Climate Information Disclosures Report

2023

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About This Report

This report is the first Climate Information Disclosures Report issued by SenseTime Group Inc. (hereinafter referred to as the "Group", "SenseTime" or "We").

• Reporting Guideline

This report is prepared in accordance with the *Implementation Guidance for Climate Disclosures under HKEX ESG Reporting Framework* and with reference to the *International Financial Reporting Standard 2 - Climate-Related Disclosures* (IFRS S2) issued by the International Sustainability Standards Board (ISSB). This report describes the management and effectiveness of SenseTime's response to climate-related risks and opportunities across four elements: governance, strategy, risk management, and metrics and targets.

• Reporting Scope

This report covers the main business of the Group and the period from January 1, 2023, to December 31, 2023, with some content dating back to previous years or extending to future years.

• Data Description

The financial data involved in this report are all sourced from the audited consolidated financial statements of the 2023 annual report. Other data are sourced from internal statistical reports and other official documents of the Group. Unless otherwise stated, the monetary amounts involved in this report are all measured in RMB. The Group undertakes that there is no false records or misleading statements in this report, and is responsible for the truthfulness, accuracy and completeness of its contents.

• Disclaimer

This report contains forward looking statements involving future development targets and investment plans that only target at events or information as of the date on which the statements are made, and are based on the current expectations, assumptions, estimates and projections of the Company in accordance with the existing industry and regulatory environment. These forward-looking statements can be recognized by the use of words such as "possibly", "plans", "will", "estimates", "prospect", "expects", or words of similar meaning.

• Publication Form

This report is published in both Chinese and English. In case of any ambiguity in the interpretation of the report in both languages, please refer to the Chinese report.

• Contact Information

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Message From the Chairman of the Group

As one of the greatest challenges facing humanity, climate change is threatening the sustainable development of human society. In light of this, a great number of countries and regions have united in their unparalleled solidarity and firm determination to combat climate change. In 2023, the 28th Conference of the Parties (COP28) to the *UN Framework Convention on Climate Change* (UNFCCC) completed the first Global Stocktake (GST) of greenhouse gas (GHG) emissions and concluded with the "UAE Consensus". One notable element was the agreement on "transitioning away from fossil fuels in energy systems in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050".

China, as a sensitive area with substantial influence on global climate change, also attaches great importance to climate change and is taking active measures to address this challenge. In 2020, China proposed the goal of "carbon peaking and carbon neutrality", announcing that "China will scale up its Intended Nationally Determined Contributions by adopting more vigorous policies and measures, striving to have CO_2 emissions peak before 2030 and to achieve carbon neutrality before 2060." Besides, the release of the *Action Plan for Carbon Dioxide Peaking Before 2030* has demonstrated China's confidence in active response to climate change and steadfast pursuit of the path of green and low-carbon development.

As an artificial intelligence (AI) software company, SenseTime is well aware of its environmental and social responsibilities, and has a deep understanding of the far-reaching impact of climate change on socio-economic and business development. Keeping in mind the mission of "To create a better AI-empowered future through innovation", we continue to make unique contributions to fight against climate change with technological innovation and responsibility. In 2021, SenseTime set the strategic goal of "Planning to achieve carbon peak emissions by 2025, striving to achieve operational carbon neutrality by 2030, and achieving net zero emissions by 2050", and planned the carbon neutrality and

reduction pathways in the light of actual conditions. In recent years, we have been accelerating the implementation of this strategic goal. Specifically, we have actively built a green Artificial Intelligence Data Center (AIDC) and continued to optimize Power Usage Effectiveness (PUE), making solid strides on the path to combating climate change. Besides, we are exploring the application and development of AI technology in promoting the low-carbon transformation of society, and working with all industries to jointly cope with climate change. During the Reporting Period, we improved the governance structure for climate governance, conducted climate risk analysis for the first time, and prospectively assessed the impact of such risks on SenseTime. Beyond that, we actively grasped the opportunities of the times and used our own resources to help mitigate climate change.

Improving Climate Governance
We have established a top-down mechanism for the management of climate-related risks and opportunities, with the Board of Directors as the highest responsible body. In addition, we have set up a Sustainability Committee under the Corporate Governance Committee responsible for identifying and assessing climate-related risks and opportunities that have a significant impact on the Group's business, and guiding the effective implementation of the Group's climate-related work. Also, we take full advantage of green transition by establishing a climate risk management process to enhance the Company's climate resilience. This includes identifying climate risks and opportunities, assessing the materiality of climate risks and opportunities, conducting scenario analysis and financial impact analysis, and formulating responses to material climate risks and opportunities.

Undertaking Risk Analysis
We conducted our first climate scenario analysis and quantitative financial impact analysis in 2024, so as to assess the potential impacts of climate risks and opportunities on our business, strategy and finance from both qualitative and quantitative dimensions. On the

basis of the results of forward-looking analysis and assessment, we will provide more guidance on the implementation roadmap of our climate strategy. Based on scenario analysis results, we have also conducted evaluation of the Group's resilience to climate change and formulated a response plan to further improve operational resilience.

Seizing Future Opportunities
To comprehensively address the challenges posed by climate change, SenseTime regards climate change risks and opportunities as a consideration of business strategic planning, using AI to optimize energy and industrial production processes and help carbon-intensive companies achieve a green transformation. Also, we are focusing on promoting the synergy of computing and electricity, utilizing AI to plan electricity use for power infrastructure, and combining green energy and energy storage to create the next generation of sustainable AI infrastructure.

As the first *Climate Information Disclosures Report* of SenseTime, the report covers the Group's climate governance framework, assessment of climate-related risks and opportunities, climate strategies and responses, as well as targets and metrics management. We are doing this to continuously demonstrate our determination and confidence in addressing climate change to a wide range of stakeholders.

In the future, we will keep in step with the global trend in addressing climate change and actively respond to the national development strategy. Driven by data and committed to green development, we will join hands with all stakeholders to advance low-carbon transformation and high-quality development of the economy and society with AI technology, thereby creating a green and low-carbon future.

Xu Li
Co-founder of SenseTime
Chairman and CEO

About SenseTime

SenseTime is an artificial intelligence software company founded in October 2014. We always adhere to the mission of "To create a better AI-empowered future through innovation", and committed to advancing state of art in AI research, developing scalable and affordable AI software platforms that benefit businesses, people and society as a whole, while attracting and nurturing top talents to shape the future together.

Mission

To create a better AI-empowered future through innovation.

Vision

To advance the interconnection of the physical and digital worlds with artificial intelligence, driving sustainable productivity growth and seamless interactive experiences.

商汤 sensetime

SenseTime's business covers three major areas, namely Generative AI (e.g., generative AI model training, fine-tuning and inference services), Traditional AI (e.g., Smart City, Smart Business and Smart Life and other traditional non-generative AI services) and Smart Auto.

We invest in technology research for a long time, constantly enhance the industry leading, multimodel, multitasking generalized artificial intelligence capabilities, and promote industry technology upgrading and social progress. SenseTime has deep academic accumulation and innovation capabilities. We have created a variety of products covering key technology fields such as perceptual intelligence, natural language processing, decision intelligence, AI-enabled content generation, and have key capabilities including AI chips, AI sensors, and AI computing power infrastructure.

SenseTime is proactively building a new artificial intelligence infrastructure, SenseTime "SenseCore AI infrastructure", to connect the computing power, algorithms and platforms, and on this basis to establish SenseTime "SenseNova" large model and research and development system, so as to unlock the ability of general AI tasks at a low cost, and to promote high-efficiency, low-cost, and scaled-up AI innovations and landings, and then to open up the closed-loop of commercial value, solve the problem of long-tailed applications, and lead the development of AI into the stage of industrialized development.

Under the global climate action agenda, SenseTime has positively responded to the national dual-carbon strategy to demonstrate our strong sense of responsibility and forward-looking vision. Actively pursuing low-carbon development, we set carbon peaking and carbon neutrality goals and net-zero emissions target in 2021 and established a Carbon Neutrality Development Research Center within the Group responsible for the specific implementation of the dual-carbon goals. Relying on advanced AI technology, SenseTime is exploring the innovative application of digital solutions in the "dual-carbon" strategy, aiming at promoting the low-carbon and intelligent transformation of human society.

01

Governance

Governance Structure

Governance Responsibility

Governance Structure

SenseTime has incorporated climate change and other ESG-related issues into daily decision-making and management, and established a top-down mechanism to manage climate-related risks and opportunities. We are committed to practicing the concept of climate governance throughout the Group's operations and management, with the aim of consistent enhancement in this regard. SenseTime's climate-related issues are addressed at the strategy level by the Board of Directors, the highest responsible body for climate governance, and the Corporate Governance Committee, a special committee under the Board responsible for overseeing climate-related issues. The Sustainability Committee under the Corporate Governance Committee, in collaboration with the Joint ESG Task Force and relevant departments, serves as the planning level of SenseTime's climate governance structure. They are accountable for identifying and assessing climate-related risks and opportunities that have a significant impact on the Group's business, and guiding the effective implementation and management of the Group's climate-related work on the top-down basis.

Strategy Level

| Board of Directors |

| Corporate Governance Committee |

Planning Level

| Sustainability Committee |

| Joint ESG Task Force |

| Relevant Departments |

SenseTime's Climate Governance Organizational Structure

Governance Responsibility

To promote the in-depth implementation of climate governance, we have set up a clear supervision and management system in our governance framework for climate risks and opportunities. In this way, we can ensure that the responsibilities and division of labor at each level are clearly defined, thereby enabling proactive responses to and effective management of climate change challenges. In January 2024, we issued the *Charter of the Sustainability Committee of SenseTime* to further refine the responsibilities of the Sustainability Committee and the collaboration mechanism with the ESG Joint Working Group and relevant departments.

Responsibilities at the Strategy Level

The Board of Directors is the highest decision-making body for climate-related issues, which assumes the primary responsibility for the Group's climate-related work. It receives written reports from the Sustainability Committee on climate-related issues at least once a year, and authorizes the Corporate Governance Committee to supervise the Company's climate-related affairs.

Board of Directors

· Supervise SenseTime's climate-related issues as the highest responsible body for climate governance
· Supervise the management of climate-related issues and review the Group's assessment and priority of material climate risks and opportunities
· Develop a reporting mechanism for climate-related issues (including process, method and frequency)
· Approve the release of the *Climate Information Disclosures Report* and the disclosure of climate-related information
· Monitor and review the implementation of climate-related metrics, targets and action plans

In addition, we continue to enhance the knowledge and competence of the Board of Directors on climate-related disclosure and management, and encourage them to take climate change into account in the process of corporate governance. During the Reporting Period, the Group conducted special training on ESG and climate change for all directors to introduce the disclosure requirements, trends and implications related to global climate change.

Responsibilities at the Planning Level

The planning level for climate-related matters at SenseTime is composed of the ESG Working Group, which includes the Sustainability Committee, the Joint ESG Task Force, and other relevant departments. Each year, the Sustainability Committee submits a written report to the Board of Directors on climate-related matters, which is subject to oversight and regular review by the Board.

Sustainability Committee

· Lead the Joint ESG Task Force to identify, assess and manage material climate risks and opportunities
· Develop the Group's climate-related strategies and priorities
· Evaluate, manage and monitor climate-related issues to provide analysis, recommendations and updates for Board's discussions
· Identify and manage the costs and resources to be allocated for the identification, mitigation, management and monitoring of climate-related issues

Joint ESG Task Force

· Provide support to the Sustainability Committee, such as assistance for daily liaison and meeting organization
· Review climate-related goals, set action plans that align with climate-related strategies and follow up the progress
· Coordinate relevant departments to facilitate effective cooperation
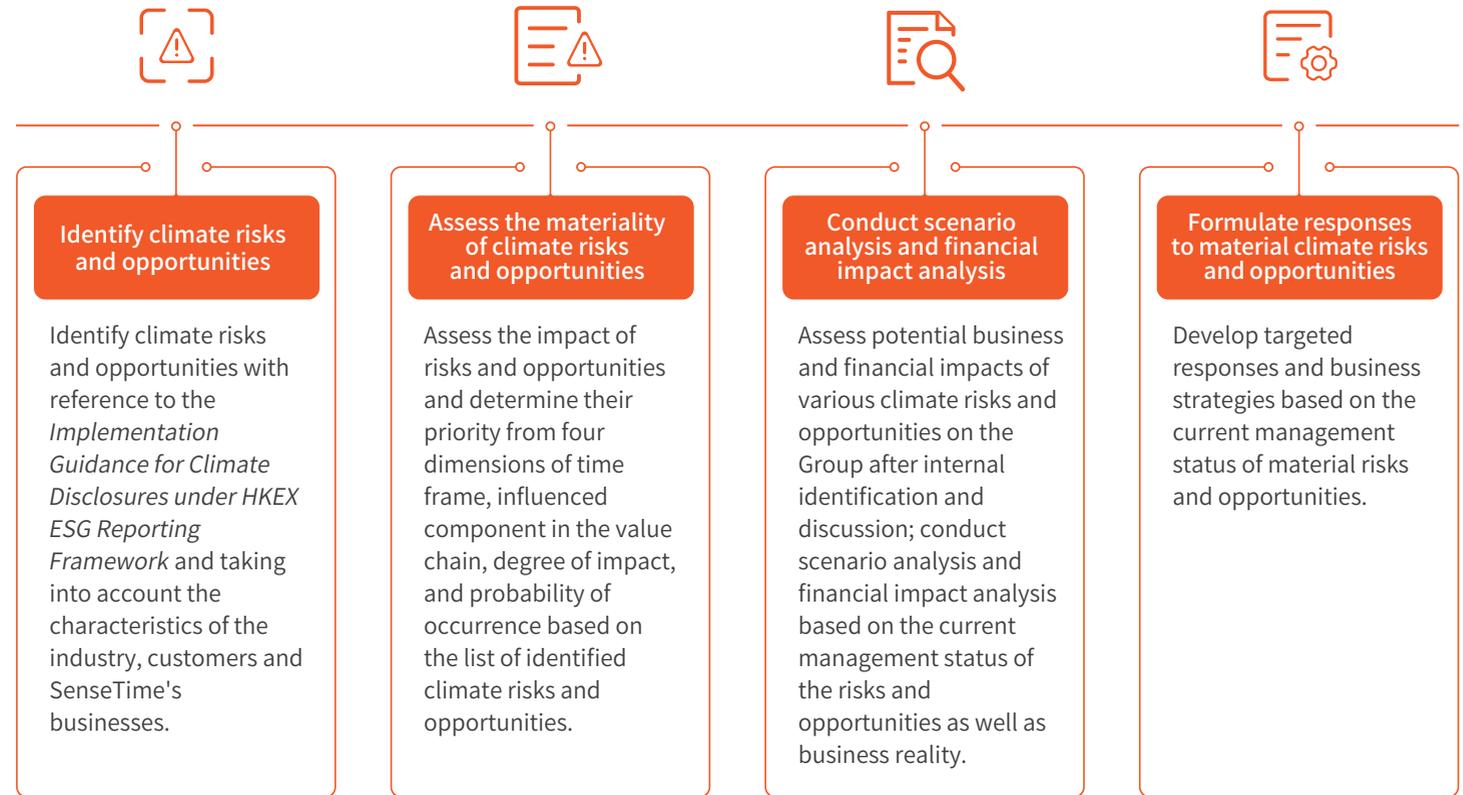
Relevant Departments

· Develop climate-related goals for different departments and implement relevant measures to ensure the effective achievement of the goals
· Promote climate-related practices and regularly update the latest developments to the Joint ESG Task Force

02

Risk and Opportunity Management

SenseTime proactively identifies, assesses and manages potential climate risks. By conducting climate risk and opportunity assessments, we have identified possible future transition risks and physical risks as well as climate opportunities, and assessed their potential impact on SenseTime. In the future, we will further refine our climate risk and opportunity management process and take effective actions to address and mitigate climate risks to strengthen the Group's climate resilience.

Identify climate risks and opportunities	Assess the materiality of climate risks and opportunities	Conduct scenario analysis and financial impact analysis	Formulate responses to material climate risks and opportunities
Identify climate risks and opportunities with reference to the *Implementation Guidance for Climate Disclosures under HKEX ESG Reporting Framework* and taking into account the characteristics of the industry, customers and SenseTime's businesses.	Assess the impact of risks and opportunities and determine their priority from four dimensions of time frame, influenced component in the value chain, degree of impact, and probability of occurrence based on the list of identified climate risks and opportunities.	Assess potential business and financial impacts of various climate risks and opportunities on the Group after internal identification and discussion; conduct scenario analysis and financial impact analysis based on the current management status of the risks and opportunities as well as business reality.	Develop targeted responses and business strategies based on the current management status of material risks and opportunities.

SenseTime Processes for the Management of Climate Risks and Opportunities

Based on the climate risks and opportunities identified during the assessment phase, we organized all relevant departments of SenseTime to assess each climate risk and opportunity from four dimensions: time frame, influenced component in the value chain, degree of impact, and probability of occurrence, by completing a questionnaire. We analyze the level of risks and opportunities by probability of occurrence and degree of impact, and the impact of risks and opportunities by timeframe and affected links in the value chain, which helps us to manage risks and opportunities in a more targeted manner. For different levels of climate risks and opportunities, SenseTime adopts positive management measures commensurate with their levels, and focuses on medium- and high-level risks and opportunities. We carry out scenario analysis or financial impact analysis as necessary to deepen the Group's comprehension of various medium- and high-level risks and opportunities, and test and enhance climate resilience.

SenseTime's Importance Assessment Dimensions for Climate Risks and Opportunities

Dimension	Description
Time frame	Short term（0-3 years）、medium term（3-10 years），and long term（over 10 years）
Influenced component in the value chain	Inbound logistics, operations, outbound logistics, marketing and sales, and services
Degree of impact	Negligible, inferior, moderate, major, and serious
Probability of occurrence	Rare, seldom, possible, highly possible, and expected to occur

03

Strategy

Assessment of Climate Risks and Opportunities

During the Reporting Period, we carried out a comprehensive identification and assessment of climate risks and opportunities in accordance with the recommendations of the *Implementation Guidance for Climate Disclosures under HKEX ESG Reporting Framework* and the *International Financial Reporting Standard 2 - Climate-Related Disclosures* (IFRS S2) issued by the International Sustainability Standards Board (ISSB), based on full consideration of the impacts of the external factors such as policies and laws, technology, market, reputation and natural factors, as well as our business characteristics and industry research results. For the identified climate risks and opportunities, we conducted a detailed analysis of the potential financial impacts on the Group and the countermeasures. During the Reporting Period, SenseTime identified a total of 13 climate-related risks and opportunities, including 5 transition risks, 4 physical risks, and 4 climate-related opportunities.

Transition Risks

Risks	Risk categories	Description
Stricter regulatory requirements on energy efficiency	Policy and legal risk	In response to emerging climate policies worldwide, China has imposed stricter environmental regulatory requirements on energy efficiency and computational efficiency across multiple industries, such as the *Law on Energy Conservation of the People's Republic of China* and the *Several Opinions on Strict Energy Efficiency Constraints to Promote Energy Conservation and Carbon Reduction in Key Areas*. To comply with such requirements, SenseTime may increase investment and operating expenses to improve energy efficiency.
Carbon-pricing mechanisms	Policy and legal risk	SenseTime may bear higher operating costs due to the potential yearly increase in GHG emission costs brought on by global initiatives to limit total emissions, such as carbon emissions trading, carbon tax and carbon border tax.
Energy price volatility	Market risk	SenseTime is expected to face higher energy costs as China progresses towards its carbon peaking and carbon neutrality goals, during which the volatility of energy prices and the imbalanced supply and demand of renewable energy will lead to higher energy prices.
Market shift to low-carbon preference	Market risk	SenseTime may be required to provide greener services/products with lower carbon emissions to help its customers respond to the global climate change trend and reach their carbon reduction targets. SenseTime's existing data centers may see a decline in revenue if they fail to meet customer requirements due to high energy consumption and carbon emissions.
Reputation risk related to a company's environmental impact and climate resilience	Reputation risk	Regulators, investors, customers and other stakeholders are increasingly concerned about a company's environmental performance, business continuity and climate resilience. As a result, underperformance in these areas could damage SenseTime's reputation.

Physical Risks

Risks	Risk categories	Description
Extreme heat	Acute risk	Employees will be exposed to potential safety and health risks due to the increased frequency and severity of extreme heat events, which may cause power supply shortages, disrupt the continuous operation of electrical facilities, and increase the demand for data center cooling.
Floods and typhoons	Acute risk	The increasing frequency and severity of floods and typhoons around the world may affect the Company's data centers and daily operations, resulting in property damage or casualties.
Rising average temperatures	Chronic risk	Rising global average temperatures will raise SenseTime's demand for data center cooling and operating costs, such as energy expenditures.
Water shortages and droughts	Chronic risk	In view of the uneven distribution of water resources, water shortages and frequent droughts worldwide, SenseTime's data centers in water-stressed areas may experience inadequate heat dissipation. As a result, SenseTime faces potential loss of revenue due to business disruption, and increased energy costs due to higher power consumption.

Opportunities

Opportunities	Opportunity categories	Description
Market investment attraction	Market opportunity	There is a growing trend towards green and sustainable finance. By meeting the requirements of green finance, SenseTime can access lower-cost financing, which will stimulate investment in green projects and R&D for climate change mitigation.
Government subsidies and incentives	Energy source opportunity	SenseTime can obtain government policy incentives through positive climate actions, and strengthen the cooperation with the public sector in areas such as environmental protection.
Use of low-emission energy sources	Energy source opportunity	In the process of accelerating green transformation and upgrading, SenseTime can achieve lower energy costs and gain a good reputation by optimizing its energy mix and seeking renewable energy sources with lower emissions.
Markets for low-carbon products	Products and services opportunity	In light of the transition to a low-carbon economy, customers prefer low-carbon products. By offering greener products with lower carbon emissions, SenseTime can increase its market share. Furthermore, there is a growing market demand for net-zero emission technology solutions. By proactively developing services that fuel the transformations to sustainable development, SenseTime can meet the evolving needs of consumers or customers, and gain more potential business opportunities.

Based on the identified climate risks and opportunities, we organized all relevant departments of SenseTime to assess each climate risk and opportunity from four dimensions: time frame, influenced component in the value chain, degree of impact, and probability of occurrence, by completing a questionnaire. Based on probability of occurrence and degree of impact collected through the questionnaires, we categorized climate risks and opportunities into high, medium, and low levels, and created an importance matrix of climate risks and opportunities. As shown in the matrix, SenseTime has identified 2 medium-level climate risks, and 11 low-level climate risks and opportunities.

SenseTime's Importance Matrix of Climate Risks and Opportunities

Probability of occurrence (vertical axis: Low to High)
Degree of impact (horizontal axis: Low to High)

Labels in matrix:
- Use of low-emission energy sources
- Energy price volatility
- Stricter regulatory requirements on energy efficiency
- Government subsidies and incentives
- Markets for low-carbon products
- Rising average temperatures
- Market investment attraction
- Reputation risk related to a company's environmental impact and climate resilience
- Market shift to low-carbon preference
- Extreme heat
- Carbon-pricing mechanisms
- Water shortages and droughts
- Floods and typhoons

Legend:
- Transition Risks
- Physical Risks
- Opportunities

Medium-level Climate Risks Identified by SenseTime

	Categories	Climate risks	Time frame	Influenced component in value chain	Potential financial impacts	Responses
Transition risks	Policy and legal risk	Stricter regulatory requirements on energy efficiency	Short term、medium term, and long term	Operations	·Energy efficiency improvement may lead to increased spending on projects for energy efficiency retrofits ·R&D of energy-efficient equipment models or technologies, as well as related operation and maintenance, may result in increased operating costs	·Implement measures such as green data center construction and building energy efficiency retrofits ·Explore the coordinated management of computing power and electricity integration, so as to improve efficiency through precise energy use and demand response based on the changing trend of computing power ·Promote photovoltaic and energy storage projects
	Market risk	Energy price volatility	Short term、medium term, and long term	Operations	·Purchasing energy at a rising price to meet operational needs may result in increased energy costs for the Company ·Additional purchases of higher-priced renewable energy sources to meet the Company's carbon neutrality goal will result in higher operating expenses	·Adopt an energy-saving and efficient operation model ·Promote photovoltaic and energy storage projects

Climate Scenario Analysis and Financial Impact Analysis

At SenseTime, we recognize that analyzing and assessing the potential impact of climate-related risks and opportunities on our business, finance and strategic planning will not only help improve our risk response and management capabilities, but can also guide the Group's future strategic planning. Therefore, we conducted a forward-looking analysis of the identified medium climate risks and physical risks under different climate scenarios, based on which we further assessed the Group's resilience to climate change.

Transition Risks

SenseTime has conducted a comprehensive analysis of the financial impact of the medium transition risks: "energy price volatility" and "stricter regulatory requirements on energy efficiency". The analysis was conducted based on energy prices under three different climate scenarios: "Net Zero 2050" "Fragmented World" and "Current Policies", published by the Central Banks and Supervisors Network for Greening the Financial System (NGFS). Considering the timeframe of the impact of transition risks and the crucial years for the Company's carbon neutrality goal, we have picked 2025, 2030 and 2050 as the target years for the scenario analysis of transition risks.
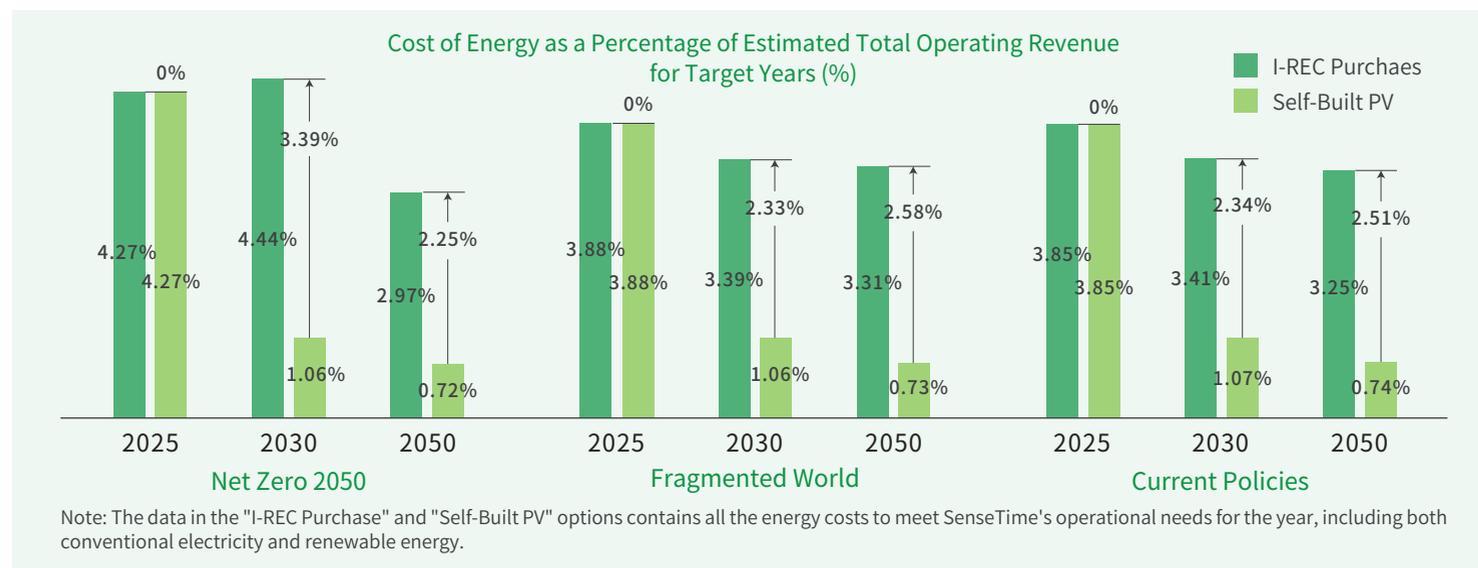
Description of Climate Scenarios for Transition Risks

Scenarios	Net Zero 2050	Fragmented World	Current Policies
Description of scenarios	Limit global warming to 1.5°C and achieve net zero CO_2 emissions by around 2050 through ambitious climate policies and innovations.	While countries without net zero targets follow current policies, others achieve theirs partially (80% of their net zero targets). Under this scenario, both physical risks and transition risks are high in some of the countries and regions.	Countries around the world maintain their current climate policies. Carbon emissions continues to grow until 2080, leading to global warming of about 3°C and posing severe physical risks.
Estimated temperature rise by the end of the century	<1.4°C	<2.3°C	>2.9°C

Scenario source: Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

• Energy Price Volatility

With the acceleration of globalization, energy price volatility is influenced by multiple factors, including supply and demand, geopolitics, economic growth, monetary policies, environmental policies and technological innovation. In the transition of the global energy structure, the rapid development and cost reduction of renewable energy, in contrast to the fluctuation of fossil energy, have exacerbated the complexity and unpredictability of energy markets. As China moves towards carbon peaking and carbon neutrality, the volatility of energy prices and the imbalanced supply and demand of renewable energy will lead to higher energy prices. To achieve the carbon neutrality goal, SenseTime may need to increase its energy investments to ensure a stable and sustainable supply of energy for its operations. However, this will bring a greater energy cost challenge to SenseTime. To address this challenge, we conducted an in-depth analysis of the percentage of energy costs to revenue under different climate scenarios, with the aim of assessing the specific impact of energy price volatility on SenseTime's finance, so as to provide strong support for its strategic decisions.

Cost of Energy as a Percentage of Estimated Total Operating Revenue for Target Years (%)

Note: The data in the "I-REC Purchase" and "Self-Built PV" options contains all the energy costs to meet SenseTime's operational needs for the year, including both conventional electricity and renewable energy.

To achieve carbon neutrality, SenseTime offers two renewable energy solutions, including the photovoltaic (PV) projects and the purchase of International Renewable Energy Certificates (I-RECs). In addition, we provide an in-depth analysis of the differences in cost as a percentage of the year's projected revenue between the two options under each of the three preset scenarios. The analysis shows that under the "Net Zero 2050" scenario, the difference in cost as a percentage of the year's projected revenue between the two options will drop from nearly 3.4% in 2030 to less than 2.3%, while the differences will widen over time under the "Fragmented World" and "Current Policies" scenarios. The analysis also reveals that flexible adjustment of renewable energy strategies and optimization of resource allocation based on forecast data and real-time market conditions will be effective in meeting the challenges posed by energy price volatility under different scenarios. Going forward, SenseTime will keep exploring operational power savings and use of sustainable energy sources to reduce energy costs, thereby minimizing the potential financial impact of fluctuating energy prices on SenseTime.

• Stricter regulatory requirements on energy efficiency

In response to emerging climate policies worldwide, governments and regulators have adopted stricter environmental regulatory requirements on energy efficiency and computational efficiency in multiple industries, such as the *Several Opinions on Strict Energy Efficiency Constraints to Promote Energy Conservation and Carbon Reduction in Key Areas* and the *Implementation Opinions on In-Depth Implementation of the "East-to-West Computing Resource Transfer Project" to Accelerate the Construction of a National Integrated Computing Power Network*. This trend will affect business operations in the technology innovation industry, putting enormous pressure on AI companies' electricity layout and computing power development. As a leading company dedicated to AI technology innovation, SenseTime's development strategy is affected by relevant policies, while its business groups may also face stricter energy efficiency standards and requirements due to customer diversification. To meet higher regulatory requirements, SenseTime may need to increase investments in energy efficiency improvement, such as the planning and construction of PV and energy storage projects. In addition, SenseTime may need to increase operating costs for energy efficiency retrofits and energy-efficient equipment. With the introduction of new equipment and the upgrading of outdated equipment, SenseTime has to bear higher costs for equipment acquisition, installation and maintenance. Meanwhile, to ensure efficient functioning of the new equipment, SenseTime will need to invest more in staff training and technical support, which will further increase operating expenses.

In the long run, however, these investments and expenditures reflect our proactive response and strategic foresight in meeting regulatory requirements on energy efficiency, which will help reduce the Company's energy costs in the future and lay a solid foundation for our sustainable development. Therefore, we need to actively take measures to meet stricter regulatory requirements on energy efficiency, lead the green transition of the industry, and flexibly adjust our investment strategies to realize both economic and social benefits.

Physical Risks

To address the identified physical risks, We apply the Water Risk Filter developed by the World Wildlife Fund (WWF) to assess the potential impacts of water scarcity and drought , and floods and typhoons risks on SenseTime's key operating sites in 2030 and 2050 under "Optimistic" "Current Trend" and "Pessimistic" scenarios. We have also considered the potential financial impact of extreme heat/rising mean temperatures on data center cooling demand under the NGFS scenarios.

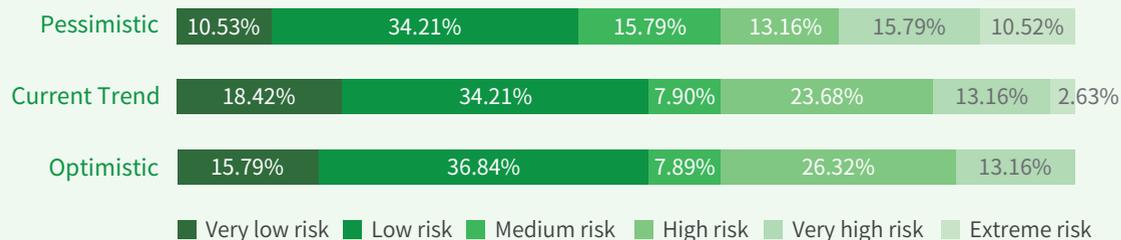### Description of Climate Scenarios on Physical Risks

Scenarios	Optimistic RCP2.6/RCP4.5	Current Trend RCP4.5/RCP6.0	Pessimistic RCP6.0/RCP8.5
Climate aspects	Moderate emission scenario: moderate mitigation measures so that GHG emissions are halved by 2050.	Intermediate emission scenario: intermediate mitigation measures so that GHG emissions peak around mid-century, then starting declining.	High emission scenario: business as usual so that GHG continue to rise.
Estimated temperature rise by the end of the century	<2°C	>2°C	>4°C

Scenario source: Intergovernmental Panel on Climate Change (IPCC), World Wildlife Fund Water Risk Filter
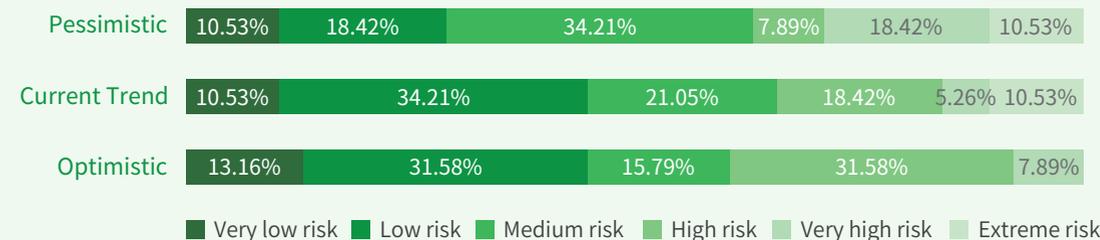
• Water Scarcity and Drought

In view of uneven distribution of water resources, water shortages and frequent droughts worldwide, SenseTime may experience business disruption due to water shortages in the places where we operate. We analyzed water shortage and drought risks in 2030 and 2050 for 38 operating sites of SenseTime. The analysis shows that in 2030, the percentage of sites at medium risk and above will not exceed 48% under the "Optimistic" and "Current Trends" scenarios, while it will be higher than 55% under the "Pessimistic" scenario. In 2050, the percentage of sites at medium risk and above will be about 55% both under the "Optimistic" and "Current Trends" scenarios, while it will exceed 71% under the "Pessimistic" scenario. In all three scenarios, the percentage of operating sites at medium risk and above will increase over time.

Results of Water Scarcity and Drought Risk of SenseTime's Operating Sites in 2030（%）

	Very low risk	Low risk	Medium risk	High risk	Very high risk	Extreme risk
Pessimistic	10.53%	34.21%	15.79%	13.16%	15.79%	10.52%
Current Trend	18.42%	34.21%	7.90%	23.68%	13.16%	2.63%
Optimistic	15.79%	36.84%	7.89%	26.32%	13.16%	

■ Very low risk ■ Low risk ■ Medium risk ■ High risk ▢ Very high risk ▢ Extreme risk

Results of Water Scarcity and Drought Risk of SenseTime's Operating Sites in 2050（%）

	Very low risk	Low risk	Medium risk	High risk	Very high risk	Extreme risk
Pessimistic	10.53%	18.42%	34.21%	7.89%	18.42%	10.53%
Current Trend	10.53%	34.21%	21.05%	18.42%	5.26%	10.53%
Optimistic	13.16%	31.58%	15.79%	31.58%		7.89%

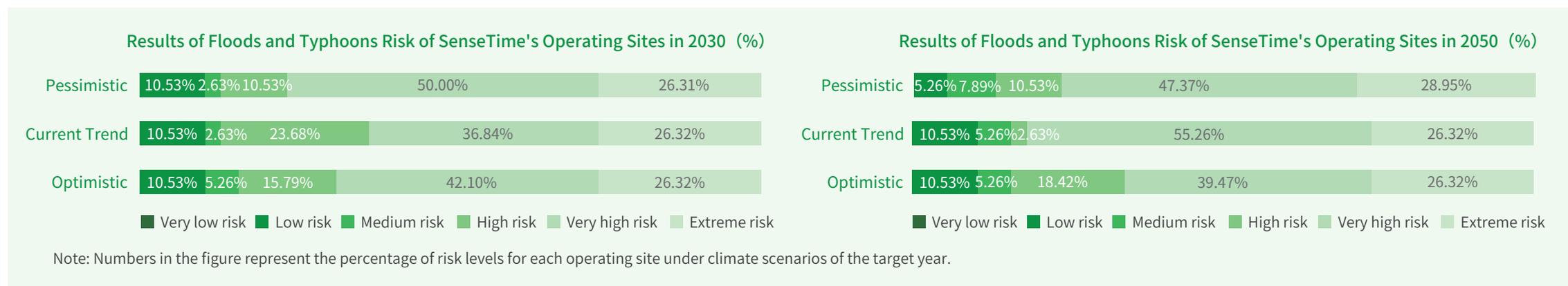■ Very low risk ■ Low risk ■ Medium risk ■ High risk ▢ Very high risk ▢ Extreme risk

Note: Numbers in the figure represent the percentage of risk levels for each operating site under climate scenarios of the target year.
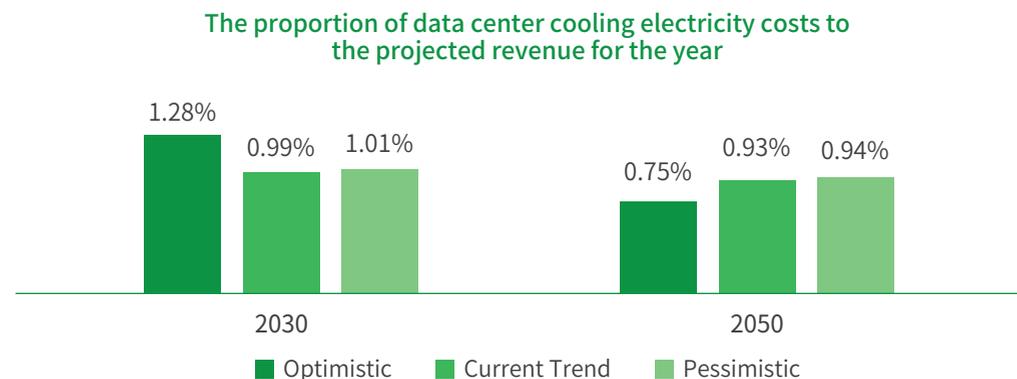
• Floods and Typhoons

The increasing frequency and severity of floods and typhoons around the world may affect the Group's daily operations. We analyzed the floods and typhoons risk in 2030 and 2050 for 38 operating sites of SenseTime. The analysis shows that from a temporal perspective, in 2030, the percentage of operating sites at medium risk and above will be below 90% under all three scenarios. In 2050, the percentage of operating sites at medium risk and above will be likewise less than 90% under the "Optimistic" and "Current Trends" scenarios, while it will be close to 95% under the "Pessimistic" scenario.

From the perspective of different scenarios, the percentage of operating sites at medium risk and above will be the same in 2030 and 2050 under the "Optimistic" and "Current trends" scenarios, while it will increase from less than 90% in 2030 to nearly 95% in 2050 under the "Pessimistic" scenario. This indicates that the impact of flood and typhoon risks will become progressively more significant for SenseTime.

Results of Floods and Typhoons Risk of SenseTime's Operating Sites in 2030（%）

Pessimistic	10.53%	2.63%	10.53%	50.00%	26.31%
Current Trend	10.53%	2.63%	23.68%	36.84%	26.32%
Optimistic	10.53%	5.26%	15.79%	42.10%	26.32%

■ Very low risk ■ Low risk ■ Medium risk ■ High risk ■ Very high risk ■ Extreme risk

Results of Floods and Typhoons Risk of SenseTime's Operating Sites in 2050（%）

Pessimistic	5.26%	7.89%	10.53%	47.37%	28.95%
Current Trend	10.53%	5.26%	2.63%	55.26%	26.32%
Optimistic	10.53%	5.26%	18.42%	39.47%	26.32%

■ Very low risk ■ Low risk ■ Medium risk ■ High risk ■ Very high risk ■ Extreme risk

Note: Numbers in the figure represent the percentage of risk levels for each operating site under climate scenarios of the target year.

• Extreme heat/Rising average temperatures

With more extreme heat events and rising average temperatures around the world, there is an increased possibility of power shortages, which may affect the continuous operation of electrical facilities and raise the demand for data center cooling, resulting in higher operating costs such as energy expenses. To understand the financial impact of rising temperatures, we analyzed the cooling electricity cost and demand for data center, and assessed the proportion of cooling electricity costs to the projected revenue for the year under different scenarios based on traditional electricity prices. In all three scenarios, the proportion of electricity costs for cooling to revenue for the year is on a downward trend, and is expected to be less than 1% in 2050. Under the "Optimistic" scenario, the proportion of cooling electricity costs to the projected revenue for the year in 2030 and 2050 is 1.28% and 0.75%, respectively, with the largest overall reductions. On the whole, there is a small change in the proportion of cooling electricity costs to the projected revenue for the year caused by rising average temperatures.

The proportion of data center cooling electricity costs to the projected revenue for the year

	Optimistic	Current Trend	Pessimistic
2030	1.28%	0.99%	1.01%
2050	0.75%	0.93%	0.94%

■ Optimistic ■ Current Trend ■ Pessimistic

Climate Resilience Enhancement

In the face of climate change challenges, SenseTime has demonstrated a strong forward-looking perspective and responsibility, actively formulated climate response strategies and enhanced climate resilience. By adopting practical measures such as exploring the integration of computing power and electricity, building green data centers, implementing building energy efficiency retrofits, and mitigating physical risks, SenseTime practiced the concept of green development and promoted green transformation.

Exploring Computing Power and Electricity Integration

Supported by national and local policies, SenseTime is actively exploring the "integration of computing power and electricity", aiming to integrate cutting-edge technologies to realize efficient and coordinated management of computing power and electricity resources through accurate prediction of computing power and electricity consumption trends, thus becoming a benchmark in the industry. At the same time, we are committed to the incubation of computing power and electricity integration product series such as the large energy model, the computing power and electricity integration platform, and the AI scheduling strategy product for energy storage, aiming to improve electricity efficiency of computing power facilities and computational efficiency of data centers, and promote optimal allocation of computing power resources and flexible scheduling of electricity, in an effort to build SenseTime's future core competitiveness.

SenseTime will continue to explore the introduction of green power, the use of clean energy, and efficient energy storage solutions under the layout of "computing power and electricity integration". In this way, SenseTime strives to achieve efficient energy use, and advance the green goals of reducing electricity costs and increasing clean energy coverage, thereby promoting the transformation and upgrading of the Group's energy structure.

Building Green Data Center

To make every effort to reduce the impact of our operations on climate change, Sensetime has adopted full-process management from design to operation and build green data centers. We consider the energy efficiency of the data center as early as the design stage of AIDC, and work to build a green data center. Specific initiatives include: adopting channel closure and proximal cooling to exchange heat with the computing power server more efficiently; increasing the cold storage tanks on the premise of ensuring the emergency cooling requirements of the system, to reduce the low-load operation time of the cooling source system and lower energy consumption; prioritizing the use of more energy-efficient equipment; and setting fewer or no outdoor windows to reduce energy consumption of the enclosure structure.

SenseTime is committed to building green computing power infrastructure and contributing to develop an open, green, and inclusive computing industry. During the operation of data centers, we actively promote energy conservation and consumption reduction in infrastructure such as servers and cooling systems. During the Reporting Period, Lingang AIDC successfully controlled the average annual PUE within 1.3 by optimizing the cooling control strategy of the data center, continuously improving energy efficiency, and achieving energy efficiency performance beyond the industry average.

Conducting Energy-Saving Renovation for Buildings

Shanghai Xinzhou Tower is one of the main office buildings of SenseTime. Since its establishment, the Group has been continuously monitoring the energy consumption performance of Xinzhou Tower and implementing ongoing improvement measures. The tower was awarded the LEED Gold certification issued by the U.S. Green Building Council in 2020, which is currently a widely recognized and highly practicable green building certification rating standard in the world. In 2021, the tower was awarded the WELL Gold certification issued by the International WELL Building Institute, which focuses on the health and well-being of building occupants. At the same time, the Group has adopted a series of management measures to effectively regulate the operation of building equipment and avoid unnecessary energy waste. During the Reporting Period, the annual electricity consumption of Xinzhou Tower decreased by 16.48% year-on-year.

LEED Certificate of Xinzhou Tower

Energy Consumption Monitoring of Buildings

- Realized accurate monitoring and control of the energy use of equipment such as freezers, cooling water pumps, air-conditioning terminals and fresh draught fans through the building automation system; carried out regular analyses to explore the space for improvement in the daily use of energy.
- Upgraded the building automation system to support remote monitoring and control of equipment operation via computers and cell phones.

Energy-Saving Retrofit of Equipment

- Completed installing the inverter of the cooling water pump in the building, the retrofit of the freezer and the air-conditioning terminal.

Standard Management of Power-Consuming Facilities

- Drafted the turn-on and operation cycle schedule of the equipment in Xinzhou Tower to standardize the turn-on, turn-off and daily use of key energy-consuming equipment, so as to promote the rational use of energy.
- Developed targeted management measures for two air conditioning systems respectively, so as to reduce the energy consumption of air-conditioning.
- Clarified the operation process of air-conditioning for employees, which improves the efficiency of office air-conditioning.

Energy efficiency management measures of Xinzhou Tower

Mitigating Physical Risks

Natural disasters and extreme weather events were listed as the second-most severe risk facing the world in the next two years. The occurrence of extreme weather events such as typhoons, floods and droughts may also have an impact on SenseTime's operations. In response to extreme weather events, the Group has established targeted emergency plans to protect employees' lives and property and minimize disaster losses. In addition, we regularly conduct annual targeted risk identification based on the placement of assets such as machine rooms, plants, motors, transformers, and carry out emergency drills for frequent rainstorms, thunderstorms and other extreme weather to strengthen the ability to deal with emergencies and security in extreme weather.

Emergency Drill for Summer Storms

04

Metrics and Targets

Climate Metrics

Climate Targets and Progress

Climate Metrics

SenseTime is committed to comprehensive control of GHG emissions and energy consumption, continuously monitoring relevant emissions and consumption indicators, and improving the GHG and energy use data collection, accounting and disclosure mechanisms, so as to track the progress and achievements of our climate actions.

During the Reporting Period, we strengthened our management of Scope 3 carbon emissions by tracking and calculating carbon emissions from employee air travel, as well as a portion of goods transportation and distribution. These efforts laid the groundwork for our comprehensive carbon reduction initiatives. In 2023, the total carbon emissions generated from employee air travel and a portion of goods transportation and distribution amounted to 1,881.2 tons of CO_2 equivalent.

SenseTime's GHG Emissions from 2021 to 2023 (Scope 1 and Scope 2)

Indicator	Unit	2021	2022	2023
Direct GHG emissions (Scope 1)	tCO_2e	337.1	169.6	227.3
Indirect GHG emissions (Scope 2)	tCO_2e	6,805.7	29,693.0	73,127.3
Total GHG emissions (Scope 1+2)	tCO_2e	7,142.8	29,862.6	73,354.6
GHG emissions intensity (Scope 1+2)	tCO_2e/person	1.17	5.86	16.19

Notes：
1.Greenhouse gas emissions in scope 1 mainly come from direct greenhouse gas emissions caused by gasoline consumption of the Group's business and freight vehicles, and greenhouse gas emissions in scope 2 mainly come from indirect greenhouse gas emissions caused by purchased electricity;
2.The greenhouse gas emissions in Scope 1 and Scope 2 for the Reporting Period of the Group were calculated based on the *Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions of Enterprises in Other Industries* issued by the National Development and Reform Commission, and were presented on a CO_2 equivalent basis;
3.The greenhouse gas emissions from purchased electricity within the country were calculated based on the latest national average carbon dioxide emission factors for electricity published in the *Announcement by the Ministry of Ecology and Environment and the National Bureau of Statistics for the Year 2021*. The greenhouse gases generated by electricity purchased from abroad are calculated based on the electricity emission factors published by the International Energy Agency (IEA) in 2023;
4.During the Reporting Period, the Group's GHG emissions increased significantly due to the normalization of the operation of Shanghai Lingang AIDC and its improved performance, contributing to the increase in GHG emissions and density during the Reporting Period as compared to 2022.

Climate Targets and Progress

SenseTime has set the strategic goal of "planning to achieve carbon peak emissions by 2025, striving to achieve operational carbon neutrality by 2030, and achieving net zero emissions by 2050" in 2021, and planned the carbon neutrality and reduction pathways. We actively associated upstream and downstream value chains and practice low-carbon development through a series of measures such as building green data centers and conducting energy-saving renovation buildings. At the same time, we actively promoted AI technology to help carbon-intensive enterprises in energy, industry, and transportation sectors to realize green transformation through advanced digital solutions, and jointly address the challenges of global climate change.

2025	2030	2050
Achieve carbon peak emissions	Striving to achieve operational carbon neutrality	Achieve net zero emissions

SenseTime's Goals on Carbon Neutrality

During the Reporting Period, SenseTime continued to improve energy efficiency and successfully controlled the average annual PUE within 1.3. To drive steady progress towards SenseTime's strategic plan for carbon neutrality, we have set PUE targets for data centers and actively adopted effective measures to reduce the PUE.

Target Year	2025	2030	2050
Targets	1.28	1.20	1.10

SenseTime's Data Center PUE Targets

We continued to optimize and upgrade the commitments related to addressing climate change. Through the establishment of a Carbon Neutral Development Research Center within the Group, we will focus more on the specific implementation of the dual-carbon goals, including quantitative target setting and progress tracking, to move towards a more sustainable development path.

Before 2025	2025-2030	2030-2050
Effectively control the growth rate of energy consumption throughout the Group, actively promote the PUE reduction of Lingang AIDC, steadily reduce office energy consumption through means such as energy management and energy-saving technological transformation, accelerate the formulation and implementation of the Group's energy consumption optimization management system, and accelerate the research and promotion of the dual-carbon management methods of the supply chain.	Study and fully implement the carbon neutrality solutions for the Group's new projects, accelerate the neutralization of the Group's existing carbon emissions through the combination of self-built and market strategies, comprehensively promote artificial intelligence technology to empower dual-carbon technology, and assist the whole society to accelerate the exploration of the dual-carbon path based on AI algorithm.	Fully implement the carbon neutrality requirements of supply chain and procurement, accelerate the realization of neutralization closed-loop management for employees' travel, commuting and other behaviors and activities, and implement carbon neutrality and recyclability for logistics transportation and the use of consumables, so as to truly achieve closed-loop zero carbon with the goal of fully exploiting our own potential and closed-loop zero waste with the goal of fully implementing the logistics circulation.

SenseTime's Strategic Plan on Carbon Neutrality