholders and based on 568 special investigation questionnaires (valid questionnaires collected), we conducted substantive analysis on the ESG issues in the 11 aspects set out in the *ESG Reporting Guide*, to learn more about the comments and expectations of stakeholders on Xiaomi's ESG management and take actions on these, so as to better respond to stakeholders.

Based on the ESG Reporting Guide, important considerations we have identified include product responsibility, supply chain management and information safety. Relevant issues identified include emissions, use of resources, the environment and natural resources, employment, health and safety, development and training, labor standards and community investment. We will discuss each issue separately in this report.
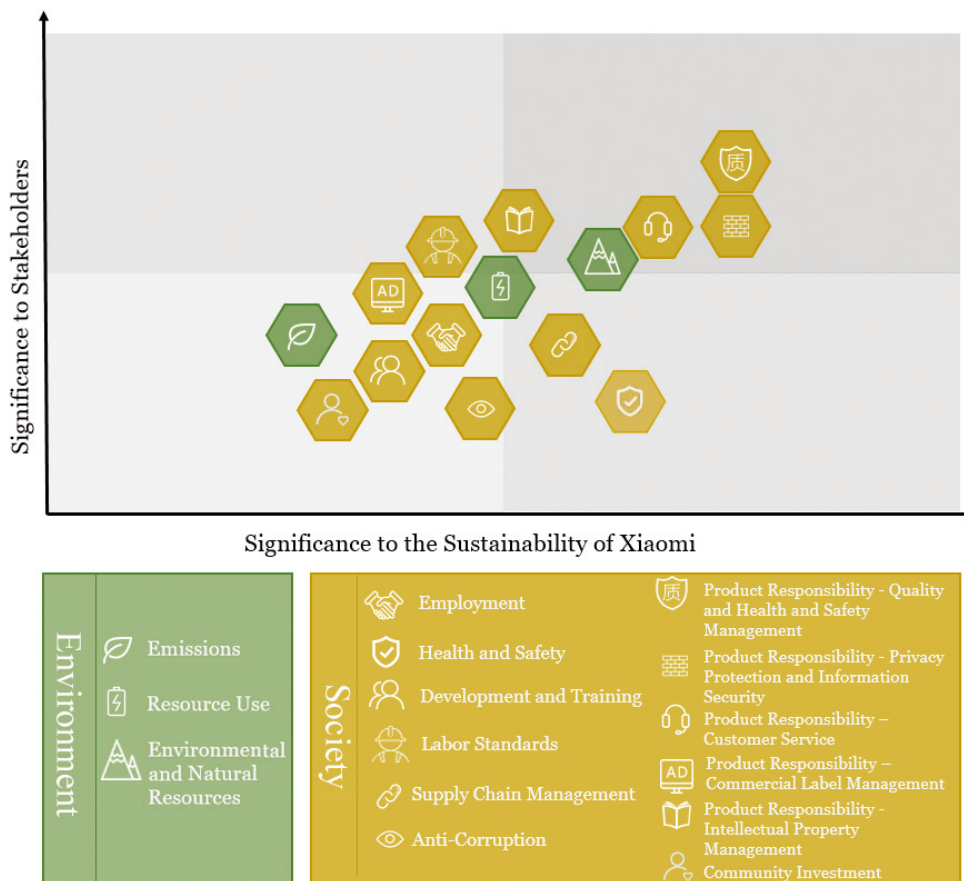
3.   Gift Warmth to Technology

Xiaomi has always been committed to building amazing products. With product quality as the core strategy and technology innovation as the development driver, Xiaomi maintains an unwavering focus on high quality and outstanding design to create a globalized open ecosystem.

3.1   Quality management — the lifeline of Xiaomi

With quality as a core strategy, Xiaomi considers product quality as its lifeline. Xiaomi does not compromise on quality control as quality is the basis for providing amazing products.

System guarantee, sustainability and stability

Xiaomi is deeply aware that we can address complex quality risks relating to our diversified businesses only by establishing a comprehensive, stable and efficient quality management system. Following the requirements of GB/T19001-2016/ISO9001:2015 quality management system, Xiaomi has established a product quality control system and is committed to continuously improving product quality.

Supervision mechanism with full employee participation

For the overall implementation of the Group's quality control concept and requirements, Xiaomi has set up a pyramid-structured quality management system and established a quality supervision mechanism with full employee participation.


Quality Committee
Quality Promotion Team
Quality Observer (Internal)

Quality Committee: The committee is composed of business leaders who are responsible for overall quality control of their respective business lines;

Quality Promotion Team: The team is led by heads of quality departments from each business line, who carry out the quality management work for their respective business lines;

Quality Observers: Internal employees perform in-depth observation to identify deficiencies in the department management process, product quality, service quality and user experience, comment on these deficiencies and adopt specific strengthening measures.

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At the inaugural meeting of the Quality Committee on July 23, 2018, Lei Jun and the Group's senior executives stressed the policy of "quality first". All departments of the Group are to give top priority to quality and regard the improvement of quality (including product quality and user experience) as the driving force of business development.

The Group often organizes business leaders to listen to users' feedback directly from customers, to understand consumer's concerns over quality.

In addition to overall quality control, we are also committed to promoting the company wide quality culture to raise the quality awareness of employees.
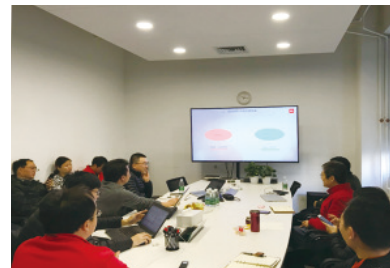
Xiaomi Corporation is engaged in various product categories, including not only technology products such as smartphones, televisions and ecosystem hardware products but also financial services such as micro lending. We regard service as a product with service quality equivalent to product quality, and we have established a sound quality assurance policy and system. We have a complete monitoring system for access permission , process control and post-maintenance, for all business proposals in order to enhance the completeness and reliability of products and functions.

Health and safety, and standard compliance

Product health and safety is also very important to the overall quality control of Xiaomi's products. We carry out continuous assessment of product health and safety over our products' life cycle from R&D, material selection, development verification, product launch to aftersales.

After the launch of products, Xiaomi regularly reviews the compliance reports provided by the suppliers and continuously monitors the health and safety of products provided by the suppliers.

Xiaomi has always attached importance to the standardization of material safety. We participate in drafting the industrial standards for green products evaluation, and we developed enterprise standards related to material safety with stringent requirements. Xiaomi actively participates in and leads domestic standardization work, covering national, industrial and group standards in various areas including smart home appliances, drones, green design, AI, cloud computing, big data, biometric identification and sensors, fast charging, wireless charging, lithium-ion batteries, intelligent terminal devices, material safety, etc. Xiaomi is one of the major drafters of national standards in the fields of wearable devices, connectivity and smart home appliances.

Pursuing perfection, and gaining recognition

> "We look at innovation through a telescope and quality through a microscope.
> Innovation determines how high we can fly, and quality determines how far we can go."

With quality as a strategic focus, Xiaomi has invested greatly in quality management, the results of which were highly recognized by the industry and by society in 2018.

At the 2018 Annual Conference of China Association for Quality, Xiaomi won the "Top Prize of China Quality Technical Award". Xiaomi became the first Internet company to receive this highest recognition honor in China regarding quality technology.

Xiaomi won the "2018 National Quality Benchmark Prize" at the award ceremony of the "2018 National Quality Benchmarking Enterprises", sponsored by the Ministry of Industry and Information Technology of the People's Republic of China. This award is further recognition of Xiaomi's quality improvements.

Quality improvement as an endurance battle

We face many challenges in maintaining high product quality as we expand product categories and we expand into more international markets. "Quality management is an endurance battle, and we have no other way but to persevere", said Lei Jun to all of Xiaomi's employees. As an industry-leading enterprise, Xiaomi strives not only to improve our overall product quality, health and safety, but also to make efforts to promote the overall development of the industry.

> "Xiaomi is willing to put in 100% effort, for a 1% improvement."
>
> — Lei Jun

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3.2   Technology innovation, the permanent driving force of our business

"Xiaomi is more than a hardware company, it's an innovation-driven internet company."

Xiaomi has always regarded innovation as a core contributor to its development, and has actively made investments in technology innovation. In 2018, Xiaomi's R&D investment was RMB5.8 billion, and the number of applications for self-developed patents in mainland China and overseas exceeded 3,000.

We place great importance in building a strong IP portfolio and in raising Xiaomi's scientific and technical expertise by acquiring high-quality patents. As of 2018, Xiaomi had acquired approximately 3,000 domestic and overseas patents. In addition, we have entered into licensing or cross-licensing agreements with a number of well-known companies such as Qualcomm, Microsoft, Nokia, and NTT DoCoMo and Via Licensing.

Xiaomi promoted win-win industrial cooperation through innovative licensing models, which won the support and recognition of the industry. As of 2018, the Company's patents portfolio included more than 16,000 pending patents applications and over 10,000 issued patents, of which approximately 50% were obtained from overseas.

On September 6, 2018, Xiaomi announced that it entered into a cellular wireless patent license agreement with NTT DoCoMo, a globally renowned telecommunications company. The agreement covers NTT DoCoMo's cellular wireless standard essential patents (SEP). Xiaomi expressed its willingness to obtain a license to a high-quality SEP portfolio on fair and reasonable terms, so as to bring the best user experience to our customers.

Xiaomi actively conducts scientific research cooperation with prestigious universities including Beijing University of Posts and Telecommunications (BUPT). The cooperation has resulted in a series of high-quality achievements in new 5G technology standards, and it has improved the R&D capacity of both Xiaomi and BUPT.
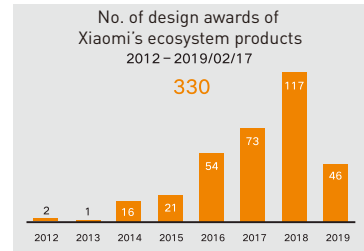
At the 2018 Mobile Intelligent Terminal Summit, Xiaomi Mi 8 Transparent Explorer Edition won the "2018 METIS Smartphone Award".

Mi 8 Transparent Explorer Edition adopts a wide range of industry-leading technology solutions. It is the world's first Android phone that supports "Face ID", and the world's first smartphone that has an in-display fingerprint sensor and supports dual-frequency GPS.

3.3 Pursuing outstanding design is in Xiaomi's DNA

Pursuing innovative technology and outstanding design is in Xiaomi's DNA. We continue to explore the best balance between technology and aesthetics, promote a bold innovative culture, and refine every detail so that all our products can far exceed users' expectations. We have the courage to break through conventions and constantly improve ourselves. We believe these are the key reasons why we have been able to gain our users' trust and appreciation.

No. of design awards of
Xiaomi's ecosystem products
2012 – 2019/02/17

330

2012	2013	2014	2015	2016	2017	2018	2019
2	1	16	21	54	73	117	46

In recent years, Xiaomi has obtained recognition from users and the industry for its continuous pursuit of outstanding design.

Several of our smartphones won the iF Design Award, including Mi MIX, Mi Note 2, Mi MIX 2, Mi 6, and Mi MIX 3. 14 Xiaomi ecosystem products were awarded iF Design Award, in which Mi Sphere Camera won the iF Gold Award

Mi MIX (mobile phone) won the IDEA Gold Award

Mi MAX 2 won the Red Dot Design Award. Mi Rearview Mirror won the Red Dot: Best of the Best Award

Mi Max 3 and Mi MIX 2 won the Good Design Award

Mi MIX and Xiaomi Redmi Note 4X won the Gold Prize of China Red Star Design Award and the China Red Star Design Award respectively

MIJIA Laser Projector 150" won the DFA Design for Asia Award

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Kickstarting the era of bezel-less display for smartphones

Mi MIX kickstarted the era of bezel-less display for smartphones and Xiaomi continued to be in the leading position in the development of bezel-less display technology.

The innovation in Mi MIX 2 brought forward the second generation of bezel-less display. Compared to the first generation of Mi MIX phone, the screen ratio of 18:9 has revolutionarily shortened the chin of the phone by 12%. The smaller form factor with a wider bezel-less display screen has reached a perfect balance between sizable display and hand-feel. Mi MIX 3 took one step further and was the world's first magnetic full screen slider phone.

A new breakthrough in user interface design

The user interface of Mi Rearview Mirror is displayed in the style of large color blocks to ensure great visualization. Furthermore, it is equipped with our AI Assistant to achieve the control and display of various functions via voice interaction. With regards to driving safety, it is a hands-free voice control smart rearview mirror with functions such as Wi-Fi hotspot, navigation and driving recorder.

Record every moment in 360 degree

Mi Sphere Camera uses an ultra wide angle large aperture lens and a reflective prism to provide a 360-degree panoramic view, which greatly reduces the blind zone at both ends of the camera lens. It has an effective resolution of 23.88 million pixels and is equipped with IP67 waterproof and dustproof body, capable of multiple shooting scenarios to allow photographers to share great moments with family and friends anytime anywhere.

With many award-winning products launched over the years, Xiaomi has formed its own style in industrial design, which is referred as "Mi Look" by industrial designers. In addition to outstanding design, Xiaomi's products also adhere to our philosophy of high quality and high price-to-performance ratio. We make our products affordable to more consumers so as to let everyone enjoy technology.

Alongside efforts in enhancing the industrial design, Xiaomi continues to innovate in product function and system design. MIUI provides users with rich customized features. In order to provide a better user experience, MIUI innovates constantly based on the core ideas of "stability, fluency and rapidity". The release of Mi MIX marks the era of bezel-less display for mobile phones. MIUI puts forward the concept of "bezel-less display user interface design", which better integrates software and hardware designs for bezel-less display, providing users with improved content visualization.
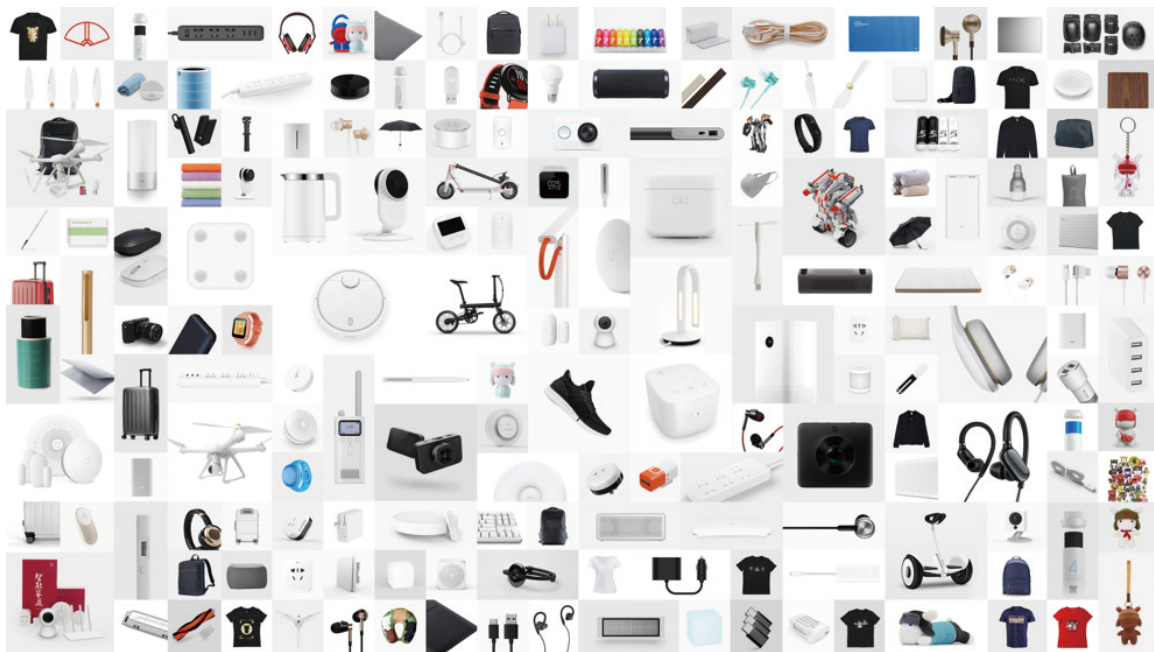
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.4   Limitless potential in the open global ecology

To let everyone in the world enjoy a better life through innovative technology, only one Xiaomi is not enough. Over the years, we incubated and partnered with at least 100 other companies that share the same mission and built a rich and vibrant business ecosystem.

In recent years, Xiaomi has made great efforts in AI, and now has built an AI technical team with more than 1,000 people. Xiaomi is actively strategizing in the IoT industry. Based on the need for smart home solutions, Xiaomi has achieved deep integration in AI and IoT capabilities. Xiaomi has developed "AI Open Platform for Smart Homes" — an open and innovative platform for users, software and hardware suppliers, and individual developers. This platform aims to empower our daily lives with AI so that technology can enhance our quality of life.


Xiaomi "AI Open Platform for Smart Home" was selected as the "World Leading Internet Scientific and Technological Achievements" at the 5th World Internet Conference on July 11, 2018.

"No man is an island." With its unique ecosystem model, Xiaomi has invested in and mobilized many like-minded entrepreneurs. Our mission has no boundaries, and we have only just begun. We have changed the lives of hundreds of millions of people, and we will become part of the lives of billions of people globally in the future.

4.   Gift Honesty to Business

4.1   Amazing products with honest prices
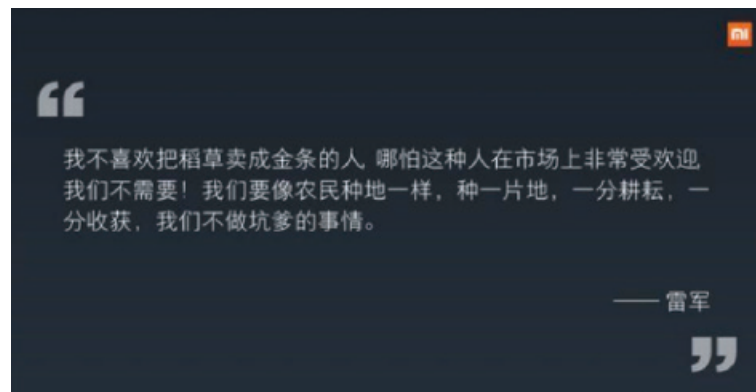
Only through building amazing products with honest prices, can we win over the hearts of our users. "Amazing products" and "honest prices" are inseparable. They are the best return to our users' trust. While providing our users with high-quality products and outstanding design, we also insist on honest prices and high price-to-performance ratios.

Based on our innovative business model, we can better understand the real needs of consumers. In the smartphone business, we maintain our enthusiasm in technology and continuously explore cutting-edge technology. We also provide a large number of premium flagship smartphones with high price-to-performance ratios and amazing designs at about half the price of comparable products. In our IoT and lifestyle products business, we put forward the concept of "satisfying 80% of the needs of 80% of the population" for product definition. The first 80% means that our products can cater to the needs of the general public, truly benefit more people and bring convenience and happiness to more people through technology. The second 80% means that our products only focus on mainstream functions, so no extra cost will be added to functions with low usage. This approach of product definition, together with Xiaomi's efficient R&D, design, and retail capabilities, is the recipe for Xiaomi to provide high quality products with high price-to-performance ratios.
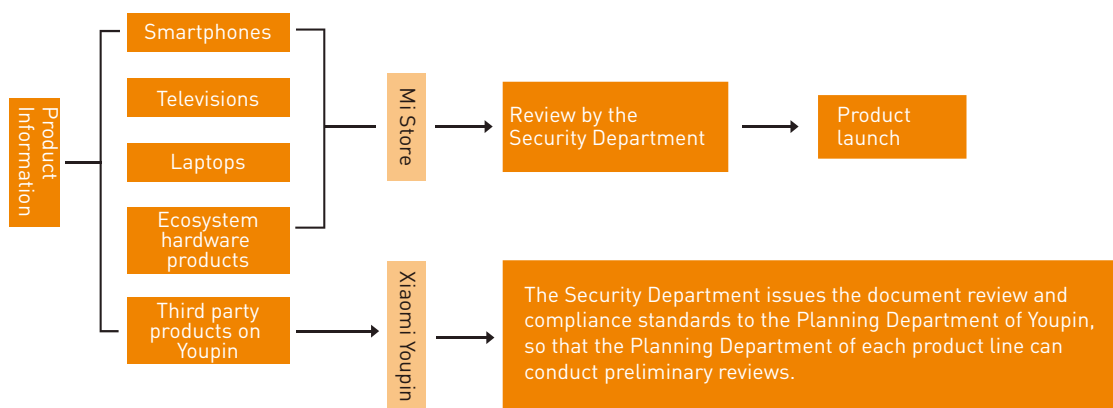

We will firmly uphold our commitment that our hardware business net margin never exceeds 5%. Making reasonable profit is the only way to fulfill our mission. In 2018, Xiaomi's hardware business net margin was positive and less than 1%.

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4.2 Advertisement and trademark management

Advertising management

We strictly abide by the *Advertising Law of the People's Republic of China* and other regulations, and take the protection of user rights as preconditions for advertising. At the group level, the Legal Department, the Security Department and various business departments jointly carry out advertising management work, formulate a sound copywriting review process, and strictly control the content and quality of copywriting. All marketing content is reviewed for compliance requirements by the relevant department, and is only released once approved. Press release contents are also subject to review by the relevant departments. For domestic marketing activities, we have compliance review and regular training in place. Content that may lead to legal risks are submitted to the Legal Department for review, while regular market compliance training is conducted to enhance employees' compliance awareness.

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Product Information
  ├─ Smartphones ─┐
  ├─ Televisions ─┤
  ├─ Laptops ─────┼─ Mi Store → Review by the Security Department → Product launch
  ├─ Ecosystem hardware products ─┘
  └─ Third party products on Youpin ─ Xiaomi Youpin → The Security Department issues the document review and compliance standards to the Planning Department of Youpin, so that the Planning Department of each product line can conduct preliminary reviews.
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For advertisements on our platform, from the perspective of compliance, we assess the professional qualifications, advertising licenses, advertising material regulations of the specific industries, and the issuance of qualification standards. Our advertising review team collects qualifications and performs review based on regulatory standards.

Brand and trademark management

Xiaomi values the protection of its own brands and trademarks, and respects the trademark rights legally owned by others. We have a professional team responsible for the registration, maintenance, promotion, protection and management of trademarks/brands. We have established a comprehensive trademark application system around the world to provide comprehensive protection for the company's core and important trademarks. A comprehensive trademark monitoring system has been established around the world to formulate effective dispute resolution strategies, effectively monitor and take necessary actions against third-party trademark squatting. In the process of establishing and maintaining its brand, Xiaomi has always stuck to the attitude of zero tolerance for fake goods, and accordingly set up a professional team responsible for trademark rights protection, and formed a relatively complete brand protection system. For online platform management, we work together with major e-commerce platforms and customs for IP protection and established a brand protection network to reduce the circulation of fake goods and protect the legitimate rights and interests of consumers. From an offline perspective, we have established a comprehensive and effective global system of anti-counterfeiting and

rights protection, monitoring products sold by third-party, and actively fighting against infringements such as brand-name imitation. In recent years, through effective cooperation with law enforcement, fake goods worth nearly RMB100 million have been seized, and nearly 10,000 infringement links have been removed from various e-commerce platforms. Through this approach, Xiaomi protects its brand image, and helps consumers avoid substantial losses as well.

4.3 Forming a safe ecosystem while connecting all devices

We attach importance to user privacy protection, and incorporate it into daily business activities through industrial practices. We adhere to a transparent and fair privacy policy, and firmly believe that such practice will win the trust of our users.

To ensure the compliance of privacy policies and processes, a Privacy Protection Committee was established in 2015 to manage customer privacy protection issues. In 2018, the Privacy Protection Committee and representatives from multiple departments formed the Security and Privacy Committee to fully implement information security and oversee privacy protection management.

User privacy protection

We have formulated the *User Privacy Protection Clauses* after comprehensive assessments of all business attributes and risks. By referencing the internationally recognized *Five Criteria for Privacy*, i.e., "Notice/Awareness, Choice/Consent, Access/Participation, Integrity/Security, Enforcement/Redress", we conduct strict systematic management on each product and service to ensure the privacy policy is transparent and fair to our users. This ranges from the privacy impact assessment before the launch of products, to the classification of privacy data during product use and to the final data destruction.

At present, Xiaomi has grown into one of the largest consumer IoT platforms in the world. While enjoying this honor, we are also undertaking greater responsibilities. While big data can enable us to provide our users with better products and services, we also take the protection of privacy seriously. We constantly impose higher standards on ourselves regarding user privacy protection.

> We have been working together with TrustArc, an international privacy protection organization, to improve our standards and specifications regarding security and privacy. In 2016, the privacy practice of our MIUI and Mi Store received TRUSTe certification.

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Information security management

We believe that AI and IoT are the foundations of the fourth industrial revolution. While they face severe security challenges, they are undeniably critical to the future. Xiaomi is a company that is determined to help build that future. We have established one of the world's largest consumer IoT platforms, with approximately 151 million smart devices (excluding smartphones and laptops) connected to it.

Complying with the laws and regulations of *Cybersecurity Law of the People's Republic of China*《中華人民共和國網絡安全法》, *Regulations on the Management of Information Services for Mobile Internet Applications*《移動互聯網應用程序信息服務管理規定》 and *Regulations on Technical Measures for Internet Security Protection*《互聯網安全保護技術措施規定》, the Group established the Xiaomi IoT Security Lab. Professional security personnel conducts vulnerability scans and cyber attack drills. We implemented a wide range of procedures and controls to protect user data and reduce the risk of data leakage. Faced with large, complex product categories, we carry out information security protection on our devices at six levels of potential attack:

1. Certification

Ensure that each device is prefabricated with a different key. Each user is bound to a unique token. Unauthorized operations are prevented due to the relationship between the key and the token.

2. Communication

We safeguard information security through traffic encryption and data signatures and other methods. In 2018, we identified 600 million fraudulent and nuisance calls targeting our users. We blocked 4.1 billion unsolicited advertisements and fraudulent SMS messages.

3. Hardware

We debug interfaces, and introduce security chips to store key information safely.

4. Firmware

We use attestation and anti-degradation protections to prevent firmware from being tampered with.

5. System

We use access controls to prevent malicious software from accessing phone permissions, and prohibit the opening of any communication or management service ports other than miio. In 2018, the secure payment feature blocked 110 million fraudulent requests. Our secure Internet access tool blocked 510 million phishing attempts and 1.5 billion malicious URLs.

6. Application

We provide developers with a mature and reliable software development kit (SDK) and reduce new security risks resulting from the process of further software development. In 2018, our built-in virus scanning removed 300 million viruses, and blocked 238.5 billion attempts to access background applications through a smart learning feature.

We have formulated *Security Specifications on Xiaomi IoT Products* 《小米IoT產品安全規范》 for our ecosystem partners. We specify detailed security requirements and implementation methods to help our ecosystem partners achieve high security standards in their product development.

The challenge of managing a large number of products with finite manpower has led us to introduce a range of automated testing methods. As a result, the scope and efficiency of our information security management has been significantly boosted.

By analyzing the various dimensions of information security, we have adopted risk modelling measures and developed the concept of a full line of defence to further enhance information security capabilities through a comprehensive approach.

Xiaomi also carries out the overall management of supply chain information security. This ranges from modules/components, factories, e-commerce/warehouses, logistics/distributors to our users. In this way, we actively improve information security standards along the entire value chain.

Security needs to be maintained by everyone involved. Xiaomi launched the Smart Life Security Guardian Program and set up an incentive scheme to encourage more of our partners to help us perform an increasing number of security tests. We listen to the voices of our users: everyone can join us to help ensure the security and quality of our products. We will continuously refine our products and resolve any potential problems and risks.

> **For more information about Xiaomi's privacy and information security management, please visit Xiaomi Security Center website. https://sec.xiaomi.com/**

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4.4　Intellectual property management: recognizing everyone's efforts

While we research and develop IP independently, we respect the need for mutual protection of IP and welcome all efforts in innovation.

We carry out strict IP management in accordance with the relevant laws and regulations such as *Patent Law of the People's Republic of China*《中華人民共和國專利法》, the *Trademark Law of the People's Republic of China*《中華人民共和國商標法》and the *CNNIC Domain Name Dispute Resolution Policy*《中國互聯網絡域名管理辦法》. The Intellectual Property Department, established at the group level, coordinates this work. In addition, IP management specialists in each major business department ensure effective implementation.

Due to our wide range of products, IP management is relatively complicated. At the same time, due to the complexity of IP in the high-tech industry, we have initiated an innovative model of licensing cooperation through negotiation, in order to achieve win-win outcomes. To date, we have entered into licensing or cross-licensing agreements with a number of well-known companies, including Qualcomm, Microsoft, Nokia, NTT DoCoMo and Via Licensing.

In 2018, our efforts in IP management were recognized by the industry. Our IP team was named "Asian Elite Intellectual Property Team" and "Mobile and Telecommunications Team of the Year". Mr. Lin Peng, Vice President of Xiaomi's Department of International Expansion, was honored as one of the global "Top 300 IP Strategists" by IAM Magazine. In the "2018 China Intellectual Property Forum", Xiaomi was rated the "Leading Company in the IP Internet Field". Xiaomi as an entity was awarded the title of "Deputy Director Unit" by the China Anti-Infringement and Anti-Counterfeit Innovation Strategic Alliance (CAASA) of the China Industry-University-Research Institute Collaboration Association (CIUR). Xiaomi was named one of the "Top 10 Most Influential Units in Rights Protection and Anti-fake Products of the Year" for two consecutive years.

4.5   Anti-corruption

Anti-fraud

We have always adhered to the values of honesty and integrity, and maintained an attitude of zero tolerance towards fraud. Strictly abiding by laws and regulations on anti-corruption and anti-bribery, we have strengthened our anti-fraud management. We regard honesty and integrity as important cornerstones for the Group's development.

Anti-fraud policy: The anti-corruption policies issued by the Group explicitly prohibit all types of dishonest behavior, including fraud, corruption, bribery and deceit, as well as any other violation of laws and regulations. We revise our policies on a regular basis to ensure their effectiveness considering the changes in the external environment and the Group's development.

Fraud reporting and investigation: The whistle-blowing reporting system initiated by the Group encourages the reporting of any actual or potential fraud. The system outlines the reporting channels and handling processes, as well as the Group's protection and confidentiality policies for whistle-blowers, to fully protect them. In the case of reports relating to fraud, we organize an anti-fraud investigation team, composed of experienced professionals with in-depth knowledge of fraud and risk management, to conduct independent investigations.

Xiaomi whistle-blowing system

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The Group actively promotes integrity to build an honest corporate culture. In 2018, we launched an online integrity awareness-raising campaign with over 10,000 participants so far and have received positive feedback.

In addition, the Group has actively participated in anti-fraud related organizations such as the Trust and Integrity Enterprise Alliance and the Chinese Corporate Anti-Fraud Alliance. These organizations work together to combat corruption, bribery, fraud and other dishonest behaviors, and have established mechanisms to share information about fraudulent behavior.

Anti-money laundering

In compliance with applicable laws and regulations including the *Anti-Money Laundering Law of the People's Republic of China*《中華人民共和國反洗錢法》, the *Provisions of Financial Institutions on Anti-Money Laundering* and《金融機構反洗錢規定》, the *Measures for the Administration of Anti-Money Laundering and Anti-Terrorism Financing of Internet Financial Institutions (Provisional)*《互聯網金融從業機構反洗錢和反恐怖融資管理辦法（試行）》, the Group organizes its Audit and Treasury departments to jointly conduct anti-money laundering work, including identification and control of businesses that present money laundering risks.

Xiaomi Finance has established an Anti-Money Laundering and Counter-Terrorism Financing team, responsible for the formulation, implementation and revision of relevant processes. The Risk Management Department under this team is responsible for implementing various anti-money laundering measures. It has appointed an Anti-Money Laundering Officer to take charge of day-to-day activities.

Xiaomi has conducted preventative measures against money laundering risk and prepared a contingency plan to handle incidents. If a money laundering risk event occurs, the Risk Management Department will promptly conduct a preliminary assessment and formulate targeted measures. These include, but are not limited to, restricting transactions, delaying settlement and reporting the incident to relevant law enforcement agencies. After that, the investigation team will submit a summary report which reflects the cause, process, follow-up actions and outcomes. It will identify accountability and any underlying deficiencies and will propose measures to avoid new risks.

5.   Gift Sincerity To Our Users

> "Be friends with our users. Be the coolest company in the hearts of our users."

Every day, our vision "to be friends with our users and to be the coolest company in the hearts of our users" motivates us to pursue innovation and maintain excellent quality and efficiency. In recent years, consumers have moved their attention away from features and brand to user experience. As the online world develops, we constantly seek out how we can be friends with our users, meet their definition of 'cool' and encourage them to interact with us.

5.1   Deep participation; excellent experience

Building user engagement

We have always regarded building user engagement as a key part of being friends with our users. We consult our users about every aspect of production, service, branding and sales so that they are engaged in creating a brand that users can access and own, and that they can grow with.

Our Department of Research and Experience Management was set up to better understand users' needs. It is responsible for user research and product experience. We have built a wide range of channels to strengthen communications with our users.

We have appointed specialists to follow up and analyze user feedback. They report feedback directly to colleagues in the relevant business units, and update our users on progress at the same time. Our engineers will promptly make revisions, in order to resolve any critical problems. The staff engaged in products, operations, R&D and design regularly participate in user forums and communicate face-to-face with our users to understand their real needs.

1) Online user surveys

2) Offline focus groups

3) Online user feedback app such as MIUI Forum
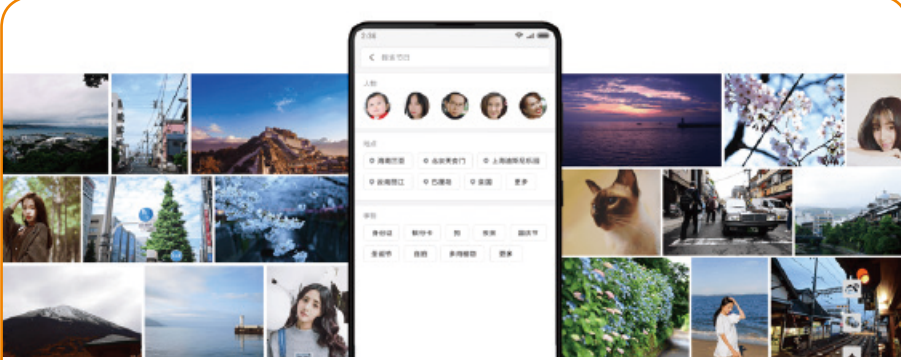
4) Core users' WeChat and QQ groups

5) WeChat official account, Weibo, QQ Space and other new media

6) Social organization — Mi Fans

7) Hotline and online customer services

As of 2018, the Department of Research and Experience Management had conducted 57 online surveys and organized 27 offline user forums in more than ten cities, covering over 30 business lines in Xiaomi. They processed more than 300,000 survey responses and had face-to-face, in-depth communications with about 300 users. They collected over 1,000 pieces of effective feedback for each business lines, which provided valuable insights for product improvement.

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Case Study: A Mi Fan posted on a forum: "I hope MIUI can support a quick photo search feature." Our product manager followed up and developed solutions as soon as possible. Based on advanced machine learning and image recognition technology, accurate image searching was made possible.

Humanized features

"Be friends with our users" is the foundation for the continuous improvement of MIUI. The core idea of MIUI's ongoing innovation is to develop humanized features that deeply identify our users' pain points and satisfy their needs.

From our users' point of view, in 2018 MIUI presented a more user-friendly experience and a series of innovative features, services and designs through continuous research.

Mi Portal: MIUI leverages our AI capabilities to offer a function that allows users to obtain extensive information under multiple scenarios, such as film reviews, encyclopedias and map, simply by pressing any text area instead of having to leave the app currently used by user.

Innovative NFC-based features: The industry's first NFC digital access card that enables our users to take public transportation and access entrance guard systems via smartphones.

For more information about the features of Xiaomi products, please visit the official website of Xiaomi MIUI: http://www.miui.com/

5.2 World-class after-sales services

Maintenance outlets with fast and secure nationwide coverage

Xiaomi is committed to providing our users with convenient and efficient after-sales services, guaranteeing processing time of 24 hours for regular requests.

500+	Over 500 maintenance outlets provide nationwide carry-in services.
350+	Over 350 maintenance outlets provide nationwide home-delivery services.
30	Five national delivery-repair centers and 30 provincial delivery-repair centers provide nationwide after-sales maintenance services.
8	8 spare parts warehouses ensure that there are enough supplies for the efficient on-site maintenance of the outlets.

Attentive and innovative service model

Xiaomi constantly innovates its service model to give an attentive and reassuring user experience.

60 *Face-to-face maintenance*

We have introduced face-to-face maintenance services at more than 60 outlets nationwide, Our users can watch the disassembly and maintenance process of their mobile phones on site.

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80% *Provincial delivery-repair centers*

Xiaomi was the first manufacturer to launch a provincial delivery-repair center, and has established such centers in 30 provinces in mainland China in 2018. These centers cover counties and towns in the provinces, providing consistent and convenient after-sales services. Over 80% of the products are repaired on the same day of receipt.

5,500 *Integrated sales and service*

In counties and towns, Xiaomi authorizes retail agents who operate our authorized stores and direct supply network to provide after-sales services. The one-stop offering provides better after-sales services for users, Xiaomi offers combined services integrating sales, after-sales, maintenance, delivery and installation in authorized stores in more than 250 counties. After-sales service stations have been built in over 5,500 towns to help users collect faulty devices from users and send them to the provincial delivery-repair centers for maintenance.

1KM *Integrated delivery and installation*

Xiaomi has set up delivery-installation warehouses close to our Mi Homes. Users who purchase TVs from our Mi Homes and Mi.com can enjoy seamless last-mile delivery and installation, increasing installation effectiveness and enhancing user experience.

5 *Establishment of five major delivery-repair centers*

Xiaomi has established delivery-repair centers in five regions of the country: east, west, south, north and central China. Users can request after-sales services online and send their devices to a repair center for maintenance, receiving our device repair and exchange services without leaving home. We have also promoted SF Express's pay on delivery service, addressing users' concerns about delivery fees.

> In order to shorten the maintenance time and improve users' service experience, in 2013, Xiaomi took the lead in launching the "one-hour express repair" service.

Customer service is supported by all staff, serving our customers with enthusiasm

Xiaomi has currently established multiple channels to communicate with customers, including Mi Community, Xiaomi official Weibo account, Xiaomi official WeChat account, customer service hotline, online chatting, emails and offline Mi Homes. Wherever the customer is, Xiaomi's customer service will follow.

Xiaomi has been advocating the concept of "customer services should be supported by all staff" since it was a start-up. All managers, even the founder, are involved in addressing customers' requests. Xiaomi is a service oriented company and has created a comprehensive service system, reflecting the importance that the Group places on customer services. Today, Xiaomi has put forward a new service concept of "serving the customers with enthusiasm", to share with everyone the joy and fun of technology. In 2018, the customer complaint handling satisfaction rate was 97.1%, and the overall customer satisfaction rate was 94.51%.

To better meet our customers' needs, we set up 3-in-1 customer service centers that integrate hardware products, software products and e-commerce services.

To cater to different users, customer service staff use different communication styles. Xiaomi believes that as long as we regard customers as friends, there are many ways that we can provide innovative customer services. Even a tiny modification can bring improvements in the value of our service. "Sincerity is the key to excellent service!"

The unwavering efforts of Xiaomi's customer services team have won recognition from both users and the industry. In 2018, Xiaomi's Customer Service Center won major awards in the industry, including the "Touching Organization" from the Touching China 2018 China Customer Communication Center Industry Awards and the "2018 Top Ten Call Center Award".

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Heart-to-heart service experience provided by Mi Home

Mi Home is the direct customer service center established by Xiaomi. Since its establishment, Mi Home has been committed to providing a good and reassuring customer experience.

In recent years, through continuous products and service experience upgrades, Mi Home has been gradually transformed from focusing on product sales and after-sales services to its current focus on product sales and experience. To ensure the quality of service, a service quality management standard and a regular inspection system have been formulated in Mi Homes.

In the Mi Home showroom, nearly all new products are presented for consumers to try out. In order to meet users' purchasing needs, Mi Home optimized the product portfolio to fit users' shopping habits, and to help users make better choices. In addition, Mi Home's mobile POS payment system enables customers to check out anywhere in the store, or with any staff at the location, sparing customers the hassle of queuing.

As of the end of 2018, the number of Mi Homes in mainland China reached 586, and the number of Xiaomi authorized stores in mainland China reached 1,378. At the same time, Mi Home is also popular among customers globally.

Bangalore Mi Home: the largest Mi Home in India

The first Mi Home in Barcelona

5.3 Xiaomi is supported by Mi Fans

Good companies make profit, great companies also win over people's hearts. During the eight years of business since Xiaomi's foundation, we are proud of not only the achievements of our innovation and business made, but also the "fan culture" that we built. We have an enormous number of enthusiastic users known as "Mi Fans" all over the world, and they are part of the Xiaomi family.

Footprint of Mi Fans

2010 When developing our first product the MIUI system, Xiaomi selected the 100 tech enthusiasts on Mi Forum to exchange their views on research and development of the operating system with engineers. They are those called "100 Dream Sponsors" of Xiaomi.

2011 In August, Mi Community was launched and quickly became the base camp for Mi Fans. On December 31 of the same year, the first annual Mi Pop event was held.

2012 On April 6, the first Mi Fans festival was held in Beijing 798 Art Park and became an important festival for Mi Fans. On November 12 the number of registered Mi Fans in Mi Community exceeded 5 million. On December 29 the second annual Mi Pop event was held.

2013 The official Mi Pop event was held 18 times. It was held outside mainland China for the first time in Taiwan. At the end of year, the number of registered Mi Fans in Mi Community exceeded 30 million.

2014 Xiaomi's Mi Pop went outside China for the first time and was successfully held in Singapore. The Xiaomi fan club was also established overseas.

2015 The largest fan club event in the history of Xiaomi, Xiaomi 4i Hundreds Cities Tasting Party, was held. In July, Mi Fans were organized to participate in the Zhengzhou Aviation Show. In December, the first Xiaomi family feast was held in the Xiaomi headquarters canteen.

2016 The Mi Fans offline activities were upgraded. Various events were organized including Mi Orange Run events advocating the concept of healthy living, Mi Black Technology Party events to experience the cutting-edge technologies, Mi Pop events jointly held with the opening of Mi Home, and a campaign initiated by Xiaomi staff to reward Mi Fans with 100 thousand hand-written postcards. The number of registered members in Mi Community reached 70 million.

2017 Xiaomi fan club covered 80 cities. Xiaomi campus fan club covered 300 colleges and universities.

2018 Over 600 activities were held by the Xiaomi fan club, and over 520 by the Xiaomi campus fan club. The number of registered members in Mi Community exceeded 130 million.

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Mi Community

Mi Community is the main online channel for communication between Xiaomi and Mi Fans, Mi Community, coupled with Xiaomi's official social media on Weibo and Wechat, is committed to creating an open and interactive environment for users. In 2018, the number of registered users in Mi Community exceeded 130 million.

Every month, Mi Community plans and organizes interactive activities among Mi Fans, which cover different themes, e.g. mobile phone evaluation contests, smart home forum, and "letter from Xiaomi" activities. Mi Community is a key channel for us to obtain feedback, views, and ideas from users on our products. Our customer service and product managers also address questions from users in Mi Community.

Xiaomi staff wrote 100 thousand postcards to Mi Fans.

Mi Pop

"Mi Pop" includes dozens of meetings organized by Xiaomi every year, more than 500 fan club events organized by users and the "Annual Mi Pop Festival" at the end of each year. Users can participate in the whole process of preparing these activities. The venues, performance and performers are all selected from the forums. The venues are arranged by Mi Fans volunteers. Dinners are organized so that local representative Mi Fans and the Xiaomi team can have further discussions after each "Mi Pop" event.

Mi Orange Run

Mi Orange Run is committed to the promotion of healthy living and environmental protection. It aims to involve more young people in a fun environment to exercise, interact, and share the joy of technology while paying attention to environmental protection. Mi Orange Run has toured more than ten cities across China, with 500–1000 Mi Fans participating in each event.

In addition, Mi Fans have spontaneously organized 93 fan clubs so far, covering almost all first- and second- tier cities in China. "Mi Campus Club" which is organized by student Mi Fans, covered more than 485 colleges and universities as of the end of 2018.

Through both online and offline interactive events, Xiaomi hopes to provide users with a platform to profile themselves and meet with new friends, so that every Mi Fans can be a "star".

5.4 Technologies accessible to everyone

Xiaomi believes everyone has the right to full information accessibility and any individual is fully entitled to use all functions that can be provided by technology and obtain complete information. According to the statistics released by the China Disabled Persons' Federation, the total number of disabled people in mainland China reached more than 85 million. In today's era of information explosion, there is an "invisible high wall" faced by this population. The value of information accessibility is to breakdown information barriers and narrow any digital divide. Xiaomi has conducted a significant amount of work in various aspects of information accessibility, including conducting research and development of accessible functionality, actively participating in the establishment of standards for accessibility, and promoting public awareness of the importance of accessibility.

Research and development of MIUI accessible functions

MIUI is the operating system of Xiaomi smartphones, and also the first product of Xiaomi. We have launched 10 major versions of MIUI. Starting from MIUI8, we have developed well-established and standardized processes for the development of accessible functions. Xiaomi has been at the forefront of mobile internet and artificial intelligence, focusing on innovation, development and transformation. Xiaomi calls on all engineers to focus on information accessibility as a priority and has set up a special task force to conduct rigorous evaluation of progress in this field.

The brand new MIUI10 has brought in a more pleasant, visual and auditory users' experience, with the following accessibility features:

- Talkback, which is a screen reader built into Android devices that provides users with voice feedback to enable those with visual impairment to use our smartphones. Xiaomi also added a voice tag to all key buttons.
- MIUI10 is the only Android system in China that has camera face recognition with voice prompt to assist visually impaired users..
- MIUI10 is also the only Android system in China that developed an universal remote control with voice prompt functionality.

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Active participation in setting accessibility standards

Xiaomi has actively participated in setting national standards for information accessibility. At present, three industry standards, namely *General Design Specification on Web Information Accessibility* (web 信息無障礙通用設計規範), *Technical Requirements for Mobile Terminal Accessibility*(移動終端無障礙技術要求), and *Mobile Terminal Accessibility Test Method* (移動終端無障礙測試方法), have been set, and Xiaomi has actively participated in the process of drafting and revising these standards.

On December 21, 2017, the inaugural meeting of the Information Accessibility Committee of China Internet Society (中國互聯網協會信息無障礙工作委員會) was held in Beijing. Hong Feng, co-founder and senior vice president of Xiaomi, was elected as the deputy director of the Information Accessibility Committee. Xiaomi was one of the co-founder member units of the Information Accessibility Committee.

Raising awareness on information accessibility

Xiaomi understands that it is not possible to single-handedly create an environment with equal access for people with disabilities. We anticipate that it is critical to further collaborate with various partners that have common goals and interests in this field.

On December 3, 2018, China-based UN agencies of UNESCO, UNDP and other organizations in China held the 27th anniversary event of the "International Day of Persons with Disabilities". The theme was "Empowering persons with disabilities and ensuring inclusiveness and equality". Various representatives from governments, academia, media, NGOs and enterprises had participated in the event. Li Weixing, the general manager of the Internet Department IV of Xiaomi, gave a keynote speech on how Xiaomi uses "user-participated development model of Internet" in building information accessibility. Xiaomi has adopted "barrier-free" accessibility as the default standard for its products, and has expressed willingness to share its experience in the development of accessibility of smart phones and Internet with global technology companies. Xiaomi aims to speed up and strengthen development in information accessibility to benefit society, which is in line with the concept of "inclusiveness, fairness and sustainability" advocated by the *UN 2030 Agenda for Sustainable Development* and is highly recognized by UNESCO.

On May 20, 2018, Xiaomi released a promotional video for Mother's Day and 20 May National Day for Helping People with Disabilities (520 助殘日) — a story of mothers with visual disabilities taking pictures of their children. It aims to change the stereotypes of visually impaired persons: besides building a barrier-free physical environment, more efforts are needed to promote a barrier-free awareness that is fair, friendly and inclusive.

In early August 2018, Xiaomi donated 21 sets of Mi 8 mobile phones to the "Yoren Foundation (有人基金會)" for the "Golden Cane (金盲杖)" summer camp of visually impaired students. The summer camp was set up for college-bound students with visual impairments to experience real-life learning and living at university. It was intended to prepare students with the skills needed for college life.

On September 21, 2018, Xiaomi organized a community benefit project "From Impossible to Different" for 8 of its management trainees to spend a day living with 8 selected visually impaired Xiaomi-users. Using props, these management trainees' visual ability was adjusted to that of the selected Xiaomi-users. By living together for that day, they were able to experience what it was like to be living with visual impairment. This activity aims to raise their awareness on "barrier-free" and a deeper understanding of the "each and everyone" set forward in Xiaomi's mission and of their lives.

In March 2019, Lei Jun attracted great attention when he, as a representative of the National People's Congress, submitted the *Proposal on Further Consolidation and Implementation for the development of "Barrier-free" Information Accessibility* (關於進一步深化落實信息無障礙建設的建議) to the National People's Congress. Mr. Li Qingzhong, a member of the National Committee of the Chinese People's Political Consultative Conference and Chairman of the China Association of the Blind, was among the leaders of the information accessibility industry who acknowledged Lei Jun's proposals and expressed their expectations for constructing a comprehensive barrier-free environment in the Internet and information technology industry.

Xiaomi's active promotion of information accessibility comes from the Company's mission: "let everyone in the world enjoy a better life through innovative technology". Xiaomi believes that the benefits brought by technological innovation and progress should be shared by the public in a simple way. The essence of the Internet is transparency, efficiency, equality, and the greatest equality is the equality experienced in daily living: for everyone, regardless of colors, beliefs, origins and education, to enjoy a good life brought by technology.

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6.   Gift Freshness to Environment

Xiaomi attaches great importance to environmental protection and conservation, and continuously addresses the impacts of its business operations on the environment. Xiaomi strictly complies with the environmental protection laws and regulations such as the *Environmental Protection Law of the People's Republic of China* (中華人民共和國環境保護法) and the *Energy Conservation Law of the People's Republic of China* (中華人民共和國節約能源法). It advocates and embraces green operation as a core value throughout its product life cycle to make best use of resources and manage emissions.

6.1   Green operation and management

Xiaomi attaches great importance to resource efficiency. We use green energy-saving equipment in our offices and cultivate employees' energy-saving behaviors in many aspects. We post tips such as "turn off the lights" and "save water" in eye-catching areas of the offices. At the same time, we actively promote"paperless" office and encourage employees to re-use paper and print on both sides. In 2018, Xiaomi consumed about 2,306,590 sheets of paper for doubled-sided printing, saving about 1,153,220 sheets of paper in printings. We advocate green travel. In addition, we collect office waste centrally to reduce the number of trash bins used. It is estimated that 8 million disposable plastic bags are saved from reducing the number of trash bins used throughout the year.

In addition, Xiaomi has actively promoted recycling of used equipment. We encourage donating, internal purchasing and recycling out-dated equipment. In 2018, 397 old devices were purchased by employees, and 810 devices were recycled. In addition, certain old devices such as mainframes, monitors, and laptops were donated to schools in poverty stricken areas.

6.2   Green data center

Xiaomi strives to make its data centers more environmental friendly and efficient. Among others, energy-saving is one of the key performance indicators.

Xiaomi uses colocation facilities. When selecting colocation facilities providers, Xiaomi evaluates third party's performance in respect of their adequacy and effectiveness of energy-saving measures. We require third party service providers to put in place a proper air conditioning and ventilation system that maintains constant temperature and humidity for the data center, ensuring operational effectiveness and energy efficiency while enhancing the PUE value of the system room.

Xiaomi also has strict selection criteria for purchasing servers. We select servers with high power efficiency and energy saving capability, as well as a platinum grade consumption conversion rate.

6.3   Green product designs

Energy-conservative designs

Power conservation is not only a key product feature demand by users, but also a key aspect of green products. Starting from energy-saving design, Xiaomi continuously optimizes products' energy-saving performance at both the product definition and system design level.

(1)   Ultra Power-saving Mode: Through synchronized process and limiting back-end activities, the system's battery consumption can be further reduced.

(2)   All Interface Dark Mode: MIUI provides users with All Interface Dark Mode that presents the system interface in black to significantly reduce battery consumption. At the same time, in a dim indoor environment or at night, the black interface can provide users with a more comfortable reading experience.

(3)   Xiaomi adopts a philosophy of energy efficiency. By reducing the CPU power and strictly controlling the selection of sensors, the battery duration of Xiaomi wristband has been extended to more than one month, which outperforms similar products in energy-saving.

Packaging Minimization

Simplicity has always been adopted in the package design of Xiaomi's products to avoid over-packaging. In 2018, Xiaomi set up package design guidance to achieve standardized management of the environmental-friendly aspects of product packaging. This guidance has helped achieve not only a reduction in the consumption of packaging materials, but also improved efficiency in transportation, thereby reducing energy consumption and emissions in the course of transportation.

In terms of structural design, the minimized efficient packaging of Xiaomi smartphones is applied to more than 95% of mobile phone products and the utilization rate of packaging space is 70%-85%, thus minimizing the use of packaging materials.

In material selection, most ecosystem products are packaged with paper based materials. Among them, medium-sized and small-sized products will not be packaged with EPS[2] buffer materials, and the use of non-green materials such as PET, PP, PS[3], and processes involving blister and injection are reduced. For packaging of large-sized products, the packaging structure design is optimized so that materials such as paper and paper pulp are used instead of EPS, EVA[4] and EPE[5], thereby reducing the impact on the environment. As for logistics packaging, Xiaomi is actively exploring new green logistics models, promoting the application of logistics turnover boxes in Xiaomi warehouses, and advancing resource-intensive and reusable logistics packaging. In terms of parcel packaging, we have integrated a number of courier boxes with different specifications that have greatly improved the use of parcel packaging.

> We have adopted kraft linerboard which is made up of 71% waste paper pulp, 18% wood pulp, 8% water and 3% fillers. Buffer materials and gray board made of waste paper pulp are 100% recycled and degradable, so they are environmentally friendly. The packaging printing ink is made of soy so it is not harmful to humans or the environment.

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[1]   EPS, Expanded Polystyrene and polystyrene foam, one of the white pollutants, cannot enter the biogeochemical cycle via biodegradation and photolysis.
[2]   PET, Polyethylene terephthalate; PP, Polypropylene; PS, Polystyrene.
[3]   EVA, Ethylene Vinyl Acetate Copolymer.
[4]   EPE, Expandable Polyethylene.

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Table of environmental key performance indicators
Unless otherwise specified, environmental key performance indicators cover the Group's main offices and self-operated Mi Homes in mainland China.

1. Emissions

Total GHG emissions (scopes 1 and 2) (tons)	13,093.57
Direct GHG emissions (scope 1) (tons)	271.69
Indirect GHG emissions (scope 2) (tons)	12,821.88
Total GHG emissions in the office buildings per floor area (tons per square metre)	0.09
Hazardous waste (tons)	1.16
Hazardous waste per employee (tons per employee)	0.000097
Non-hazardous waste (tons)	1,027.17
Non-hazardous waste per employee (tons per employee)	0.09

1. Due to its business nature, the significant air emissions of the Group are GHG emissions, arising mainly from natural gas and electricity derived from fossil fuels.
2. The Group's GHG inventory includes carbon dioxide, methane and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent and is based on the "2015 Baseline Emission Factors for Regional Power Grids in China" issued by the National Development and Reform Commission of China, and the "2006 IPCC Guidelines for National Greenhouse Gas Inventories" issued by the Intergovernmental Panel on Climate Change (IPCC).
3. GHG emissions (Scope 1) arise mainly from the consumption of "direct energy" (natural gas). GHG emissions (Scope 2) arise mainly from the consumption of "indirect energy" (purchased electricity).
4. Hazardous waste produced by the Group's operation mainly includes waste toner cartridges, waste ink cartridges from office printing equipment, waste fluorescent tubes and waste lead-acid accumulators. Waste toner cartridges and waste ink cartridges are collected and disposed of by printing suppliers, whereas waste fluorescent tubes and waste lead-acid accumulators are disposed of by qualified waste recycling vendors.
5. Non-hazardous waste produced by the Group's operation mainly includes office waste and domestic waste, which are disposed by the property management company.

2. Energy and resources consumption

Total energy consumption (MWh)	18,856.92
Direct energy consumption (MWh)	1,389.45
Indirect energy consumption (MWh)	17,467.47
Total energy consumption per employee (MWh per employee)	1.32
Running water consumption (tons)	81,345.33
Running water consumption per employee (tons per employee)	6.77
Total packaging material used for finished products(tons)	65,281.37
Total packaging material used for finished products per RMB million in revenue(tons/RMB million)	0.37

1 Energy consumption is calculated using electricity and natural gas data with reference to the coefficients in the National Standards of the People's Republic of China "General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2008)".
2 Direct energy consumption is the consumption of natural gas during the Group's operation. Indirect energy consumption is the consumption of electricity during the Group's operation.
3 The Group's water resources consumed come from the municipal water supply.
4 Total packaging material used for finished products is the total amount of packaging materials used for smartphones, smart TVs and major products of ecosystem products.

6.4 Green supply chain

As the core enterprise of the supply value chain, Xiaomi aims to fulfil its social responsibility. We hope to work together with all partners to promote a green supply chain and to jointly establish a sustainable development model.

In 2018, Xiaomi designated personnel to carry out the management of supplier's CSR performance. In addition, in accordance with the *Responsible Business Alliance Code of Conduct (RBA責任商業聯盟行為準則)*, *Supply Chain Sustainability Guideline Governing Telecom Industry (電信行業供應鏈可持續指南)*, including standards SA8000, ISO14001, ISO45001 and based on Xiaomi's supplier CSR key risks identification, Xiaomi set up its *Supplier Social Responsibility Code of Conduct (供應商社會責任行為準則)* and *Supplier Social Responsibility Agreement (供應商社會責任協議)*, stipulating management requirements for its suppliers in 13 aspects such as business ethics, child labor protection, environment management and labor rights.

Moreover, in order to encourage suppliers to effectively implement CSR practices, Xiaomi conducted online questionnaire assessment and offline field surveys to form an in-depth understanding of suppliers' CSR performance. In 2018, over 100 core suppliers took part in online assessments and offline research.

At the 2018 Xiaomi Core Supplier Conference, Xiaomi conveyed to more than 200 core suppliers the concept of "promoting a green supply chain and shouldering social responsibilities". Xiaomi will set up a work plan to promote the signing of the Supplier Social Responsibility Agreement. This involves setting up a supply chain CSR management working group, a CSR risk database, and conducting supplier CSR audits, follow-up audits and exchanges, etc.. Xiaomi will consistently improve CSR in our supply chain and promote the development of a green supply chain.

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7. Gift Happiness to Everyone

Xiaomi is committed to making everyone enjoy their life through technology. We aim to promote happiness to all, contribute to society and utilize the latest technology to improve the lives of many.

7.1 Enthusiastic Xiaomi employees

> In 2010, the co-founders of Xiaomi founded the company with limited resources. At the 2018 Anniversary Staff Activity, Lei Jun said "experienced employees are very precious assets to Xiaomi. The experienced employees carry the heritage of our culture while new employees are the hope of our future. Thank you, my fellow friends, for your tears, laughter and effort along the way! Our sincerity and love for this will remain the same regardless of time."

We want every Xiaomi employee to have sincerity and passion. Xiaomi cherishes every employee. We strive to create a comfortable and harmonious working environment, protect the health and safety of our employees, actively organize employee trainings, boost employee development, and regard employees' rights and benefits as the starting point of "gifting happiness to everyone".

Recruitment and employment

In strict accordance with the *Labor Law of the People's Republic of China* (《中華人民共和國勞動法》), the *Labor Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》), the *Special Rules on* the *Labor Protection of Female Employees* (《女職工勞動保護特別規定》) and other laws and regulations, Xiaomi issues policies to standardize the management of recruitment, employment, dismissal, salary and benefits, attendance, rest period, equal opportunity, anti-discrimination and diversity.

Xiaomi complies with the principle of fair competition and meritocracy. Existing and prospective employees share equal opportunities. In recruitment and salary setting, Xiaomi treats each job applicant and employee equally irrespective of his or her nationality, race, age, gender, marital status, religious belief, etc. Xiaomi signs labor contracts with employees based on the principle of equality, free will, consensus and integrity. We abide by the *Special Rules on Labor Protection of Female Employees* (《女職工勞動保護特別規定》), and safeguard female employees' rights and benefits in pregnancy, perinatal period and lactation. Salary reduction or dismissal with no reason during the above mentioned periods is prohibited. Xiaomi greatly respects every employee's dignity and personality. Furthermore, Xiaomi forbids any form of insults and discrimination, and strictly prohibits menacing, insulting or exploitative behavior and child labor.

Employee diversity

As of the end of 2018, Xiaomi had 16,000 employees from 44 countries. They work in over 30 countries. Xiaomi treats every employee equally and strictly complies with relevant laws from different jurisdictions and follows international conventions on recruitment, employment, salary and benefits, attendance, rest period and other various aspects.

Xiaomi has an energetic and proactive team. Our team consists of experienced professionals as well as young talents with ambitions, ideals, courage and accountability. The average age of employees in Xiaomi is 29.1 years old, of whom 65% are aged 30 or below. Xiaomi will develop and promote young talents to embrace our culture, enrich our talent pool, accelerate organization development and enhance operating efficiency.

Health and safety

A safe, healthy and comfortable working environment underpins Xiaomi's sustainable development. In strict compliance with the *Production Safety Law of the People's Republic of China（《中華人民共和國安全生產法》）*, the *Prevention and Control Law of Occupational Diseases of the People's Republic of China（《中華人民共和國職業病防治法》）*, the *Provisions on the Supervision and Administration of Occupational Health at Work Sites（《工作場所職業衛生監督管理辦法》）* and other national and regional laws and regulations and industry standards, Xiaomi established a series of work process and policies to ensure personal and property safety.

Well-established systems for employee benefits

In addition to social insurance and welfares prescribed by regulations, Xiaomi provides supplementary commercial insurances (medical insurance/accident insurance, etc.) to employees. Additional commercial insurance plans are available for other family members to purchase. Xiaomi also arranges annual health check for employees and holds health talks and activities from time to time. Also, we provide additional insurances for employees participating in the Company's activities like "Xiaomi Football Super League" and "Xiaomi Outdoor".

Safe and relaxing environment

Xiaomi cares about the physical and mental health of the employees, as well as their working environment. With well-developed security and fire systems, tea rooms, relaxation areas and other facilities in office, we strive to create a safe and relaxing environment for our employees.

Moreover, there are internal online platform, complaint box, labor community and Wechat official account for our employees to provide feedback.

Every 120 square meters area is equipped with an air purifier and every 60 square metres area is equipped with a humidifier.

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Development and training

In Xiaomi, everyone is encouraged to proactively express their thoughts and creative ideas. Vast amount of training resources are available for all the employees, including professional training and leadership training.

Xiaomi developed a variety of training projects for different employee groups. For instance, there is Spark Camp for entry level managers, Young "π" for management trainees and Torch Program for middle management. These projects accelerate the integration of new employees into our organization, improve the management ability of managers and cultivate the strategic thinking of talents.

"Mi Xue Hui (米學滙)", a monthly course available to all employees, aiming to enhance personal development, improve professional skills, and promote sustainable development.

"Journey of Love (真愛之旅)", a training project for fresh graduates to help them understand our business practice and culture and adapt to the society.

In order to groom management talent, we have specifically established a management trainee program for Young "π" (少年π), a new generation with infinite possibilities. In order to train this unique new generation to be familiar with the company's business practice and culture and to become the next generation leader, these talents will go through work rotation, working in Mi Homes, opening new physical stores and factories visits, etc.

"Spark Camp (星火集訓營)" helps new managers kick start their management training through study groups, classes and debates. After graduation from the camp, they will understand their responsibilities better and master basic management knowledge and skills, to better transition to and appreciate their role.

The "Monthly Management Theme" 〔管理主題月〕 activities provide management with a channel to share their experience, role play various scenarios, voice out difficulties encountered, and give feedback on key management behaviors. At the same time the "Monthly Management Chat" 〔管理漫月談〕 offers online management simulation classes. With the help of these online and offline training activities, managers can upgrade their management skills.

The "Torch Program" is tailored by Xiaomi for training middle managers who have been identified as potential candidates for future senior management. Torch represents the spirit of our heritage. During 2017–2018, 134 middle managers participated in the Torch Program, joining various advanced courses, face-to-face meetings with senior executives, study tours and workshops, all designed to enhance their business acumen ,soft skills and leadership capabilities. In 2019, Xiaomi will launch the "Ignition" program, a training program for middle- and senior-level managers, designed to improve strategic guidance, strengthen the organization, and enhance management capabilities.

Work life balance

Xiaomi makes great efforts to provide our hard-working employees a work life balance. Currently, there are more than 14 employee clubs, with more than 500 employees participating annually in each club. Each club holds two events per week for employees with common hobbies and interests. The Xiaomi Cup includes basketball, tug-of-war, badminton, swimming and many other activities for employees to relax.

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Xiaomi holds welfare activities two to three times per week. We host the Group annual celebration and Xiaomi Family Day once every year. The Voice of Xiaomi and other festive welfare activities are also held from time to time.

Xiaomi is recognized by the industry for its HR management innovations. Xiaomi won the "Human Resources Management Best Practices Award" (人力資源管理實踐) at the 2018 China Annual Conference for Human Resources Management and China Human Resources Management Academy Award Ceremony (2018 第十一屆中國人力資源管理年會暨第八屆中國人力資源管理學院獎頒獎典禮), which was organized by the Renmin University School of Business and the China Human Resources Theory and Practice Alliance.

7.2 Contribute to the society and deliver happiness

Since its founding in 2010, under the leadership of Lei Jun, Xiaomi is committed to charity, including making donations to education charities, care for people with disabilities, environment protection, disaster relief, etc. We fulfill our social responsibilities and send a positive message to society through donations, trainings, charitable sales, employment opportunities for disabled, etc. From 2016 to 2018, Xiaomi donated over RMB100 million (including both the Group donations and Lei Jun's personal donations), Xiaomi also donates books, electronic equipments, food and other materials to address various needs in the community and launched campaigns such as "Entrepreneur Training" to build capabilities in the society. In 2018, Xiaomi took steps to better integrate its charity objectives with community needs, and conducted various charitable activities.

Orange run, green run

Xiaomi noticed that organizers of large events tend to use disposable materials for convenience and leave garbage unsorted, putting great pressure on the environment. As a responsible enterprise, when we started the Orange Run, we made every effort to reduce our carbon footprint on the environment. The Orange Run was held in 10 locations in 2018, including Zhuhai and Kunming, and successfully reduced the amount of garbage that would have been dumped in landfills or incinerated by 90%. We reduced environmental costs through the use of reusable tents, flags and other structures for multiple events. Through these activities, Xiaomi demonstrated that garbage classification and reduction can be easy and effective.

At the same time, we work closely with the agencies responsible for zero-waste activities in different cities. Our activity partners are committed to environmental protection and volunteer work.

The Orange Run produced only 41.26 kilograms of garbage (excluding structures) in 2018, of which 88% was recycled. This activity blends orange with green, and youth with environmentalism.

Targeted poverty alleviation to help persons with disabilities realize the China Dream

The "CSR China Education Award" aims to encourage and reward distinguished CSR projects for education development in China, as well as corporations and organizations that make prominent contributions to the education sector. It is the only official award jointly set up by multiple institutions, with the endorsement of the Communist Youth League Central Committee, the Ministry of Education and the Ministry of Industry and Information Technology. Xiaomi initiated the "Targeted Poverty Alleviation to Help Persons with Disabilities Realize the China Dream" project, which was highly acclaimed by the assessors in 2018.

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With the project of "Targeted Poverty Alleviation for Persons with Disabilities to Realize the China Dream" Xiaomi promotes employment of persons with disabilities and has provided almost 200 persons with disabilities with appropriate jobs from 2017. People with disabilities are eager for jobs, willing to make a better living on their own and keen to realize their personal and social values. However, there are few suitable jobs and related training available for them.

In accordance with corporation needs and business development, Xiaomi has set up suitable opportunities for persons with disabilities with the help of different departments. Occupational trainings and mental health courses are provided to address problems they encounter in work and life, so that they can have positive work experience and deal with challenges.

China Disabled Persons' Federation recognizes our efforts. Lu Yong, the chairman of China Disabled Persons' Federation, hopes that there will be more corporates, just like Xiaomi, joining hands in developing an employment platform to create more job opportunities for persons with disabilities.

Continuous concern and devotion are crucial in implementing CSR. Xiaomi will continue to invest human and material resources in CSR. Xiaomi will give persons with disabilities access to more suitable and skilled jobs, so that persons with disabilities can integrate better in the society and then we together can achieve mutual social and economic benefits.

Book Donation Activity

Since World Reading Day in 2016, Xiaomi Duokan Reading (小米多看閱讀) carried out the activity to support reading in Tibetan areas, hoping that more people can participate in public welfare, and that children can enjoy the pleasure of reading. In recent years, Xiaomi, together with enterprises and people from all walks of life, donated nearly 30,000 books and 1,000 sets of stationery worth RMB1 million. In addition, Xiaomi donated electronic reading devices, enabling children to enjoy the pleasure brought by technology while reading.

The WeiLan Microlibrary is a public welfare project initiated by the "New Citizen Program" charity. The purpose of this project is to bring extracurricular books for migrant children and more books to school libraries. The project operates in schools for migrant workers' children and in rural urban fringe areas. In 2019, Xiaomi cooperated with the New Citizen Program and recruited nearly 200 employee-volunteers in the New Hope School, a school for migrant workers' children, two kilometres away from Xiaomi's office building. Xiaomi initiated a fundraising event and book donations throughout the company, which helps the school to buy new books for the library.

Community capacity building — it's better to teach a person how to fish than to give him a fish

Community capacity building is an essential part of Xiaomi's public welfare activities. We believe that it is better to teach a person how to fish than to give him a fish. This way we can bring genuine, sustainable change to benefit the society.

In 2018, Xiaomi established a partnership with the Beijing Changping Practical Skill Training School for Rural Women. Xiaomi employees volunteered to provide entrepreneurship training to students who want to start their own businesses and share e-commerce skills with them.

Beijing Changping Practical Skill Training School for Rural Women is a non-profit practical skill training school for women in rural and impoverished areas. Female teachers, kindergarten teachers and women from rural areas across the country are able to receive training in practical and professional skills in order to help them become self-reliant and reduce poverty.

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Commitment to public benefit

Since its foundation in 2010, Lei Jun's leadership, Xiaomi has been actively taking numerous approaches to social welfare, such as donations for disaster relief, charity sales, education-related donations, public welfare, employment development and awareness raising in order to fulfill Xiaomi's CSR and create positive energy to society.

As a responsible corporate citizen, Xiaomi never regards its contribution to public welfare as a one-off event. Xiaomi is dedicated to socially responsible and will try its utmost to deliver this commitment.

8. Prospects: Have Faith in a Brighter Future

Thank you for your interest in Xiaomi. Together, I believe we can create a paradigm shift of efficiency in the business world and use technology to improve people's everyday lives. To gift honesty to business, to gift warmth to technology, to gift happiness to everyone, our missions have no boundaries and we have only just began. Please join us on our journey. Always believe.