



*Foundations for  
Sustainable Growth*

# Welcome

We have always felt a responsibility to help solve problems in society, because that is implied in our mission – “to make it easy to do business anywhere” – and we must consider how we will continue to manage risks and opportunities, including those associated with environmental, social and governance (ESG) factors.

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# Letter from the Chairman

Alibaba Group's mission is to "make it easy to do business anywhere." Having positive social impact has always been embedded in our organizational DNA. We believe that a profitable and prosperous business can only be achieved and sustained by solving large-scale societal problems.

Today, the Alibaba Digital Economy not only supports the infrastructure of commerce but also serves hundreds of millions of consumers and tens of millions of enterprises, most of them small businesses. This economy extends far beyond our immediate customers to impact the lives and businesses of all stakeholders in our ecosystem. Alibaba has become an institution of public trust.

In this ESG report, our first such report for the investment community, we will share with you how we hold ourselves accountable to the highest standards of public trust. This report complements what we already report domestically to stakeholders on a regular basis and summarizes key information in one place for easy reference. You will learn that we are firmly of the view that the key to good governance and sustainability starts with a strong company culture and tone at the top from responsible leaders. That is why, in this report, we provide insights into an

understanding of Alibaba's mission and vision and the role played by the Alibaba Partnership, a unique organization of the most senior members of management with the purpose of safeguarding our culture, talent development and sound governance framework.

In 2010 we formed the Alibaba Partnership because we recognized that, in order for us to develop a sustainable business, we needed a system that could outlast the Alibaba founders. Our system of governance transcends mere policies, rules, processes and procedures. The Alibaba Partnership ensures that the company is driven by a clear mission, supported by a strong culture, and inspired by the right leaders. At Alibaba, we expect our leaders to walk the talk, honor their commitments, own their mistakes, and approach problems with open-mindedness, respect and humility.

One of the most difficult yet most important governance issues challenging public institutions is managing leadership transition. Succession planning is not only about the selection of the right people but also continuity of mission, vision and values. Recently I announced that, on September 10, 2019, I will hand over the role of chairman of

Alibaba Group to our chief executive officer Daniel Zhang. This report sheds light on how we manage leadership transition – by focusing on human capital development and asking whether our mission, vision and values are still intact – a process in which the Alibaba Partnership plays a critical role.

I hope you will take away something meaningful from engaging in a conversation with us through this report. We also welcome further comments and views you may have and look forward to hearing from you.

Thank you for all of your support.

Sincerely yours,



**JACK MA**  
Executive Chairman  
September 17, 2018



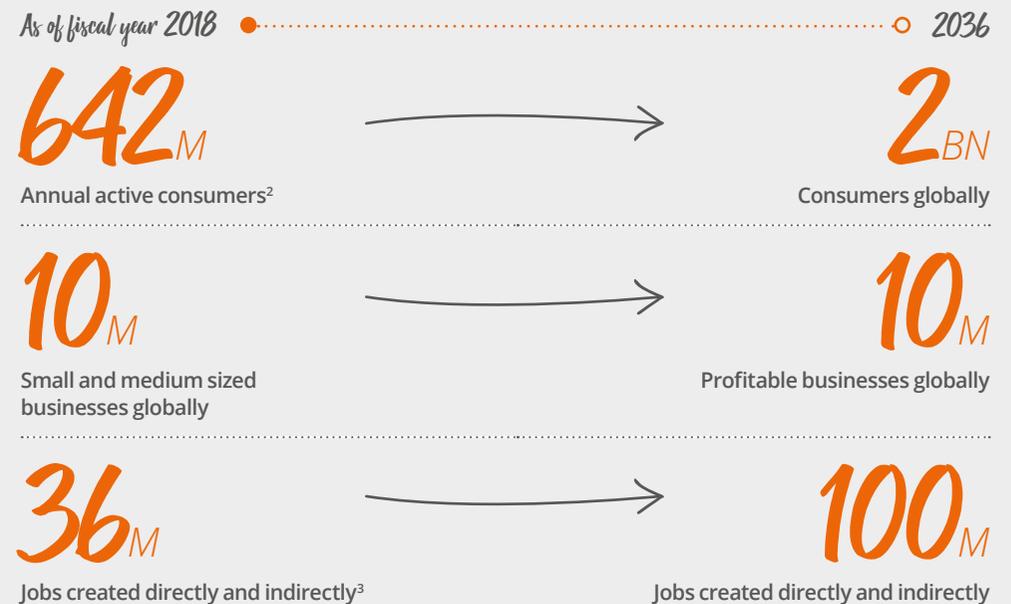
# Alibaba Digital Economy

Our Mission is “to make it easy to do business anywhere.” We and our affiliates are in the business of providing e-commerce, retail, local services, entertainment, healthcare, cloud computing and financial services to both consumers and enterprises, which we refer to collectively as the Alibaba Digital Economy<sup>1</sup>. We apply our mission in every aspect of our operations to solve customers’ problems by removing barriers between producers of goods, services or content and their end consumers.

As of March 31, 2018, we served 552 million annual active consumers in China and another 90 million outside China. We provide essential infrastructure and services to tens of millions of small businesses within our digital ecosystem. Our vision is that by 2036, we will serve 2 billion consumers globally and help create 100 million jobs by supporting 10 million businesses to operate profitably.

Since 2010, the management team members who manage the Alibaba Digital Economy operate as a partnership that we refer to as the Alibaba Partnership (for more details refer to **Corporate Governance**, page 07). The partners in the Alibaba Partnership are custodians of the Alibaba Digital Economy. Our job is to continue to grow the Alibaba Digital Economy and safeguard the interests of all its stakeholders. Understanding how we do this complex job is fundamental to understanding the importance we put on our responsibility and aim for sustainability.

## Our Goals



<sup>2</sup> 552M consumers in China and 90M outside of China from Lazada and AliExpress

<sup>3</sup> **Source:** According to a recent report by the Renmin University of China, Alibaba created 36 million jobs in 2017 via its retail ecosystem, including 14 million jobs for online retailers and 22 million jobs for upstream and downstream sectors such as R&D, design, manufacturing and logistics.  
See <http://i.aliresearch.com/img/20180404/20180404144522.pdf>

<sup>1</sup> The Alibaba Digital Economy includes businesses under Alibaba Group, Ant Financial Services Group, Cainiao Network, Ele.me and Koubei, Alibaba Health, Alibaba Pictures and their affiliated entities.

# Alibaba at a Glance



\* Indicates entities that we do not consolidate in our financial statements as of the date of this report.

# Sustainability: At the Core of What We Do

Alibaba is an institution of public trust. The Alibaba Digital Economy spans a vast scale of business operations with constituencies that include consumers, merchants, producers, creators, service providers, business partners, regulators, employees and of course our shareholders. With the mission “to make it easy to do business anywhere,” these stakeholders rely on us to solve many of their business problems. We believe that solving people’s problems and doing so ethically is the way to create value for society, and hence derive value for our company and shareholders.

We believe public trust is earned by demonstrating that everything we do is **sustainable**. As a corporation with shareholders who expect us to make a profit, Alibaba defines “sustainability” as focusing on long-term value creation that drives sustainable profits. The pursuit of sustainability requires that we do the right thing when our business impacts the environment and society, and we need a system of governance to ensure that we are always choosing the right ethical path. This report is about how we address these environmental, social and governance (ESG) considerations, putting customers and employees first and championing small businesses.

## Our Mission

*To make it easy to  
do business anywhere*

# A Focus on What Matters Most: Our ESG Priorities

For this first ESG report, we undertook a rigorous materiality assessment that included input from internal and external stakeholders. Over the past year, we surveyed about 50 institutional shareholders representing around US\$65 billion of our market capitalization as well as input from, among others, our customers and employees. Their input and this process led us to identify the seven issues (in box to right) as most critical to the sustainability of our business.

In this first ESG Report, we highlight our commitment to these sustainability priorities and show how we address the issues focused on by our stakeholders. We would like to thank the customers, employees and shareholders whose views guided us in publishing this report.

## Alibaba's sustainability priorities

- *Corporate governance*  
Find out more, see page 07
- *Human capital*  
Find out more, see page 33
- *Intellectual property rights protection*  
Find out more, see page 17
- *Social impact*  
Find out more, see page 37
- *Cybersecurity*  
Find out more, see page 25
- *Environmental impact*  
Find out more, see page 44
- *Data protection*  
Find out more, see page 29



Send your comments and feedback on the report and our ESG approach to [BABAESG@alibaba-inc.com](mailto:BABAESG@alibaba-inc.com)

# Corporate Governance at Alibaba

Alibaba has a unique governance model. To understand our system of corporate governance, it is important to understand the role of our **Mission** that guides us, our **Vision** that brings focus to our strategy, and our **Partnership System** that plays an active role in key decisions in the areas of leadership succession, human capital management, business ethics and social responsibility.



# The Role of Mission and Vision

Typical public corporations think of “corporate governance” as a set of policies, rules, processes and compliance procedures. The presumption is that the profit motive inherently encourages risk taking by managers that must be tempered by checks and balances that reflect ethical considerations.

We do not view “growth” versus “governance” as a zero-sum game. In fact, quite the opposite. We believe a company must be mission-driven in order to achieve sustainability.

## SOCIAL RESPONSIBILITY DEFINES OUR MISSION AND VISION

The belief in our mission – to make it easy to do business anywhere – is the foundational logic underlying our business decisions. We believe that we do not create value if we do not solve the problems of society, and if we do not create value for our customers, then the company will not be able to generate any revenue, much less profits, from customers.

We have stated publicly that we want Alibaba to last – “at least 102 years” which would span three centuries from our founding in 1999.

Our vision – to serve 2 billion consumers globally and help create 100 million jobs by supporting 10 million businesses to operate profitably by year 2036 – helps us set long-term strategy and goals that are consistent with our values. This vision focuses our priorities on consumer trust, small business and job creation.

We ask that everyone joining our company commit to our mission and vision. If we weren’t guided by a common mission, then Alibaba would be a mere investment holding company with disparate businesses. With the collective pursuit of a clear vision, our various businesses will work together to generate synergies that drive long-term sustainable growth.

Because we believe Alibaba’s business should be guided and driven by our mission and vision, socially responsible elements – i.e., solving customer problems, earning consumer trust, helping small businesses and creating jobs – are embedded in our business model.

## Our Vision by 2036

- *To serve 2 billion consumers globally*
- *Support 10 million businesses to operate profitably*
- *Help create 100 million jobs*

# The Role of the Alibaba Partnership

The Alibaba Partnership (the “Partnership”) is at the heart of our company culture and identity. Currently comprised of 36 senior management leaders who oversee the various aspects of the Alibaba Digital Economy, the Partnership has had a clear purpose since it was formed in 2010: to sustain the culture of the founders of Alibaba in order to ensure that we stay on course in defining and executing our mission, vision and values.

## HOW THE ALIBABA PARTNERSHIP OPERATES

**Living Body:** The Alibaba Partnership is a dynamic group of people that operates as a living body, adding new blood through the admission of new partners each year. Partners are required to retire from the Partnership if they are no longer contributing to the work of growing the Alibaba Digital Economy. Since its founding, the Partnership has expanded from the admission of new partners each year; currently there are 36 members of the Partnership.

**Partnership Charter:** The Partnership is governed by a Partnership agreement (the “Partnership Charter”) and operates under principles, policies and procedures that have evolved with our business. The key provisions of the Partnership Charter address, among other things, the criteria and duties of the partners, their right to vote on matters of importance to the Partnership, and meeting quorum and voting procedures.

**Admission of New Partners:** The most important element of the Partnership is the annual process of selecting and admitting new partners to the Partnership. New partner candidates are selected on the criteria of

- personal character;
- impact on our business;
- demonstrated ability to live and evangelize our culture; and
- at least five years tenure of service to the Alibaba Digital Economy.

Admission of new partners requires the approval of at least 75% of all partners.

**Collective Decision-Making:** All Partnership votes are made on a one-partner-one-vote basis. Each partner has a vote equal to that of any other partner on matters that come to the Partnership for decision: election of new partners, expulsion of partners, selection of Partnership-nominated board members to Alibaba Group, and amendment of the Partnership Charter, to name a few.

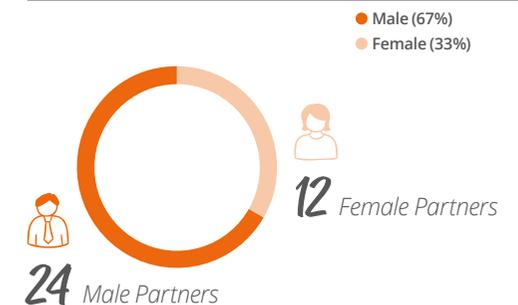
**Stock Ownership:** Another important element of the Partnership is that each partner has share ownership in Alibaba Group that is substantial relative to their net worth. The average partner has no less than a majority of their net worth in the shares

of Alibaba Group. Newly admitted partners are awarded shares in the Alibaba Group that vest over 10 years, and each partner must retain a significant level of share ownership that aligns the partners’ interests with the stockholders of the company.

**Diversity and Experience:** Of the 36 current partners of the Partnership, 12 partners (33%) are women, and 32 of the partners (89%) have been employed within the Alibaba Digital Economy for more than 10 years.

## ALIBABA PARTNERSHIP COMPOSITION

### By Gender



# The Role of the Alibaba Partnership *continued*

## BOARD COMPOSITION

Based on our articles of association, the Alibaba Partnership has the right to nominate a majority of the board of directors of Alibaba Group, although the Partnership may choose not to fully exercise that right. Board candidates nominated by the Partnership, as well as independent directors recommended by the board's nominating and corporate governance committee, are elected to the board by the majority vote of all of Alibaba Group's shareholders.

Currently, five of the eleven board members (Jack Ma, Joe Tsai, Daniel Zhang, Eric Jing and Michael Evans) are nominated by the Partnership, five of the board members (C.H. Tung, Walter Kwauk, Jerry Yang, Börje Ekholm and Wan Ling Martello) are independent directors nominated by the Board's nominating and corporate governance committee, and one director (Masayoshi Son) is nominated by SoftBank Group which has been a long-term investor in Alibaba Group since 2000.

## HUMAN CAPITAL MANAGEMENT AND LEADERSHIP SUCCESSION

One of the most important roles of public company boards is the selection and appointment of their company's senior leadership, in particular the chairman and chief executive officer. Through Partnership-nominated directors, the Partnership plays a crucial role in advising our Board in developing senior management talent from within and planning for leadership succession. This process reduces the risk of leaving succession management to chance.

The continuous cultivation and annual selection process of admitting new partners into the Partnership is the vehicle for us to identify talented individuals throughout our organization who exemplify our culture and embody the required leadership traits we look for in managing our business. These leadership traits include:

- integrity,
- intellect,
- emotional intelligence,
- ethical conduct,

- energy,
- ability to influence,
- strategic mindset,
- open-mindedness,
- resilience,
- self-awareness, and
- humility.

We expect that partners fulfill their responsibility as culture carriers and demonstrate the ability to evangelize our mission, vision and values to our customers, employees, shareholders and other stakeholders. Partners must continuously serve in the businesses of the Alibaba Digital Economy and have a track record of contribution, performance and positive impact to our business.

Because each partner has been carefully selected through the partner development and admission process with a focus on leadership and cultural traits in addition to proven performance and management ability, the pool of partners provides the primary source of talent for our leadership.

As in the case of other public companies, our board determines leadership succession at the highest level by selecting and appointing our chairman and chief executive officer. On leadership succession, board members nominated by the Partnership fulfill their directorship duties by counseling and offering their knowledge about potential internal senior candidates to the independent directors.

Because Partnership-nominated directors are familiar with the company's senior leaders through the talent development process as partners, our board is afforded a much more complete and transparent view of the company's human capital and leadership succession alternatives when the critical time comes for senior management transition.

# The Role of the Alibaba Partnership *continued*

## ETHICAL CONDUCT

The Alibaba Partnership is the steward of our company's conscience. Partners are expected to not only conduct themselves with integrity but also to monitor the ethical conduct of all of our employees as well as their business practices. Through the established procedure of expulsion (via the vote of over 50% of the partners), the Partnership may expel partners who do not fulfil expectations on integrity and ethical conduct or repeatedly breach our stated values.

Partners have a duty to set the tone at the top. Through day-to-day management of businesses within the Alibaba Digital Economy, they are expected to communicate the values of the company to employees through actions and various interactions with employees such as meetings, speeches and group discussions. Among the values we have identified as important to sustainability, we especially emphasize "customer first" and "integrity" as the core values that guide our ethical conduct.

Our customer-first mentality ensures that we put serving those who give us our *raison d'être* as the highest priority. We believe that if we adhere to the principle of doing right by our customers, our employees will make the right judgment and do the right thing when the interests of our customers conflict with

the short-term profit motive. We believe that if our customers are well-served by our employees, then our shareholders will benefit from the resulting value creation.

Integrity is at the center of how we expect the partners in the Partnership to demonstrate leadership. Specifically, in management and leadership positions, partners are expected to walk the talk, approach issues with honesty and openness, own their mistakes and honor commitments.

We believe that the expectations we put on the partners who lead our businesses will influence our entire workforce by setting the right tone at the top.

## SOCIAL RESPONSIBILITY

Partners in the Alibaba Partnership are expected to make personal contribution of time and financial resources to solving social problems that require long-term investment and therefore do not receive the attention of the commercial sector.

Partners have established individual and joint foundations to carry out their philanthropic activities. Some of the focus areas include education, eradication of poverty, environmental improvements, and economic and social mobility for women.

Worthy of note are the Jack Ma Foundation, which focuses on rural education, poverty and entrepreneurship, and Lakeside Modou Foundation, a foundation collectively established by the 12 women partners in the Partnership to provide care and a better future to women and children in rural and underdeveloped areas of China.

The partners believe that philanthropy must be sustainable, which means that their initiatives should inspire others to action and leverage all available societal resources beyond their own. For example, when the Jack Ma Foundation initiated a program to improve education for children in poverty stricken areas, the Foundation created an annual prize to select and award 100 model rural teachers and recruited international architects to help design dormitories featuring clean sanitary conditions and caring community spaces for school children on a *pro bono* basis.

## In summary

We believe our Partnership system is a strong positive feature of our corporate governance framework in the following ways:

- The high standards of personal character and ethical conduct required of partners ensure that we set the right tone at the top;
- Unlike companies controlled by their founders with a dual-class voting structure, Alibaba Group is not susceptible to the same kind of key man risk and vagaries of a single controlling shareholder;
- The Partnership assists our board in human capital management and leadership succession, especially the selection of the company's chairman and chief executive officer;
- The collective decision-making process of the Partnership ensures that matters that come up for decision have been carefully debated and deliberated, and that no single individual controls key Partnership decisions; and
- The system of admitting new partners and retiring old partners represents a continuous process of invigoration to ensure excellence of our management team, continuing innovation and sustainability of our business.

# The Role of the Board and Board Committees

**The Alibaba board is responsible for the long-term success of the company through nominating independent directors, selecting the chairman and chief executive officer, monitoring strategy and management execution, setting senior management compensation, and providing oversight to the company's financial reporting, internal control systems, business conduct and code of ethics.**

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. All members of our audit committee are independent directors. A majority of the members of our compensation committee and nominating and corporate governance committee are independent directors.

Brief descriptions of these committees follow, and more detail can be found in our annual report on Form 20-F.

## **Audit Committee**

The Audit Committee oversees our accounting and financial reporting processes and the audits of our financial statements; selects, evaluates and supervises our independent auditor; oversees our internal accounting controls and audit procedures; reviews and approves related party transactions; oversees procedures for employee complaints and concerns; and reports regularly to the full board of directors. The Audit Committee is chaired by Walter Kwauk, an independent director with 25 years of senior leadership experience in the audit industry with KPMG.

We maintain a Related Party Transaction Policy that stipulates that, unless otherwise pre-approved by our board of directors, all related party transactions, including transactions involving directors, officers, and other members of senior management, must be approved or ratified by the Audit Committee.

We have an internal audit department of 29 employees and our head of internal audit reports directly to the Audit Committee. The internal audit function conducts independent and continuous testing of the integrity and robustness of our financial reporting, operational system controls, IT general controls and design of key policies and procedures. Our internal audit staff meets as frequently as twice a month with the chair of the Audit Committee and quarterly with other members of the Audit Committee to review their work.

## **Compensation Committee**

The Compensation Committee oversees our compensation policies; reviews the performance of our directors and executive officers; determines the compensation to our executive officers, approves the aggregate bonus pool allocated to the partners of the Alibaba Partnership who are our employees; and monitors policies and magnitude of equity incentives to our employees as a whole. The compensation committee is chaired by independent director Jerry Yang, co-founder and former chief executive officer of Yahoo! Inc.

## **Nominating and Corporate Governance Committee**

The Nomination and Corporate Governance Committee recommends independent director nominees; reviews board composition with regards to characteristics such as independence, knowledge, skills, experience and diversity; advises the board on corporate governance and compliance matters. The nominating and governance committee is chaired by our board chairman Jack Ma.

# Related Party Transactions

**“Related party transaction” is both a legal and ethical concept. Certain legal definitions of transactions between “related parties” do not create a conflict of interest between the company’s management, directors or major shareholders and the interests of its independent shareholders.**

For example, a commercial contract between Alibaba Group and a company in which Alibaba Group is a 30% shareholder is by definition a “related party transaction” under the U.S. securities rules governing foreign private issuers and the analysis our board must make to ensure the fair and arms-length nature of the transaction is no different from the analysis that one would apply to transactions between unrelated parties.

On the other hand, transactions between the company and a director, officer or major shareholder could potentially raise the issue of conflict of interest that requires stricter scrutiny by our board and its audit committee. It is with this philosophy in mind – knowing the distinction between technical related party transactions and transactions that give rise to apparent or actual conflict – that we created the governance framework for the board and our management to evaluate and approve related party transactions.

One particularly significant instance of high standards of scrutiny is our agreement announced earlier this year for Alibaba Group to terminate a profit interest, and instead acquire a 33% equity stake in, Ant Financial and ancillary transactions. Because Ant Financial is a company in which the partners of Alibaba Partnership and the employees of Alibaba Group have significant equity shareholding, the transactions went through a rigorous process of evaluation and scrutiny by our board. The transactions were carefully reviewed and approved by a committee comprised of only independent directors and the non-executive director appointed by SoftBank Group. The committee was advised by independent legal and financial advisors. In addition, the Audit Committee of the board, comprised of only independent directors, reviewed and approved the transaction.



For more information on how we handle related party transactions see our annual report on Form 20-F.

# Asset Ownership in Compliance with Regulations

**In order to comply with relevant laws, rules and regulations in China governing foreign investment in certain types of internet businesses, we use a corporate structure similar to that adopted by many peer companies in our industry.**

Our Internet Content Provider Licenses required to operate certain internet businesses in China are held by entities whose direct or indirect owners are Chinese nationals that are either founders or employees of Alibaba or members of the Alibaba Partnership.

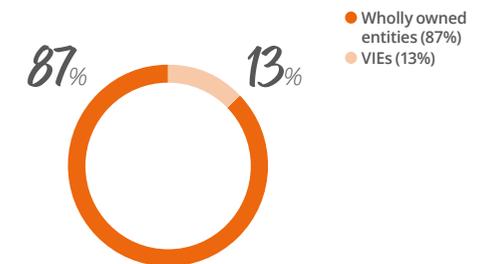
Alibaba Group has entered into a series of agreements with such entities, that under accounting rules are referred to as “variable interest entities” or VIEs, and their Chinese national owners, such that Alibaba consolidates the VIEs on its financial statements because Alibaba, among other things, (i) bears the economic risk and benefits of the VIEs, (ii) through contracts such as technology and licensing agreements, is entitled to substantially all of the profits of the VIEs, (iii) has an exclusive option to acquire the shares or assets in such VIEs if permitted by law, and (iv) holds the voting proxy with respect to such VIEs.

We believe that we have structured our VIEs to be best-in-class from the point of view of financial integrity, economic participation, asset security and control over free cash flow of the business. As of the end of Fiscal 2018 (March year-end), assets in the VIEs in aggregate do not exceed 8% of the total assets of Alibaba Group, and the VIEs generated approximately 13% of consolidated group revenues and less than 5% in consolidated operating cash flows

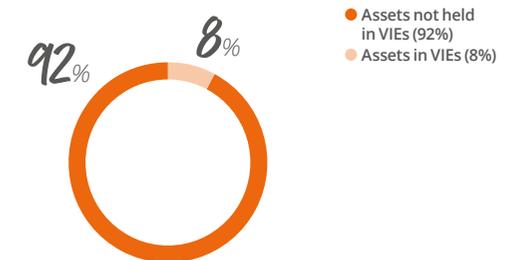
during the then-ended fiscal year. In other words, the vast majority of Alibaba Group’s assets, revenues and cash flow belong to wholly owned entities of Alibaba Group in which we have sole legal title and control. In addition, most of the critical assets of our business, such as user data, customer contracts, intellectual property, technology infrastructure and software source code are held in controlled or wholly-owned subsidiaries of Alibaba Group.

Subject to foreign currency regulations in China, our shareholders have direct access to substantial cash flows generated by Alibaba Group’s businesses because much of our assets and business activities that generate cash flow are owned by or conducted through subsidiaries that are controlled or wholly owned by Alibaba Group. Access to cash flow is a key feature that rating agencies take into consideration when assigning a credit rating. Alibaba Group has the best credit rating (A1 by Moody’s/A+ by S&P/A+ by Fitch) among all private Asian corporate issuers.

## MINIMAL REVENUES FROM VIEs



## MINIMAL ASSETS IN VIEs



# Supportive Governance Mechanisms

## As outlined in our corporate governance policies:

- 1** We encourage shareholders to engage with us and make their views known to the board or to the independent directors as a group, especially at the time of our annual general meeting and by writing to our Company Secretary.
- 2** Our independent directors have the chance to meet in executive session with no management members present at all regularly scheduled board meetings.
- 3** Our Integrity Compliance Department has the power to conduct investigations of any suspected non-compliance with the law or our Code of Ethics, and has authority over all directors, officers and employees. We conduct mandatory annual training to help prevent violations, and we are transparent about violations that have occurred.

## Read more



### CORPORATE GOVERNANCE GUIDELINES

For more information, [click here](#)



### CODE OF ETHICS

For more information, [click here](#)

# Trust

This section describes our performance in and commitments to intellectual property rights protection, cybersecurity and data protection. A common thread weaving these priorities together is the pivotal importance of trust – from merchants, consumers, partners and regulators.



# Intellectual Property Rights Protection

The protection of intellectual property rights (IPR) is core to the operation of a healthy marketplace. Trust is essential for the health and sustainability of Alibaba's business, and consumers and merchants place tremendous trust in our online marketplaces. We have established an industry-leading IPR operation that ensures we are a source of branded, authorized goods, and that strongly deters the sale of illicit or unauthorized goods, in order to protect the interests of rights holders, brands and consumers.

# Intellectual Property Rights Protection

**We are proactive in our approach, aiming to identify problems early before we receive complaints. Our IP Protection Department is charged with the critical responsibility of maintaining a healthy and dynamic business environment throughout Alibaba's e-commerce ecosystem.**

This unit is led by our Chief Risk Officer, who is also our Chief Platform Governance Officer, and she reports directly to our CEO. Over 300 professionals work in this business unit including senior global team members who communicate with global rights holders and brand associations on a regular basis.

To effectively protect the rights of brand owners on our large online platform, we make extensive use of cutting edge, proprietary technology. Our proactive monitoring and takedown system for problematic listings is driven by sophisticated data-base algorithms and textual analysis and photo, optical character and behavior recognition technologies. Our philosophy is to partner with brands, understand their particular product characteristics, and utilize our technology to proactively monitor our platforms. Then, we make it easy for brands to report and track complaints – which over time has allowed us to continually improve our IP Protection Program.

Brands and brand owners are key constituents of our platform. We proactively established the Alibaba Anti-Counterfeiting Alliance (“AACA” or the “Alliance”) in January 2017. AACA's 105 brand members include Adidas, P&G, Mars, Adobe, Danone, Hasbro, Samsung, and L’Oreal. With their support, the Alliance is effectively using internet technology and data to combat IP infringement more efficiently and transparently. We recently launched a program of IP Protection Roadshows in countries around the world where we present to global brands about the tools Alibaba offers to fight IP infringement. Additionally, we have a scheme to support small brands who may not have the same level of resources to protect their original designs or patents.

Working with brands is not enough. We also take the fight offline to work with trade associations, governments and law enforcement agencies in the fight to protect IPR. Industry groups we work with

come from the automotive, digital content, apparel, electronics, luxury goods, food, pharmaceutical, and personal care sectors. We also partner with law enforcement agencies to provide leads of suspected illicit manufacturing facilities. We believe it's equally important to attack the bad actors at the source in the physical world. The goal is to encourage all parties to collaboratively fight counterfeiting through communication and information exchange.

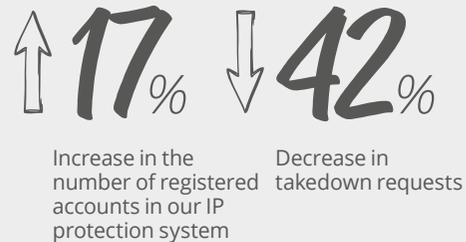
We openly communicate our IPR efforts to the public by publishing an **Intellectual Property Rights Protection Annual Report** and **Intellectual Property Rights Protection Handbook**. We regularly report our progress in this program; our results speak for themselves.

# Intellectual Property Rights Protection *continued*

## PORTAL FOR PROACTIVELY RESOLVING IP PROTECTION ISSUES

We have a one-stop portal with authorized access for brands (<https://ipp.alibabagroup.com>) to manage our Notice and Take-down (“NTD”) processes. The portal allow brands to track the status of their complaints and review sellers’ appeals. Following new procedures launched in mid-2017, 95% of takedown requests were processed within 24 hours which represented a 68% reduction in processing time. In many cases, offending Taobao stores are simply shut down by us.

### Results 2017



**240,000**  
Number of Taobao stores closed due to bad merchant behavior

### 24-hour takedown



\* From June 2017 to December 2017

\*\* Average processing time compared to 2016

# Intellectual Property Rights Protection *continued*

## Proactive takedowns enabled by technology (2017)



27x

More listings proactively removed than reactively taken down in response to requests from rights holders



97%

Number of all proactive takedowns removed before a single sale occurred

## PROACTIVE MONITORING TECHNOLOGY

We use state of the art technology to partner with brands to understand their specific product characteristics and, using our sophisticated algorithms and robust data processing and analytics technology, we detect, identify, block and remove suspicious product listings from our platform and penalize bad actors.

In 2017, Alibaba's real-time information scanning capabilities enabled the company to proactively remove vastly more listings than those flagged by rights holders. All but a few of these listings were eliminated before a single sale took place.



“ The most powerful weapon against counterfeiting today is data and analytics, and the only way we can win this war is to unite. With our robust data technologies, we are confident the Alliance will accelerate the digital transformation in our global fight against counterfeits. ”

JESSIE ZHENG  
Chief Risk Officer and Chief Platform  
Governance Officer, Alibaba Partner

# Intellectual Property Rights Protection *continued*



## HOW WE ENGAGE WITH BRANDS

The Alibaba Anti-Counterfeiting Alliance (“ACA”) fosters transparency and communication among stakeholders and provides a forum for coordinating offline investigations and referrals to law enforcement. Here is a small selection of the 105 brands who are our members and allies.

This alliance focuses on:

- Building up brand and product-related knowledge for proactive monitoring
- Test buy programs for rapid enforcement
- Educating the public and launching campaigns to raise awareness among consumers
- Increasing quality of leads provided to law enforcement
- Taking problem merchants to court
- Sharing best practice and industry experience with relevant stakeholders

# Intellectual Property Rights Protection *continued*

## Law enforcement crackdowns (2017)



1,910

Number of leads provided to the police



1,606

Number of arrests made based on Alibaba referrals



1,328

Number of illicit locations closed down by law enforcement



¥4.3 BN

Total estimated value of goods involved

## UNPRECEDENTED SUCCESS SUPPORTING LAW ENFORCEMENT

Our online portal and our technology tools both generate leads, complaints and data evidence about IP infringers' actions. Based on the information we collect and our ongoing engagement with brands, we approach and assist law enforcement officials in offline criminal and civil investigations.

In 2017, Alibaba supported local police in 23 provinces and cities throughout China in their efforts to crack down on the sale of counterfeit or otherwise inferior quality goods, leading to the arrest of more than 1,600 suspects and the closure of more than 1,300 facilities.

## WINNING LAWSUITS AND TAKING BAD ACTORS TO COURT

In conjunction with the public appeal for stricter enforcement of IP laws in China, Alibaba was the first platform operator in China to bring civil lawsuits against merchants who misuse its services for the sale of counterfeit goods.

# Intellectual Property Rights Protection *continued*

## Case study



### SWAROVSKI

In January 2017, Alibaba Group sued two vendors selling fake Swarovski watches via Taobao. This was the first-ever instance of an e-commerce platform taking a counterfeiter to court in China, sending a strong warning to illegal vendors and demonstrating our determination to fight fake products. The international brand Swarovski said in a statement that it is committed to protecting its brand and consumers from fraudulent selling activity, and it lauded Alibaba's efforts to protect brands and its platforms' integrity.

## Case study

### Mars Inc.

In July 2017, after investigating and collecting evidence in cooperation with Mars Inc. (a global producer of confectionary, pet food, and other food products), Alibaba won a landmark civil lawsuit in China against a seller infringing upon Mars Inc.'s products. A Shanghai court found the vendor guilty and ordered the defendant to pay damages. The case is believed to be the first of its kind in China, where an e-commerce platform has successfully sought compensation from one of its online retailers.

**“ We adopt a zero-tolerance attitude toward counterfeiting, and firmly preserve the rights and interests of consumers, as well as brand’s reputation. Mars is determined to work with Alibaba and other parties to keep the market order, and build a healthy and lively market environment with all efforts. We look forward to continuing to working with Alibaba and others to dismantle the supply chain of counterfeit goods, and to create an environment where counterfeiters can no longer hide. ”**

**SCOTT THOMPSON**  
General Counsel of Marketing Properties at Mars Inc.

# Intellectual Property Rights Protection *continued*

## THE EVOLUTION OF IP PROTECTION IN ALIBABA

### Milestones

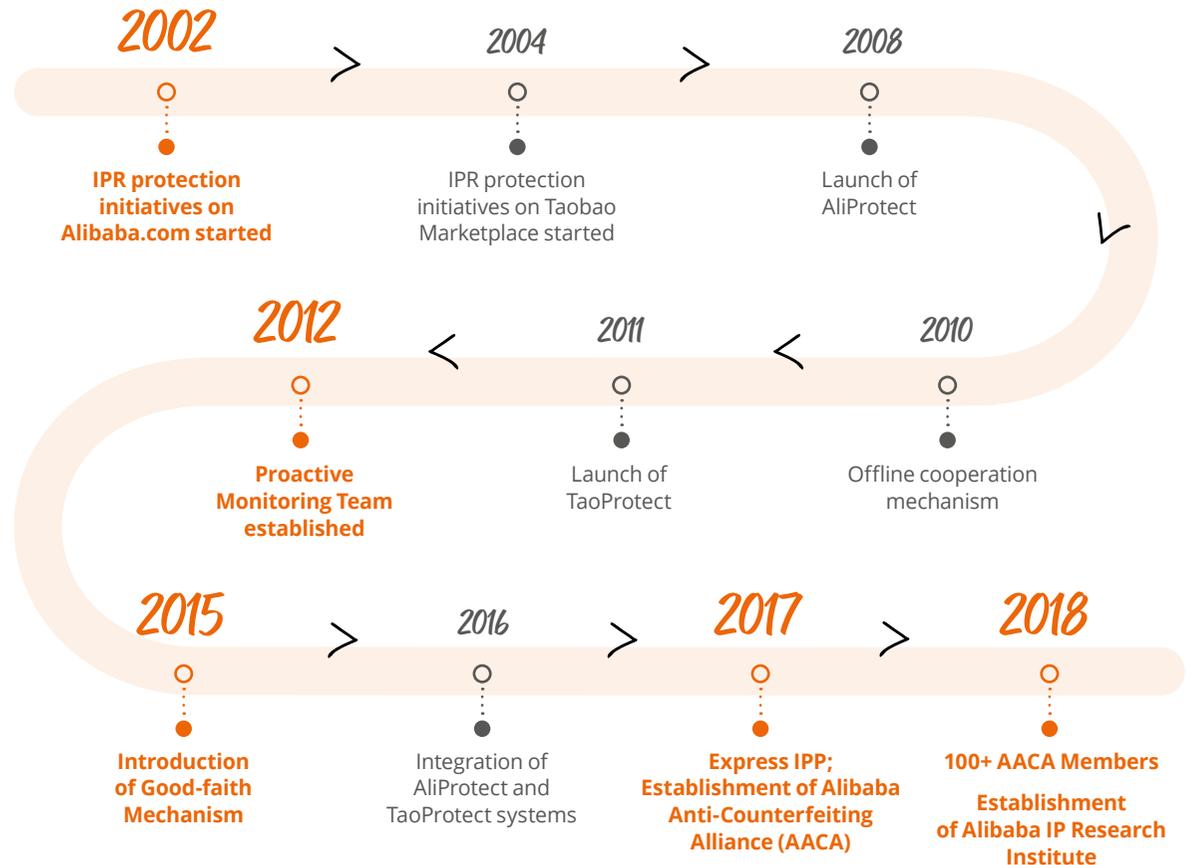
Email-based Notice Submission

Online System & Proactive Monitoring

Online to Offline Anti-Counterfeiting

Multi-party Cooperation

AACA



# Cybersecurity

Security and accuracy of all the e-commerce transactions completed on our platforms are mission critical to consumers who spend money and to merchants whose business depend on making sales on our platforms. Because security is mission critical to our customers, we must treat it as our utmost priority.

# Cybersecurity *continued*

We have developed industry-leading cybersecurity technology and practices that safeguard our e-commerce platforms. We recognize that consumers and merchants rely on us to protect their data on our platforms to ensure business sustainability.

We also run the leading cloud computing service in China that many other businesses depend on to safely store data and process transactions, and our network security must be designed to withstand attempted intrusions.

We invest heavily and strategically in proprietary systems, cutting-edge technology, and R&D to build and safeguard a secure and protected environment across all our business units, in related companies and with ecosystem partners. Our multi-layer security system provides a comprehensive data security infrastructure for continuous monitoring and system protection throughout all platforms.

Our Chief Risk Officer (CRO), supported by our Chief Technology Officer (CTO), is responsible for cybersecurity. Both the CRO and CTO directly report to our CEO. Our CRO oversees the integrity of our IT system, ensuring that our systems are sound and well-defended. Our cybersecurity teams, who report to the CRO, focus on security standards, processes and breach avoidance. We also have a Cybersecurity and Data Protection Committee chaired by the CRO that oversees data security issues for all platforms and products across the Group.

On a continual basis, our CRO's cybersecurity team provides a comprehensive framework of compliance training, risk assessment and security testing to the CTO and other teams across our platform. The CRO team also provides continuous monitoring of potential breaches or incidents, including before an incident (through risk assessment), during an incident (through intrusion interception), and after an incident (with source tracking of data breach). We also place security teams in each functional department to help implement Alibaba's security strategy and manage daily security issues.

## Multi-layer security system

### Data Security

Data Leakage Prevention

### Business Operations Security

Transaction Security

Spam Prevention

Content Security

Account Security

Fraud Prevention

### Platform Security

Mobile Security

Web Security

PC Security

IoT Security

Blockchain Security

System Security

### Infrastructure Security

Server Security

Hardware Security

Network Security

Data Center Security

# Cybersecurity *continued*

## EVIDENCE OF OUR BUSINESS SECURITY AND CYBERSECURITY CAPABILITIES

- Our real time risk management engine can do 30 billion protective scans per day at peak.
- Our remote personal authentication system for merchants is based on biometric identification.
- Our emergency management system responds to emerging data crisis situations. It ranks incidents and situations by levels of potential damage, so we can evaluate the scope of impact and assess the resources required to respond immediately.
- Our security systems have the capacity and resources to protect ourselves. We successfully defended the largest known DDoS attack to date in March 2018, which hit our platforms at a peak volume of 776Gbps.
- We are constantly improving our intrusion detection and prevention capability. We have a professional “red alert” team that simulates realistic external cyber attacks, in order to stress test our abilities to block intrusions.
- By deploying Security Development Lifecycle (SDL) to all the applications, we are continually reducing the number of vulnerabilities to improve application security quality.
- The cybersecurity team offers a “bug bounty” program to incentivize individual security developers to report bugs in our system.
- In order to continually prepare for security challenges in the future, we operate several R&D labs dedicated to researching innovative and pioneering security technologies, as well as Internet of Things (IoT) and blockchain.

## Certificates and Standards

Alibaba follows best practice international standards. We meet ISO 27001 international certification standards, the global benchmark for information security management systems. Alibaba Group is certified by international standards\* for data security and privacy measures, including:

- ISO27001 for information security management system
- ISO22301 for business continuity systems to protect against, reduce the likelihood of occurrence, prepare for, respond to, and recover from disruptive incidents
- Payment Card Industry Data Security Standard (PCI DSS)
- Report on System and Organization Controls SOC 1 and 2 by AICPA for data security, confidentiality and data privacy

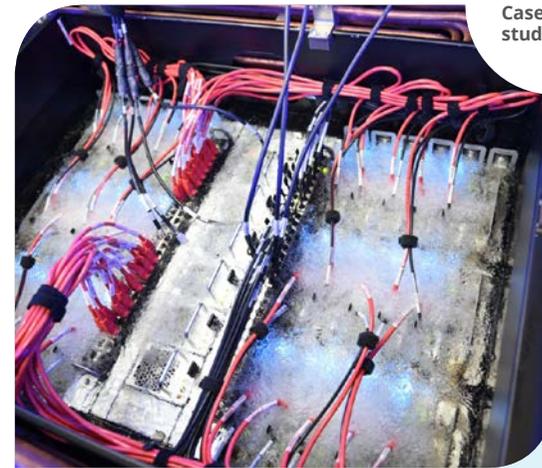
Furthermore, Alibaba Cloud is the first cloud services provider to be certified with the ISO27001 Information Security Management System Certification and to receive the CSA STAR Certification in China. Cainiao Network is the first logistics provider to be issued with the industry SOCII report.

\* Source: China's Certification and Accreditation Unified Business Information Search Platform <http://cx.cnca.cn/>; International Standards Organization <https://www.iso.org/standards.html>; <https://www.alibabacloud.com/trust-center>

# Cybersecurity *continued*

“ Operating such a massive e-commerce platform, how do we guard against risks like malicious attacks, hackers, and fraud? Of course, we cannot take a case-by-case approach. We have to aggregate large numbers of logins or events to monitor security. We are continuously training our systems on the huge volumes of data we handle, and the system is becoming increasingly intelligent. We are the world-leading use case for artificial intelligence – and that is our advantage.”

JESSIE ZHENG  
Chief Risk Officer, Alibaba Partner



Case study

## 2017 11.11 Global Shopping Festival, a real testimony to our security capability

During the 2017 11.11 Global Shopping Festival, the total amount of paid transactions was RMB168.2 billion (US\$25.3 billion) with 90% of the transactions executed via mobile devices. The Shopping Festival marked the biggest online shopping day in the world and was the most important marketing, promotion and sale event of the year for participating merchants – the smooth working of the transaction platform was mission-critical for our customers.

In order to protect consumers and merchants from cyber-attacks and fraudulent transactions, our cybersecurity team put in place robust security measures to filter out malicious activities and IP addresses to ensure transaction validity. On that day, the systems of Alibaba and our affiliate Ant Financial successfully processed peak orders of 325,000 per second, and 256,000 peak payment transactions per second, and our logistics subsidiary Cainiao managed 812 million total delivery orders.

# 325,000

Peak orders successfully processed per second

# 256,000

Peak payment transactions per second

# Data Protection

We put our users first in all aspects of our business, including data protection. Earning and keeping users' trust is a key factor in the sustainability of our business. One way we do that is by clearly explaining to users in plain and simple language how their data is collected and used, as well as how to amend settings or opt out. We also employ rigorous internal control procedures and the use of advanced technology to ensure that data is protected.



# Data Protection *continued*

**Data handling protocols are centralized and organized to ensure accountability; we enforce stringent guidelines and rules. We collect, classify and manage data in a rigorous and systematic manner to protect user privacy.**

Data must be used for agreed objectives or purposes, in a relevant way, and within an agreed scope. Analysis of personally identifiable data is done on an aggregated, anonymized basis. We are committed to best practices such as limiting access to data only to designated personnel and minimizing data collection and retention. Operation logs are kept, and disaster recovery and backup mechanisms have been established to help guarantee data integrity.

We follow clear standards for sharing data among affiliates and related third parties, and we provide a self-developed secure data upload tool for affiliates and authorized third parties to access desensitized customer data.

We comply with applicable laws and regulations in the markets where we operate when sharing personal data of our customers with third parties, and we obtain opt-in or opt-out consents as required. In 2018, we have been devoting considerable resources to complying with the European Union's General Data Protection Regulation (GDPR).

Our Chief Risk Officer oversees both cybersecurity and data protection. We have a large team dedicated to developing our data protection policies and procedures, and we are engaged with data privacy experts worldwide, constantly learning from leading industry practices.

More information on policies regarding our Data Sharing Agreement with affiliates can be found in our most recent annual report on Form 20-F, page 201.



## DATA CLASSIFICATION, ACCESS, AND USAGE

At the heart of how we manage data is the way we classify it. We have a detailed protocol for categorizing data along a spectrum of usage as well as sensitivity. We designate sensitive data as either customer's personally identifiable data, business data generated from our platforms, or Alibaba corporate data. Then we further classify data and assign security levels appropriately, into either public (level 1), internal (level 2), confidential (level 3), or secret (level 4-the highest).

The use of all data requires identity verification of the user applying for data access as well as authorization by designated responsible persons, and authorization is subject to time limits.

Differing levels of sensitive data are protected appropriately, so as to guarantee the safety of data use by our employees. For example:

- For massive data usage scenarios, it is mandatory for our staff to use our proprietary data leakage prevention tool to ensure data cannot be downloaded to the local hosts.

- We have robust measures, including proprietary mobile device management (Alilang) and data leakage prevention (Cloud Shell) software, which can prevent data leakage by monitoring abnormal behavior of employees and giving timely alerts to their managers.
- We are continually improving our data flow tracing capability, such as traceable watermarks embedded in company files.
- For our open platform, we encrypt level-3 and level-4 data before transferring to our authorized sellers' independent software vendors.

Alibaba Group and our affiliates, such as Ant Financial Services and our logistics subsidiary Cainiao Network, have a well-established framework in place to share certain types of data in controlled environments in order to improve our service offering to customers. We have implemented strict rules and protocols for data sharing with affiliates, including physical storage, prohibition of data duplication and a data oversight committee.

# Data Protection *continued*

“  
Alibaba Cloud, our cloud computing arm, is a founding member of the EU Cloud Code of Conduct and the General Assembly, which helped to develop a code of conduct for EU cloud services in accordance with the requirements of the EU’s General Data Protection Regulation.”

## ORGANIZATIONAL ACCOUNTABILITY

We have established three levels of organizational accountability for data collection and classification – at the group management level, business group level, and business unit level.

- At group management level, we have a Data Security Committee that is responsible for our official Data Security Guidelines around production, processing, transmission, storage, use, dissemination, and destruction of data, during all stages of the data life cycle.
- At the business group level, the President of each group is held accountable for data security, and each business unit has a dedicated expert who oversees data security issues.

- Each business unit formulates corresponding implementation rules, based on the Guidelines, which must be pre-approved and filed with the Data Security Committee.
- We also conduct training to improve the data security awareness of Alibaba employees and enforce compliance with our guidelines. Employees who are handling sensitive data are closely monitored to help avoid possible risks or losses resulting from improper data handling.

Employees are required to go through an annual data handling and protocol certification to ensure knowledge and sensitivity to our data policies. Any employees who violate the Data Security Guidelines are subject to penalty including dismissal, and we may also pursue civil and criminal charges against them.

## COMPLIANCE WITH EVOLVING REGULATIONS

Alibaba is committed to compliance with government regulations in every jurisdiction in which we operate, and especially when the government orders enforcements or investigations. Separately, we have established procedures to support litigation, court orders, discovery and other legal matters that may require data disclosure but at the same time strictly minimize unnecessary disclosure of personal data.

In recent years, the European Union (EU), China, and other countries have strengthened the protection of private information of individuals and businesses, which we view as positive developments. We follow new PRC cyber security laws governing the collection of personally identifiable information (PII) and we are ISO27018 certified for measures that protect PII in accordance with the privacy principles in ISO/IEC 29100 for the public cloud computing environment.

# Social

This section is about people – the talented people who work for us, and the people in society whom our platforms serve. When it comes to people, we are driven by our core values and our passion to use our technology to solve society's problems.



# Human Capital

As of June 30, 2018, we had 86,833 employees. Recognizing that the technology industry in which we operate is a highly competitive market for talent, our ability to recruit, retain, train and reward a talented and diverse workforce is critical to our long-term business success. While we remain competitive in compensating our employees, we believe that people join our company because we offer a clear mission and vision, and we provide not only career development opportunities, but also the opportunity to solve world-class problems at the scale of the Alibaba Digital Economy.

# Human Capital *continued*

Our culture values meritocracy over hierarchy, “outside the box” innovation, the spirit of embracing change, optimism and idealism. We commit to maintain a kind and respectful environment so that everyone at Alibaba feels like a family member.

Our values are fundamental to the way we operate and how we recruit, evaluate and compensate our people. These values are:

- **Customer First** – The interests of our community of consumers, merchants and enterprises must be our first priority.
- **Teamwork** – We believe teamwork enables ordinary people to achieve extraordinary things.
- **Embrace Change** – In this fast-changing world, we must be flexible, innovative and ready to adapt to new business conditions in order to maintain sustainability and vitality in our business.
- **Integrity** – We expect our people to uphold the highest standards of honesty and to deliver on their commitments.
- **Passion** – We expect our people to approach everything with fire in their belly and never give up on doing what they believe is right.
- **Commitment** – Employees who demonstrate perseverance and excellence are richly rewarded. Nothing should be taken for granted as we encourage our people to “work happily and live seriously.”

In appraisals, our employees are rated on how well their conduct at work reflects our six core values in addition to business performance, and these value-based ratings will affect employee compensation and promotion decisions.

Anchored by our strong values, our human capital strategy includes:

- a strong focus on recruiting, retaining and investing in best in class technical, professional and managerial talent throughout the business;
- nurturing a diverse and empowered employee base;
- continuous training and development investments for employees to gain a global and growth-oriented mindset; and
- promoting transparency.

Our future area of focus includes more recruitment of international talent as well as international training opportunities for our employees from China. We also commit to continuing to increase the diversity of our employees.

“ We talk a lot at Alibaba about maintaining a culture of humility, openness, and equality. The company has lots of influence on the economy and business in China, and extending into the world. But that’s a privilege and a responsibility. So we keep a very close watch on culture here – we even rank employees in their performance appraisals on how well they fulfil our values of customer first, teamwork, embracing change, integrity, passion and, commitment. ”

JUDY TONG  
Chief People Officer, Alibaba Partner

Photo: Aliway Platform, Alibaba's Intranet and Mobile Platform

# Human Capital *continued*

## RECRUITING AND RETAINING THE BEST TALENT

We offer competitive compensation and benefits (including retention through equity-based compensation) and provide comprehensive and innovative career development and training for our employees.

We recruit and invest in best in class talent across our business, including engineering, technical expertise in artificial intelligence, quantum computing, cloud computing, digital media, e-commerce and logistics, and world class managerial talent. We are also establishing research organizations around the world, with the aim of improving our capabilities in advanced technologies. Our technology talent is one of the areas that brings us a competitive advantage.

On an annual basis, we conduct surveys of employee satisfaction and engagement to better understand gap areas we need to address and to gauge the overall sentiment of our employees. The results of the surveys are presented to our senior leadership and appropriate actions are taken to address any concerns.

## EMBRACING A DIVERSE WORKFORCE

We operate a transparent and inclusive work environment. We believe diversity is fundamental to maintaining our ability to innovate. Gender diversity is deep-rooted in the history of Alibaba and the company owes its success to having strong and effective female leaders. When we were founded in 1999, one-third of our 18 founders were women.

Today, 12 of the 36 partners in the Alibaba Partnership are women, and they take on senior management positions at Alibaba Group and our affiliates. Within our organization, women play prominent leadership roles in, among other things, engineering, product, customer service, risk management, human resources and financial management.

As a company founded in China looking to grow globally, we recruit talent in local markets as well as special programs to develop young international professionals who can eventually play leadership roles in our organization. Alibaba Global Talent Development is a program where we recruit approximately 30 professionals from around the world annually to come to our headquarters in Hangzhou for a two-year



period. The program offers rotational training in our business units in six-month segments as well as classroom and language instruction and, upon graduation from the program, the employee is eligible for a permanent position in one of our business units in China or overseas.

We are a global company and a meritocracy above all else. We do not discriminate on the basis of race, gender, religion or sexual orientation.



## TRANSPARENCY IN THE WORKPLACE

We foster an open and transparent work environment through an emphasis on communication and participation. We believe one of the most important skills in good execution is the ability to effectively communicate values, strategies and plans to colleagues.

We have a structured and rigorous employee feedback framework where each employee is reviewed and given feedback on a regular basis – from quarterly to semi-annually, depending on job level. Employee feedback includes not only reviews on performance and values from supervisors, but also 360 degree surveys in the case of managers who manage people, so that the views of junior team members and peers can be heard.

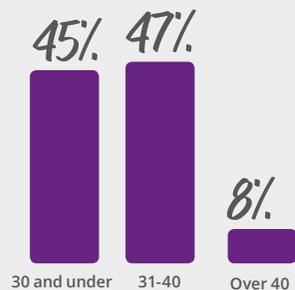
# Human Capital *continued*

## TALENT SNAPSHOT

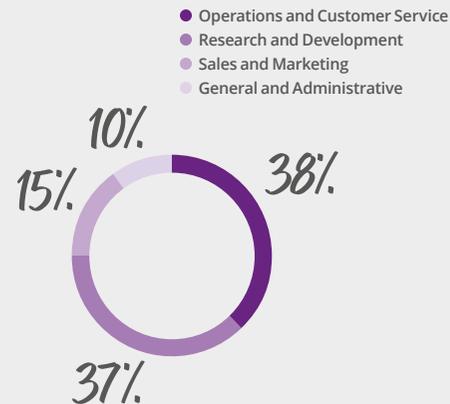
More than one-third of our senior management is female



### By Age Group



Full-Time Employees by Function (as of March 31, 2018)<sup>1</sup>



<sup>1</sup> Source: 20 F, p. 186: <https://otp.investis.com/clients/us/alibaba/SEC/sec-show.aspx?Type=html&FilingId=12879202&CIK=0001577552&Index=10000>

Employees are encouraged to use “AliWay,” our online intranet, to freely voice their opinions online. Aliway includes an open forum for discussion and debate about any subject, including strategy, products, company policies and working environment. Posts in this forum are not pre-screened or censored. To encourage responsibility for one’s opinions, the posts are made on a real-name basis, but we make it clear that this would not lead to any retribution.

In addition, members of senior management maintain an “open” email box for the purpose of receiving direct, private feedback from employees. The “open” email provides a channel through which senior management can learn of issues “from the front lines.”

## TRAINING

We prioritize continuous learning through a comprehensive training system at all levels. Moreover, we encourage top performing employees within Alibaba to work overseas and encourage international staff to work in China. For senior and mid-level management, we place heads of business units and rising stars into small training groups and offer them modules on our corporate culture and strategy. Our most senior executives, including our chairman and CEO, participate in the teaching of these training groups.

At the end of 2017, we conducted over 2,500 training sessions on 4,000 topics for tens of thousands of our employees across Alibaba. Examples include sessions on Alibaba culture, people management, strategic thinking, product knowledge, data handling, and international business development.



Photo: Aliway Platform, Alibaba’s Intranet and Mobile Platform

# Social Impact

We built our business model around our mission – to make it easy to do business anywhere. Hence, a focus on issues such as consumer trust, small business enablement, job creation and empowerment of women entrepreneurs naturally follows from the mission.

# Social Impact *continued*

We believe that business should be done in a socially responsible way, and our management explicitly promotes this message to our employees as well as other stakeholders. For example, in our core e-commerce business, we have launched a green logistics initiative that utilizes bio-degradable packaging, tape-free boxes and package recycling bins.

Our culture empowers employees at all levels to use technology and other capabilities to solve social problems. For example, on their own initiative, our engineers conceived and developed the “Reunion” system for tracking and finding missing children in China. The platform leverages many widely used mobile apps from the Alibaba Digital Economy as well as our partners. We are proud of these innovations and we believe that our business model, culture, and our technological capabilities leads us to act in socially responsible ways.

Our business model creates significant positive social impact. We are especially proud of the following effects that our business has on society.

## CREATING JOB OPPORTUNITIES

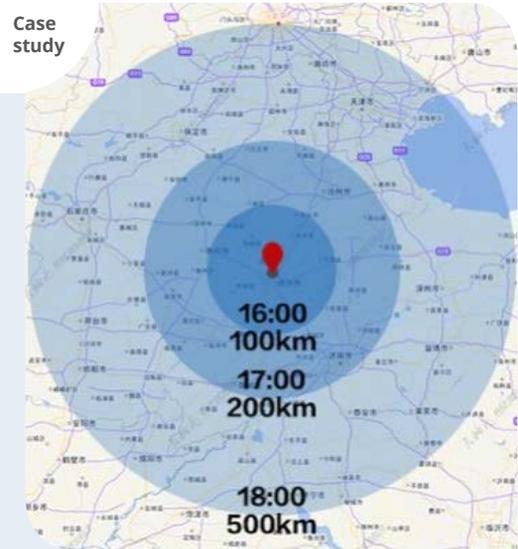
By leveraging technology and innovation, the Alibaba Digital Economy creates employment opportunities for many segments of society. Our platforms provide business opportunities for merchants as well as for service providers in logistics, marketing, consulting, operations outsourcing, training and other online and mobile commerce professions across the value chain.

According to a recent report by China’s Renmin University, Alibaba created 36 million jobs in 2017 via its retail ecosystem, including 14 million jobs for online retailers and 22 million jobs for upstream and downstream sectors such as R&D, design, manufacturing and logistics. In the fiscal year ended March 2018, approximately half of the active sellers on our China retail marketplaces were women. With international expansion of our e-commerce platform to Southeast Asia, South Asia and parts of Eastern Europe, we are bringing job opportunities to these regions by enabling local merchants to do business online.

## “Reunion” System for missing children

Using our technological capabilities and our employees’ dedication to social issues, our engineers developed a system that connects our and our partners’ mobile apps to help locate missing children across China. The ‘Reunion’ system leverages Alibaba-operated apps with hundreds of millions of users to crowd-source information, such as our core shopping app Mobile Taobao, our enterprise messaging app DingTalk, our map app AutoNavi, and our payment app Alipay, as well as our partner apps such as Weibo (China’s version of Twitter). Since its initial launch in 2016, this platform has helped law enforcement authorities successfully locate 3,328 missing children, reflecting a 97.6% success rate. The “Reunion” platform has received international attention and supports global efforts on child protection. Alibaba hosted a global leadership conference in 2018 to share the technology and concepts behind our “Reunion” platform with participation from organizations representing over 20 countries.

Case study



# 3,328

Missing children located as of May 25, 2018

# 97.6%

Success rate



# Social Impact *continued*

## ENABLING SMALL BUSINESSES

In every aspect of our business from e-commerce to local services, we are enabling small merchants to have access to consumers and to operate their business more efficiently through software tools. Over 10 million small businesses transact on our China retail marketplace platforms, and our local services platforms Ele.me and Koubei serve about 3.5 million registered restaurants and other service establishments. In addition, our affiliate Ant Financial has provided credit to around 10 million small businesses that otherwise could not borrow money from banks.

Our international expansion also focuses on small businesses. Our acquired subsidiary Lazada operates e-commerce platforms in six Southeast Asian countries (Indonesia, Malaysia, Thailand, Vietnam, Philippines and Singapore), and helps more than 155,000 local and international sellers as well as 3,000 brands do business on the Lazada platform. We executed on a multi-lateral vision to establish the electronic World Trade Platform (eWTP), a framework for small businesses around the world to participate in global e-commerce trade through lower tariffs, free-trade zones and logistics support. In May 2017, we realized the first step toward our eWTP vision by working with the Malaysia Digital Economy Corporation to launch the first digital free trade zone in Malaysia.

## Women Entrepreneurs

The Lakeside Modou Foundation was collectively established by the 12 women partners in the Alibaba Partnership to provide care and a better future to women and children in rural and underdeveloped areas of China. The Foundation started a program, the "Model Mom Entrepreneurship Competition", to highlight female entrepreneurs from disadvantaged backgrounds with the purpose of inspiring other women to start entrepreneurial ventures. The selected winners of the competition are each awarded RMB 200,000 in interest-free loans, online training resources, and one-year tuition-free training at Peking University's entrepreneurship course.



Case study



# 5,100

Entrepreneurial moms who have received transformative opportunities



# 25,000

Additional jobs across 10 Chinese provinces and cities resulting from the competition

# Social Impact *continued*

## FOSTERING ENTREPRENEURSHIP

Following our mission, we aim to make it easy for entrepreneurs to create start-ups, including access to Alibaba Cloud Computing services to reduce IT and operational costs and providing start-up financing. Through our Rural Taobao program, we work with county and village-level communities to facilitate young people starting their own businesses selling products on our Taobao e-commerce platform.

We also devote our resources to supporting entrepreneurship through several not-for-profit programs through the company as well as through personal financial commitments by members of the Alibaba Partnership.

Case study



## Supporting Hong Kong and Taiwan Entrepreneurs

Alibaba Entrepreneurs Fund is a not-for-profit initiative with a HK\$1 billion fund in Hong Kong and NT\$10 billion fund in Taiwan to provide selected entrepreneurs with capital, technology guidance and mentorship in managing their businesses. We facilitate start-ups that receive funding to develop their business by leveraging the Alibaba Digital Economy, including our e-commerce marketplaces as well as cloud computing and logistics systems.

### Entrepreneur funds

NT\$10 BN

The fund invested in Taiwanese start-ups in areas including AI, machine learning, e-sports and augmented/virtual reality.

HK\$1 BN

Hong Kong start-up investment in sectors including FinTech, smart transport, digital health and smart cities



# Social Impact *continued*

## SOCIAL CONTRIBUTIONS

Generally speaking, corporate philanthropy uses company/shareholder resources to contribute to causes believed by management to be worthwhile. Therefore, there exists the possibility of misaligned incentives or disagreement over philanthropic vision. Yet responsible corporations today must demonstrate that they can make a difference to society through altruism. For these reasons, we firmly believe corporate philanthropy goes beyond charitable giving and must serve as a call to action for our entire workforce as well as participants in our ecosystem.

Our approach to making social contributions is two-pronged. First, as described in many examples in other parts of this report, we take the approach of developing commercially viable projects that are embedded in the services across a wide range of businesses in the Alibaba Digital Economy so that the impact is long-lasting. Through our businesses, our customers including hundreds of millions of consumers and merchants, our employees and other stakeholders implicitly participate in making social impact that is sustainable.

Second, on a not-for-profit basis, Alibaba Group, our employees and the partners in the Alibaba Partnership make contributions of personal time as well as financial and other resources to support national and global-scale causes. We also help selected charitable organizations raise funding by making the vast reach of our user-facing platforms available to them. Here's a sampling of our not-for-profit efforts:

- Since 2010, we have established a special fund to encourage environmental awareness and conservation as well as other corporate social responsibility initiatives. In 2011, we established the Alibaba Foundation, a private charity fund that focuses on supporting environmental protection in China and helping the disadvantaged. In fiscal year 2018, we and the Alibaba Foundation made approximately RMB230 million (US\$37 million) in donations.
- The partners in the Alibaba Partnership have established personal foundations to advance philanthropic causes consistent with the social mission of the company. Among them are the **Lakeside Modou Foundation** established by the 12 women partners and the **Jack Ma Foundation** which focuses on rural education, poverty and entrepreneurship, as described elsewhere in this report.

## Helping people out of poverty

We connect rural merchants and sellers to the global marketplace through our platform, giving them additional income channels and helping people who live in rural areas move out of poverty. Our Rural Taobao program involves Alibaba establishing business infrastructure and e-commerce services in rural areas that enable rural residents and businesses to sell high-quality agricultural products to urban consumers. The program generates business and employment opportunities and establishes a two-way distribution infrastructure to connect commerce between cities and rural areas in China. To date, our Rural Taobao program has established service centers in over 30,000 villages and 730 counties in China, including 300 state-designated impoverished counties.

Case study



### Rural Taobao program

# 30,000

Villages now with service centers

# 730

Counties to date helped by Rural Taobao program

# Social Impact *continued*

- We encourage each employee to dedicate three hours per year to social impact causes, and we motivate our employees to do so by asking them to reflect on what it means to live a purposeful life. Since the establishment of the "3 hours" program in 2015, Alibaba employees have accumulated a total of 482,601 hours for social services.



## US\$50M

Raised by charitable organizations on our platform in fiscal year 2018

- Through our platforms, we supported over 1.7 million merchants and over 360 million users to donate to domestic and international charitable projects. We also enabled charitable organizations to raise approximately US\$50 million in donations in fiscal year 2018, which benefited approximately 3.3 million disadvantaged individuals.



## 1.7M

Merchants and 360+ million users have donated to charitable causes using our platform



## 482,601

Hours volunteered by Alibaba employees since 2015

## Jack Ma Foundation Support for African Entrepreneurs

Alibaba founder Jack Ma established the Netpreneur Prize, a US\$10 million, ten-year program that will grant funding to African entrepreneurs, with the aim of supporting businesses that are growing Africa's nascent digital economy. The Jack Ma Foundation will host an annual competition, with 10 finalists receiving grant funding and access to the community of African business leaders for mentorship and other resources.

## US\$10M

Netpreneur Prize



**Netpreneurs:**  
The Rise of Africa's Digital Lions

# Environment

In this section, we discuss the relationship of Alibaba to the physical world in which we operate. We are serious about minimizing our carbon footprint and applying innovation to environmental sustainability challenges.



# Environment

A clean environment is the earth's scarce resource. Even though we are not an industrial manufacturing company with a significant environmental footprint, we recognize that every company, no matter what business it is in, has a responsibility to minimize its environmental impact.

We are driving environmental sustainability by innovating in the highest impact areas of our business. All the initiatives we undertake in environmental sustainability are fundamentally connected to our core business practices and help inform our long-term strategies to make sure our businesses and systems adapt to the future.



# Environment *continued*

One of the most visible environmental effects of technology companies is the power consumption of their hardware infrastructure. Because we have a substantial cloud computing service business, we are taking on the power consumption of other enterprises as well as our own. We employ energy-efficient technology and methods in our data centers, with a focus on minimizing our energy consumption.

We run an e-commerce business where tens of millions of packages are generated for delivery on our shopping platforms. Therefore, we are mindful of the environmental effect of paper and plastic packaging as well as the carbon footprint of transport systems in logistics.

We provide daily services to hundreds of millions of consumers, mostly through our mobile app platforms. Thus, we believe that we have a responsibility to bring environmental awareness to our customers through our vast reach.

## INVESTING IN ENERGY-EFFICIENT DATA CENTERS AND SERVERS

To reduce our carbon footprint and conserve energy, we focus on making pioneering changes to our infrastructure and buildings. We have been focusing on making our data centers more environmentally-friendly by switching to cooling and water-efficient systems supported by intelligent management technology and the use of renewable energy.

### Qiandao Lake Data Center

The Qiandao Lake Data Center adopts a state-of-the-art deep lake water cooling system which saves 300 million kWh of electricity and reduces CO<sub>2</sub> emissions by 300,000 tons per year compared to other conventional data centers. The technology lowers its annual average Power Usage Effectiveness (PUE) to as low as 1.17, considerably lower than many leading Chinese data center companies. The system also reduces the annual average Water Usage Efficiency (WUE) to reach 0.197, which is also below China's industry average.

#### Cooling system



300<sup>M</sup>

kWh of electricity saved by lake water cooling system per year



300<sup>K</sup> TONS

reduced CO<sub>2</sub> emissions per year

### Zhangbei Data Center

Located in Hebei province, in a naturally cool region with great access to wind power, the Zhangbei Data Center is powered 100% by renewable energy including solar and wind. This increases the data center's energy efficiency by more than 4% while reducing construction and maintenance costs. The technology reduces the temperature of its servers, which keeps its average PUE at only 1.25 and reduces the energy consumption typically used for cooling by 59%.

#### Renewable energy



100%

powered by renewable energy



4%

increase in the data center's energy efficiency per year

Case study

# Environment *continued*

## LIQUID IMMERSION COOLING TECHNOLOGY FOR ITS SERVERS

Alibaba Group launched an immersion liquid cooling technology that further enhances the energy efficiency of its servers. Using non-conductive cryogenic liquid to achieve a cooling effect, this technology brings the PUE close to 1.0.

## GREENING THE LOGISTICS SYSTEM

Cainiao Network, our logistics business, is working towards a goal of replacing 50% of all packaging materials on Alibaba-related platforms with 100% eco-friendly or biodegradable packaging materials. We launched a “green packaging” program and pushed it to our courier service partners. Under the program, bio-degradable bags, tape-free boxes and package recycling bins are used. Using a packaging optimization algorithm, Cainiao Network matches packaging needs based on a parcel’s mass and volume, which on average reduces the use of packaging materials by approximately 15%. This technology was applied in over 250 million delivery boxes and courier bags in the fiscal year ended March 2018.

We have also invested significant resources in green warehouses powered by solar panels, and using green energy vehicles.

The effect of our initiatives is far-reaching for the China logistics industry, as the Alibaba China retail marketplace platforms generate a majority of all parcel deliveries annually. With Cainiao Network as the central information system and coordinator of our large logistics ecosystem, we are able to effectively implement our green philosophy and goals under our “Green Logistics Alliance” to 32 partner companies including courier service providers, warehouse operators and trucking firms. In addition, Cainiao Network teamed up with 500 global brands, including Kiehl’s, Wrigley Company, Mondelez International and Colgate-Palmolive, to establish the “Green Brand Alliance” that commits to using “green packaging”.

We integrate green building features into our logistics parks by using energy-saving materials to reduce energy consumption and greenhouse gas emissions. In 2016, the energy savings rate of Alibaba’s logistics parks reached 10% due to our optimization of energy use, our use of more energy-efficient equipment, and our promotion of paperless invoice and tracking systems.

Cainiao Network is in the process of building green logistics parks powered by solar energy which will avoid more than 1 million tons of carbon emissions annually.



# Environment *continued*

Case study



## 55<sup>M</sup>

Trees planted on behalf of Ant Financial's users

## 350<sup>M</sup>

Users participated

## Ant Forest

Through the Alipay mobile payment app operated by our affiliate Ant Financial, users can collect “green energy points” through low-carbon options in their daily lives such as using e-payments instead of paper invoices and choosing public transportation, biking or walking instead of driving to reduce vehicle emissions. These “green energy power points” can be donated by users toward planting of trees in Northwest China. Users can track the progress real-time using

their apps and share their progress via social media. Tapping into our digital platforms, we have created social games and features around the consciousness of carbon awareness for users, making tracking, sharing and contributing to a low-carbon lifestyle a part of people’s daily lives. As of May 2018, 55 million trees have been planted on behalf of Ant Financial’s users while 350 million users participated.

# Concluding thoughts

**While we have regularly communicated our social impact strategy to domestic stakeholders in China, creating our first ESG report for the international investment community is an important milestone for our company. We will make periodic updates to our ESG strategy and activities in the future.**

In the process of creating this ESG report, we focused on the risks and opportunities that are most critical to our long-term sustainability as a business, and to our ambitions for the Alibaba Digital Economy. The process has deepened our resolve to keep corporate governance, IPR protection, cybersecurity, data protection, human capital, social contribution, and the environment top of our agenda. We know these issues are important to our stakeholders who not only judge us based on financial performance but also whether we are responsible actors in the global community.

We hope that this ESG report has given you a fresh understanding of the integrated and comprehensive nature of ESG issues in our culture and business model. We are better prepared than ever for a dialogue about these issues. We welcome your feedback at [BABAESG@alibaba-inc.com](mailto:BABAESG@alibaba-inc.com).

# Appendix

# Our Board

## JACK YUN MA<sup>1</sup>

Age  
**54**

Position/Title  
**Executive Chairman**

Tenure on board (years)  
**19**

Committee Memberships  
**Chairman, Nominating and Corporate Governance Committee**

Outside Listed Company Board Positions  
**Softbank Group Corp.**

## JOSEPH C. TSAI<sup>1</sup>

Age  
**54**

Position/Title  
**Executive Vice Chairman**

Tenure on board (years)  
**19**

Committee Memberships  
**Compensation Committee**

## CHEE HWA TUNG

Age  
**81**

Position/Title  
**Independent Director**

Tenure on board (years)  
**4**

Committee Memberships  
**Nominating and Corporate Governance Committee**

## DANIEL YONG ZHANG<sup>1</sup>

Age  
**46**

Position/Title  
**Director and CEO**

Tenure on board (years)  
**4**

Outside Listed Company Board Positions  
**Sun Art Retail Group Ltd., Chairman Weibo Corporation**

## WALTER TEH MING KWAIK

Age  
**65**

Position/Title  
**Independent Director**

Tenure on board (years)  
**4**

Committee Memberships  
**Chairman, Audit Committee; Member, Compensation Committee**

Outside Listed Company Board Positions  
**Sinosoft Technology Group Ltd. Wuxi Biologics (Cayman) Inc.**

## J. MICHAEL EVANS<sup>1</sup>

Age  
**61**

Position/Title  
**Director and President**

Tenure on board (years)  
**4**

Outside Listed Company Board Positions  
**Barrick Gold Corporation**

## JERRY YANG

Age  
**49**

Position/Title  
**Independent Director**

Tenure on board (years)  
**4**

Committee Memberships  
**Chairman, Compensation Committee; Member, Nominating and Corporate Governance Committee**

Outside Listed Company Board Positions  
**Lenovo Group Limited Workday, Inc.**

## ERIC XIANDONG JING<sup>1</sup>

Age  
**45**

Position/Title  
**Director**

Tenure on board (years)  
**2**

Outside Listed Company Board Positions  
**Hundsun Technologies Inc.**

## BÖRJE E. EKHMOLM

Age  
**55**

Position/Title  
**Independent Director**

Tenure on board (years)  
**3**

Committee Memberships  
**Member, Audit Committee**

Outside Listed Company Board Positions  
**Telefonaktiebolaget LM Ericsson**

## MASAYOSHI SON<sup>2</sup>

Age  
**61**

Position/Title  
**Director**

Tenure on board (years)  
**18**

Committee Memberships  
**Committee Observer**

Outside Listed Company Board Positions  
**Softbank Group Corp, Chairman Sprint Corporation Yahoo Japan Corporation**

## WAN LING MARTELLO

Age  
**60**

Position/Title  
**Independent Director**

Tenure on board (years)  
**3**

Committee Memberships  
**Member, Audit Committee**

<sup>1</sup> Director nominated by the Alibaba Partnership

<sup>2</sup> Director nominated by SoftBank.



More detailed biographies are available in the 20-F.

# Our Partners

As of the date of our Fiscal Year 2018 annual report

Name	Age	Gender	Year joined Alibaba Group	Current position with Alibaba Group or related/affiliated companies
Jingxian CAI (蔡景现)	41	M	2000	Senior Researcher
Li CHENG (程立)	43	M	2005	Chief Technology Officer, Ant Financial
Trudy Shan DAI (戴珊)	42	F	1999	President, Wholesale Marketplaces
Luyuan FAN (樊路远)	45	M	2007	Chairman and Chief Executive Officer, Alibaba Pictures
Yongxin FANG (方永新)	44	M	2000	Senior Director, DingTalk
Felix Xi HU (胡喜)	37	M	2007	Deputy Chief Technology Officer, Ant Financial
Simon Xiaoming HU (胡晓明)	48	M	2005	President, Alibaba Cloud
Jane Fang JIANG (蒋芳)	44	F	1999	Deputy Chief People Officer
Eric Xiandong JING (井贤栋)†	45	M	2007	Chairman and Chief Executive Officer, Ant Financial
Zhenfei LIU (刘振飞)	46	M	2006	President, AutoNavi
Jack Yun MA (马云)†	53	M	1999	Executive Chairman
Xingjun NI (倪行军)	40	M	2003	President, Alipay, Ant Financial
Lucy Lei PENG (彭蕾)†	44	F	1999	Chairwoman and Chief Executive Officer, Lazada
Sabrina Yijie PENG (彭翼捷)	39	F	2000	Vice President, Ant Financial
Xiaofeng SHAO (邵晓锋)	52	M	2005	Secretary-General
Timothy A. STEINERT	58	M	2007	General Counsel and Secretary
Lijun SUN (孙利军)	41	M	2002	General Manager of Social Responsibility
Judy Wenhong TONG (童文红)	47	F	2000	Chief People Officer

# Our Partners *continued*

Name	Age	Gender	Year joined Alibaba Group	Current position with Alibaba Group or related/affiliated companies
Joseph C. TSAI (蔡崇信) <sup>†</sup>	54	M	1999	Executive Vice Chairman
Jian WANG (王坚)	55	M	2008	Chairman, Technology Steering Committee
Lei WANG (王磊)	38	M	2003	Chief Executive Officer, Ele.me
Shuai WANG (王帅)	43	M	2003	Chairman, Marketing and Public Relations Committee
Winnie Jia WEN (闻佳)	41	F	2007	Vice President, Office of the Chairman
Sophie Minzhi WU (吴敏芝)	42	F	2000	Chief Customer Officer
Maggie Wei WU (武卫)	50	F	2007	Chief Financial Officer
Eddie Yongming WU (吴泳铭)	43	M	1999	Chairman, Alibaba Health
Zeming WU (吴泽明)	37	M	2004	Vice President, Tmall Technology Department
Sara Siying YU (俞思瑛)	43	F	2005	Deputy General Counsel
Yongfu YU (俞永福)	41	M	2014	Head of eWTP Investment Working Group
Ming ZENG (曾鸣)	48	M	2006	Chief Strategist
Sam Songbai ZENG (曾松柏)	51	M	2012	Senior Vice President, Human Resources, Ant Financial
Jeff Jianfeng ZHANG (张建锋)	45	M	2004	Chief Technology Officer
Daniel Yong ZHANG (张勇) <sup>†</sup>	46	M	2007	Chief Executive Officer
Yu ZHANG (张宇)	48	F	2004	Vice President
Angel Ying ZHAO (赵颖)	44	F	2005	Head of Alibaba Globalization Leadership Group
Jessie Junfang ZHENG (郑俊芳)	44	F	2010	Chief Risk Officer and Chief Platform Governance Officer

<sup>†</sup> Partnership Committee Members

