

Tencent Unveils Blueprint of *Sustainable Innovations for Social Value* as Core Development Strategy

Initial investment of RMB 50 billion for the new initiative

Hong Kong, 19 April, 2021 - Tencent Chairman and CEO Pony MA, on behalf of Tencent's Executive Committee, sent a letter to employees to announce the strategy of "promoting sustainable innovations for social value, alongside nurturing the consumer Internet and embracing the industrial Internet."

Specifically, Tencent will integrate the existing Corporate Social Responsibility and charitable activities into a new Sustainable Social Value Organisation (SSV.org) within its Corporate Development Group (CDG). Caitlyn CHEN, Corporate Vice President formerly in charge of Tencent News, will head up the new unit. Tencent also announced it will invest an initial capital of RMB 50 billion (USD 7.67 billion) to fund initiatives in areas including basic science, education innovation, rural revitalisation, carbon neutrality, food/energy/water provision, assisting with public emergencies, technology for senior citizens and public welfare.

The letter highlights the areas mentioned above as priorities under China's new development pattern. Tencent, led by its mission *Tech for Good*, is committed to exploring and tackling those issues.

This is a further strategic upgrade following Tencent's "930 Reform" in 2018. From "nurturing the consumer Internet and embracing the industrial Internet" to "promoting sustainable innovations for social value", Tencent is taking a step forward. "Promoting sustainable innovations for social value" will become the foundation of Tencent's development in driving its core businesses.

The "930 Reform" was the third organisational restructure in Tencent's history, during which the company accelerated its technological upgrade and introduced the mission *Tech for Good*. The company has continued to strengthen its consumer Internet business with over 1.2 billion combined MAU for Weixin & WeChat and approximately 600 million smart devices MAU for QQ. Meanwhile, Tencent has expanded into the industrial Internet, developed Tencent Cloud Services, and provided technology and services to assist digital upgrades for traditional industries. Tencent Meeting has become the largest standalone application for cloud conferencing in China. WeCom, the enterprise communication tool that interconnects with Weixin and WeChat, now serves more than 5.5 million enterprises. In its 2020 annual report, Tencent disclosed more details about how the company is integrating social responsibility into its operations, products, and services.

Today, Tencent adds "promoting sustainable innovations for social value" as an evolution of the "930 Reform", whose significance is equivalent to the fourth strategic upgrade for

the company. This upgrade aims to implement its mission *Tech for Good* and embark on a new phase of development for Tencent.

Major upgrades for new blueprint implementation

This will not be an easy journey. To achieve this vision, the company will make efforts in four areas: concept upgrade, model upgrade, organisational upgrade, and investment upgrade.

Concept upgrade. This upgrade was triggered by the company's initiatives for fighting against the pandemic last year, when the most internal commendations were awarded in Tencent's history. Nearly 100 teams and 12,000 employees had received awards in fighting the pandemic. Tencent donated and set up an RMB 1.5 billion Anti-Pandemic Fund, as well as developed and enriched products such as Health Code and Tencent Meeting within a short period of time to help fight the pandemic and facilitate business recovery. Tencent executives were "deeply impressed, moved, and inspired" and believe that the larger a company grows, the more it needs to pay attention to building solid foundations.

The concept of creating social value is embodied in the *Sustainable Innovations for Social Value* strategy, which lays out that "Aiming to solve the major issues under the new development pattern and guided by the mission *Tech for Good*, the company will explore high-quality and sustainable initiatives through innovations in technology, product and business model, sharing social values and benefiting social well-being."

Model upgrade. This is intricately connected to concept upgrade, as it is difficult to achieve sustainability for social value at scale solely through traditional donations. We believe sustainable development is best achieved by leveraging company's core technologies and business capabilities to innovate around charitable activities. Before the National People's Congress (NPC) sessions this year, Pony MA led a team to conduct an in-depth research on low-carbon industries and submit a proposal regarding "promoting and supporting the development of carbon-neutrality for technology enterprises." According to their findings, the low-carbon industry can foster a sustainable and viable model without relying on subsidies. Tencent does not have to seek returns in various areas under this new blueprint, but will gradually form sustainable development models, where revenue generated is reinvested in new initiatives, whose scope expands over the long term.

Organisational upgrade. The experience of Tencent's previous reforms demonstrates that a major strategic evolution is usually best accompanied by organisational change, and this strategic upgrade is no exception. The newly established Sustainable Social Value Organisation within CDG will be positioned as the core engine to drive the new strategy. Leveraging technology and platform strengths, the traditional charity approach

will be upgraded to encourage both charitable donations and sustainable innovations, creating new values for society. The new SSV.org will link the company's products and businesses to create an integrated model of social value innovation.

Specifically, the Organisation houses the Tech-for-Good Lab Cluster, which adopts a flexible internal entrepreneurial model, incubating projects in various areas including technology innovation, education innovation, rural revitalisation, and carbon neutrality. These projects will be spun off from the Lab Cluster when they are mature and become independent studios in their respective areas.

The Cluster will adopt a mission-driven business evaluation, which should facilitate an open operating structure. It will be the "engine" for big strategic projects, with the flexibility to form cross-sectoral teams and drive all parties to innovate together.

Investment upgrade. The initial funding of RMB 50 billion should ensure enough room for trial and error, and headroom for growth. More importantly, this upgrade is not starting from scratch, but builds on the experiences explored and accumulated within various businesses.

For example, in green and low-carbon development, Tencent has begun planning of energy-efficient data centers since 2016. In 2020, the company built a new data storage cluster with over one million servers in southern China, equipped with a large rooftop distributed photovoltaic power generation system. On January 12, 2021, Tencent announced the commencement of its carbon-neutrality plan leveraging technology to move towards zero carbon emissions.

In digital philanthropy, Tencent Foundation has become the largest and most established Internet-based charity fundraising platform in China, with over 20,000 partnering charity organizations and over 440 million donations, raising over RMB 11.8 billion in support of more than 90,000 projects. Digital philanthropy helps charity organizations to achieve better project management, while technologies such as blockchain increase the transparency of their operations.

In the field of rural revitalisation, Tencent's WeCounty initiative was launched over 10 years ago and has gained recognition from the government and villagers for rural governance and poverty alleviation. WeCounty will upgrade its cooperation with the government and professional charity organisations this year.

In education innovation, Tencent Foundation has donated funds to set up the Mingde Experimental School in cooperation with the Futian District Government of Shenzhen, which has become one of the most popular public schools among parents. The "Mingde Model" has led the education reform process in Shenzhen and is widely known as the "most innovative school in Shenzhen." Also, Tencent Classroom and many other digital

educational products developed by Tencent's Cloud & Smart Industries Group (CSIG) have prepared platforms and toolkits embracing education innovation.

In technology innovation, Tencent has recruited top scientists from around the world in such fields as artificial intelligence, quantum computing, and robotics, and has achieved many breakthroughs. Tencent Foundation has donated RMB 1 billion to set up the XPLORE Prize, which has awarded a total of 100 young Chinese scientists in two consecutive terms.

Scholars suggest that Tencent technology empowers partners to create social value together

In an interview, Professor Zeqi QIU, director of the Centre for Sociological Research and Development Studies in China at Peking University, said he believes that Tencent's strategic layout is aimed at mining long-term social value, rather than pursuing short-term economic benefits. Tencent's products cater to users' everyday needs, and its innovation of social values will benefit all people. Tencent can also empower its partners through products such as Mini Programs, to better guide thousands of partners to jointly explore social value innovation. He believes that the benefits created will far exceed the value reflected in Tencent's financial statements.

Peng LV, a researcher at the Institute of Sociology of Chinese Academy of Social Sciences, further pointed out that the relationship between Tencent and its partners in creating social value is like the symbiosis of birds and trees. The company itself is innovating, and it can also provide a complete set of toolboxes to help various parties innovate social values. Within the symbiotic ecology, the social value created will be even greater. He believes that the proposal of *Sustainable Innovations for Social Value* by a company of Tencent's scale may bring significant inspiration to the "concept of integrity and benefit" for the Chinese and global business community.

In the employee letter, Pony MA expressed the company's hope for this new strategy, "We aspire to lay a solid foundation for *Sustainable Innovations for Social Value*. Tencent should continue to respond to the ever-changing needs of the public and of the era, so as to develop and prosper together with society as a whole."

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