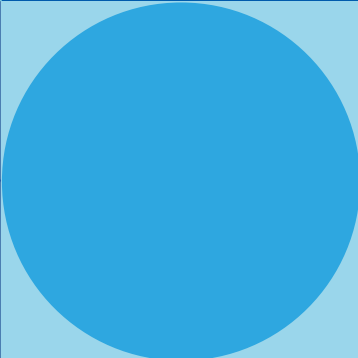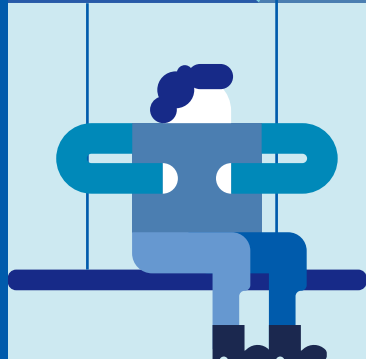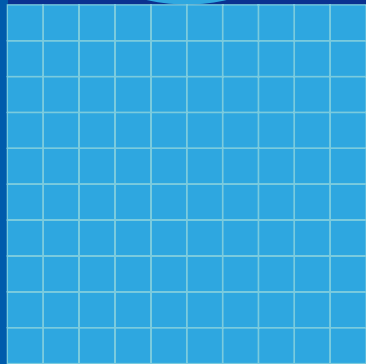# 2020 · 2021

WATERDROP INC.
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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WATERDROP INC.

About This Report

Time Range

The time range of this report is from January 1, 2020 to December 31, 2021, while some data are beyond such range for the sake of complete reporting.

Organization Scope

This Report covers Waterdrop Inc. and its subordinate businesses. For ease of expression, "Waterdrop Inc." "Waterdrop" and "the Company" in the Report all refer to Waterdrop Inc.

Publication Cycle

This is the Company's second Environmental, Social and Governance Report, the first of which was released in March 2020. The Report is published every one or two year.

References Standards

• The United Nations Sustainable Development Goals (SDGs)

• The Ten Principles of the UN Global Compact

• HKEX ESG Reporting Guide

• Global Reporting Initiative (GRI) Standards

• Guidelines on Corporate Social Responsibility Reporting for
  Chinese Enterprises (CASS-CSR 4.0)

Reliability Assurance

The Company guarantees that the Report does not contain any false records or misleading statements.

Report Access

Visit our official website at www.waterdrop-inc.com/ to download the electronic version of the report and learn more about our corporate social responsibility.

CONTENTS

Message from the Founder

I have stated my original motivation for founding Waterdrop on numerous occasions, that is, I have witnessed how my friends, colleagues and other ordinary people like them quickly used up their family savings after suffering a critical illness, and struggled under the pressure of both disease and poverty. In contemporary society, it's of great importance for ordinary family to have medical insurance and social assistance. Staying true to our mission of "bring insurance and healthcare service to billions through technology," we're devoted to establishing a personal health protection system for the general public throughtechnology.

Waterdrop has achieved rapid growth after five years of fast development. It was listed on the New York Stock Exchange on May 7, 2021, and is currently standing at a new beginning. In 2021, Waterdrop Insurance Marketplace generated RMB 16.363 billion in first-year premiums, a year-on-year increase of 13.4%; and as of the ends of 2021, approximately 394 million users donated more than RMB 48.4 billion to nearly 2.4 million patients with critical illnesses through Waterdrop Medical Crowdfunding. Meanwhile, we made a great effort to establish our healthcare business, by developed an innovative medical payment platform and a nationwide healthcare service platform through Waterdrop Medicine, Waterdrop Health and Yifan Patient Recruitment. While continuously serving users, Waterdrop has gained the most valuable asset – public trust, which is critical to our rapid growth.

To drive the upgrading and development of the industry, Waterdrop announced in H2 2020 its plan to focus on new infrastructure for insurance technology. We will continue to explore the use of AI, big data and other technologies in our services. More efforts will be spared to develop medical and health services that can be combined with health insurance and address user needs, to promote the evolution of the health sector. "It is not technology itself that determines human destiny, but the humanity carried by technology," Waterdrop believes in using technology for good, and sticks to the bottom line throughout business operations.

Resolving a social problem is far more difficult than simply achieving business success. As a technology platform dedicated to insurance and healthcare service, Waterdrop is engaged in the establishment of a multi-layer medical protection system as a "supplementary layer" through its Waterdrop Medical Crowdfunding, Waterdrop Insurance Marketplace, Waterdrop Charity and other business sectors, with an aim to prevent patients with serious illnesses from being impoverished or returning to poverty. In March 2021, Jinyun County Healthcare Security Administration of Zhejiang and Waterdrop launched a project named Jin Qing Bang to build up a multi-layer medical insurance and poverty prevention system. As of December 2021, the project had helped reduce out-of-pocket expenses by over RMB 14 million for those in difficulty, with a per capita reduction of more than RMB 5,000, and an overall decrease of about 12%.

As an integral part of the Company's social responsibility, the Waterdrop Charity has continued to provide charitable organizations with all-round support including anti-epidemic action, remedy and assistance, emergency response, disaster relief, and rural revitalization since 2018, by improving the use efficiency of charity infrastructure and funds through technology. As of December 31, 2021, Waterdrop Charity had raised a total of RMB 1.17 billion and reached partnership with 93 public fundraising foundations. Moreover, Waterdrop has pledged that all the interest generated in Waterdrop Medical Crowdfunding's bank account for individual critical illness assistance will be used for public welfare donations and patient assistance.

Climate change is another widely concerned topic in the global community today. As a non-production firm, Waterdrop places a high priority on the environmental impact of its operations and encourages its upstream and downstream partners to help fulfill the goals on peak carbon emissions and carbon neutrality. We've introduced internationally-recognized systems to comprehensively regulate environmental and energy management, while continually promoting a green and environmental preservation mindset across the Company. In 2021, Waterdrop consumed a total of 625,404.8 kWh of power, a decrease of 79,915.2 kWh over 2020. In addition, we're also leveraging our expertise in digital, online and intelligent systems to help our upstream and downstream partners raise zero-carbon awareness and take actions.

Waterdrop is a company driven by its mission and values. It pursues employee equality and diversity, seeing its employees as partners working for a common cause. I hope every member in our team shares the same sense of mission and social responsibility with the Company, and takes the initiative to address social issues. Together we champion the values of responsibility and sustainability, and make environment, society and governance part of our DNA. Based on our deep concern and thorough understanding of social issues, we use the power of technology to make our society better.

Don't dwell on the past, but look into the future. I hope over the next decade, Waterdrop's unwavering efforts will enable more individuals to have their own health insurance when they are healthy, and to have something to rely on in the face of a critical illness. May Waterdrop be a synonym of health and well-being.

Founder and CEO of Waterdrop

Mr. Shen Peng

About Waterdrop Inc.

Waterdrop is a leading technology platform dedicated to insurance and healthcare service in China. Founded in April 2016, the Company shoulders the mission of "bring insurance and healthcare service to billions through technology," committed to providing users with health security solutions. Waterdrop was listed on the New York Stock Exchange on May 7, 2021 (stock code: WDH).

On the insurance side, Waterdrop provides users with efficient medical funding solutions through its two business divisions – Waterdrop Insurance Marketplace and Waterdrop Medical Crowdfunding. Its exclusive health insurance model of "crowdfunding for critical illness + personal insurance" assures more efficient assistance to people in emergency and difficulty. We've established several effective supplementary medical funding channels besides medical insurance to meet the needs of a diverse user group across different social classes, which gives birth to a closed-loop medical payment ecosystem.

On the healthcare side, Waterdrop has introduced Waterdrop Medicine, Waterdrop Health, Yifan Patient Recruitment and other businesses, while exploring and strengthening partnership with medical service providers such as hospitals and pharmaceutical companies, as well as connecting with various medical payment methods. We work hard to provide users with a wider range of healthcare service options, including online drug purchases, online consultations and other healthcare services.

3.206^{billion RMB}

In 2021 Waterdrop delivered a net revenue of

↑ **5.9%**

A year-on-year increase of

16.363^{billion RMB}

In 2021 First-year premiums were

↑ **13.4%**

A year-on-year increase of

3.79^{million RMB}

In 2021 R&D investment reached

↑ **55.2%**

A year-on-year increase of

Business overview and key performance

Waterdrop leverages mobile Internet technology to provide users with life-cycle insurance and healthcare service, and help the public to establish individual health security systems. Since its founding in April 2016, the Company has stayed committed to its mission of benefiting the public and becoming a sustainable social enterprise.

Waterdrop's innovative personal medical payment solutions

WATERDROP MEDICINE	A payment assurance system combining self-pay, charitable donation and multi-party payment, and a life-cycle patient health management platform	Self-pay
WATERDROP INSURANCE MARKETPLACE	A supplemental medical protectionsystem that combines business and policy with financing and centers on the market-oriented operation of commercial insurance companies	Commercial health insurance City-specific insurance (supplemental medical insurance)
WATERDROP MEDICAL CROWDFUNDING	An Internet service platform for patients with critical illnesses to seek help	Government assistance, social welfare and charity
WATERDROP CHARITY	An Internet public fundraising information platform for charitable organizations designated by the Ministry of Civil Affairs	

Insurance business division

● Waterdrop Insurance Marketplace

Waterdrop Insurance Marketplace is an Internet insurance brokerage platform launched by Waterdrop in May 2017, operated by Shuidi Insurance Brokerage — a national insurance brokerage company approved by the China Banking and Insurance Regulatory Commission. Waterdrop Insurance Marketplace is committed to promoting inclusive insurance with technology and providing more cost-effective products and an optimal service experience.

As of December 2021, Waterdrop Insurance Marketplace had served more than 110 million insurance users and has developed into a leading insurance technology platform in China. More than 90% of its first-year premiums come from exclusively customized insurance products, and the first-year premiums contributed by critical illness insurance show an increase of 52.3% year-on-year, indicating the continued optimization of the product mix.

Waterdrop Insurance Marketplace has partnership with over 80 Chinese insurance companies and launched 364 cost-effective insurance products, covering medical, critical illness, accident, life insurance, annuity and other types of health insurance, with an aim to provide a wide range of protection and services for adults, children, the elderly, as well as people with chronic diseases.

In 2021, Waterdrop Insurance Marketplace accomplished a 100% online claim application rate. The average claim settlement time has been reduced to 15.7 hours, with a minimum of 8 seconds, and simple, small claims cases can be resolved within 24 hours.

● Waterdrop Medical Crowdfunding

Launched in July 2016, Waterdrop Medical Crowdfunding is China's leading Internet service platform for patients with critical illnesses to seek help. It employs mobile Internet technology to shift mutual aid and assistance to social networks, allowing those bearing significant medical cost to publish and spread more easily crowdfunding information through social sharing, mobile payment and other functions. Donors, on the other hand, can offer help with more ease.

By the end of December 2021, around 394 million users supported critical illness relief projects on the platform, helping raise more than RMB 48.4 billion in medical aid for nearly 2.4 million critically ill patients in financial difficulty.

Waterdrop Medical Crowdfunding is the first in China to introduce the Internet fundraising service that allows patients with critical illnesses to raise and use money at the same time. During the fundraising period, a patient may apply for fund withdrawal at any time as required by his/her therapy. Once necessary documents are examined and approved, the patient can receive money in 3 seconds at the soonest. This is regarded an industry-leading practice that truly helps those in need.

Healthcare business division

● Waterdrop Medicine

Waterdrop Medicine is an innovative medical payment platform developed by Waterdrop Relying on DTP pharmacies across China, it seeks to bring long-term value to patients in need of new drugs for special medical purposes, chronic disease drugs, and rare disease drugs through payment tools such as pharmacy benefits, therapy insurance, and medical financing.

● Yifan Patient Recruitment

Yifan is a platform developed by Waterdrop for patients recruitment, it helps patients find the best matches for clinical trials efficiently, and access new drugs and frontier innovative therapies, while reducing their financial burden from treatment costs. And a faster patient enrollment could help pharmaceutical companies save the cost, drive an efficient completion of clinical trials, and speed up the process of new drug development and product launch.

● Waterdrop Health

Waterdrop Health is a nationwide health management platform launched by Waterdrop that integrates insurance, medical care and health management. It provides users with online medical consultation, health check-up service covering 600 stores across the country, as well as insurance service such as online insurance purchase and online claim.

Social responsibility division

● Waterdrop Charity

Waterdrop Charity is Waterdrop's Internet fundraising information platform that went live in July 2018. In May 2018, it was approved as a designated Internet fundraising information platform for charitable organizations by the Ministry of Civil Affairs. It aims to improve the use efficiency of charity infrastructure and funds with the help of technology, providing all-round support for charity organizations.

As of December 2021, Waterdrop Charity had organized a series of public welfare activities surrounding critical illness relief, child nutrition, poverty alleviation and disaster relief, natural environmental protection and special populations, joining forces with more than 93 public fundraising foundations across China, as well as various social resources such as non-profit organizations, businesses, media, and individuals. A total of 13,700 public welfare projects have been launched, with RMB 1.17 billion raised.
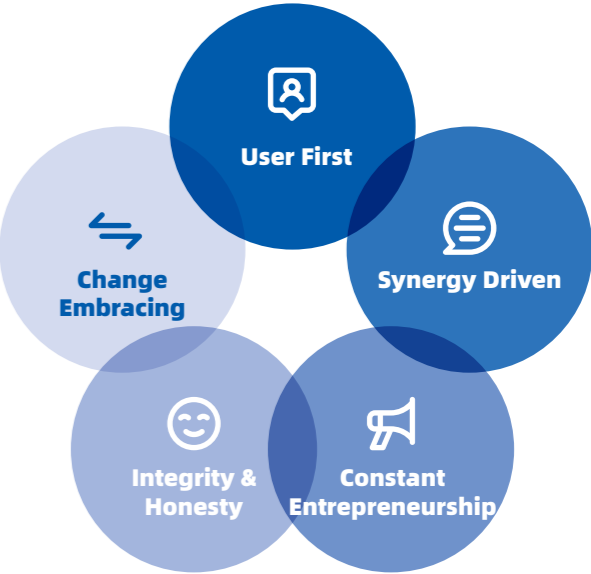
Corporate Culture

Vision

Working with partners to establish "the UnitedHealth in China," and allowing users to enjoy better medical care at a lower cost

Mission

Bring insurance and healthcare service to billions through technology

Values

• User First

User needs are at the core of all strategies and actions of the Company, which lives on the value it creates while helping users solve problems.

• Change Embracing

Embracing change is essential in our industry. All opportunities come from change, and the only thing constant is change.

• Synergy Driven

Our business is complicated and diverse, with intricate procedures. Only when all departments, business lines, online and offline teams, as well as our business partners, work together efficiently can we serve our users well.

• Integrity & Honesty

Honest operation is the cornerstone of the Company's sustainable development. We honor principles, and would rather give up short-term interests for long-term success.

• Constant Entrepreneurship

Our industry is defined by rapid development and fierce competition, which requires us to maintain an entrepreneurial mindset, establish competitive edges with a pragmatic and inventive approach, and adapt to the environment with the pursuit of excellence.

User First

Synergy Driven

Change Embracing

Integrity & Honesty

Constant Entrepreneurship
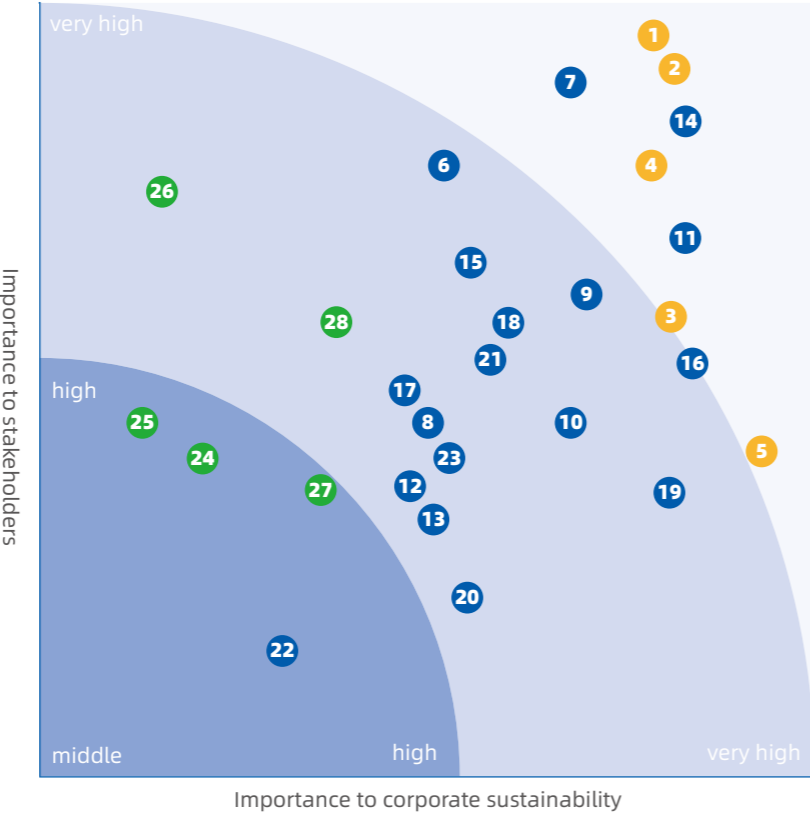
ESG Management

ESG philosophy

Since its establishment, Waterdrop has been highly concerned with important issues related to social value, corporate governance and environmental protection, consistently creating value for its customers, employees and shareholders, and working with upstream and downstream partners in the industry chain for shared growth. We're committed to a sustainable business model. Based on a strong concern for and awareness of environmental and social issues, we harness our technological and digital expertise to fulfill our social responsibility by creating a broad space for all employees and like-minded partners to grow and work tirelessly for a better society.

Joining the United Nations Global Compact

The United Nations Global Compact (UNGC) is an initiative to call for commitment to corporate sustainability and social responsibility, and to draw a blueprint to achieve a better and more sustainable future. Waterdrop, as a member of UNGC, is determined to make continued efforts to fulfill sustainable development goals.

Analysis of material issues

To enhance the Report's materiality and learn about the importance of different sustainable development issues to the Company and its stakeholders, Waterdrop has selected material issues through procedures such as identifying stakeholders, collecting and summarizing issues of concern to stakeholders, and performing contextual analysis on sustainable development. The concerns were then prioritized for detailed disclosure according to the Company's impact on society, the environment, and governance, as well as the level of concern raised by stakeholders. The analysis also serves as a valuable reference for Waterdrop to strengthen sustainability management in the future.

Environment	Governance	Society	
24 Environmental protection philosophy	1 Compliance and risk control	6 R&D and technological innovation	15 Win-win results across value chain
25 GHG emissions	2 Honest operation	7 Customer service	16 Employees' basic rights and interests
26 Green initiatives	3 Anti-corruption	8 Customer health and safety	17 Equality and diversity
27 Green office	4 Information security and digital ethics	9 Customer satisfaction	18 Occupational health and safety
28 Fight against climate change	5 Investor rights protection	10 Product value	19 Employee growth and development
		11 Responsible marketing	20 Employee care
		12 Information-based industrial development	21 Social welfare
		13 Inclusive medical service	22 Volunteer campaign
		14 Health opportunities	23 Response to public health incidents

Importance to stakeholders (vertical axis: middle / high / very high)
Importance to corporate sustainability (horizontal axis: middle / high / very high)

Communication with stakeholders

Waterdrop maintains an effective mechanism for communication with stakeholders during its operation and development, as part of its effort to seek sustainable development. We listen to the demands of stakeholders, and promptly disclose our ESG work and news on our official website, WeChat and mainstream media websites. To enhance stakeholders' understanding of and support for the Company, we also participate in industrial forums and conferences, learn the best practices of leading companies, and communicate our business philosophy and progress in duty performance.

Stakeholders	Issues of concern	Ways of response
Clients/consumers	• Insurance & healthcare product/service quality and safety • Public health awareness/health knowledge promotion • User satisfaction • Customer privacy protection • Responsible marketing	• Improvement of product and service quality • Optimization of customer relationship management • Continuous online and offline communication • Desirable after-sales service • Platform & tool support and resource sharing • Data security assurance
Employees	• Protection of legitimate rights and interests • Democratic management • Good work environment • Occupational health and safety • Personal growth and professional development	• Legal employment • Provision of competitive remuneration • Establishment of a safe and green working environment • Delivery of education and training • Setup of career development channels • Organization of diverse employee activities
Shareholders	• Entitlement to rights and interests by law • Continued value creation • Proper risk management	• General meeting of stockholders and information disclosure • Protection of shareholders' rights and interests • Enhancement of reform and innovation • Standard corporate management
Value chain partners	• Industrial development • Technological advancement and digital development of healthcare and insurance sectors • Supply chain management • Industrial talent training	• Participation in industrial exchanges and sharing • Industrial talent training • Responsible procurement • Digital transformation of partners
Governments	• Compliance with laws and regulations • Lawful tax payment • Employment promotion • Exemplary role in the industry • Data security	• Compliant operation • Proactive tax payment • Provision of job opportunities • Stimulation of local industrial development • Information security assurance
Markets	• Fair competition • Honesty and trustworthiness	• Contribution to a safe and stable business environment • Pursuit of fairness, equity and long-term partnership
Environment	• Reduced environmental pollution • Green operation • Fight against climate change	• Energy management and carbon emission reduction • Waste management • Practice of green operation • Green culture promotion
Society	• Public health • Better community development • Reduced inequality and common prosperity • Assistance to the distressed	• Continued exploration of business models centered on resolving social problems • Setup of Internet public fundraising information platforms • Organization of ongoing public welfare projects • Voluntary service

Contributing to the UN Sustainable Development Goals

01

The fulfillment of the UN Sustainable Development Goals (SDGs) is the common cause of all mankind. In September 2016, China promised the world at the G20 summit that it would implement the UN 2030 Agenda for Sustainable Development and promote inclusive development, followed by the publishing of China's National Plan on Implementation of the 2030 Agenda for Sustainable Development. Championing its mission of "bring insurance and healthcare service to billions through technology," Waterdrop endeavors to implement and promote sustainable development goals through use of its corporate advantages and digital service capabilities.

Engage in multi-layer medical protection

prevent patients with critical illnesses from being impoverished or returning to poverty
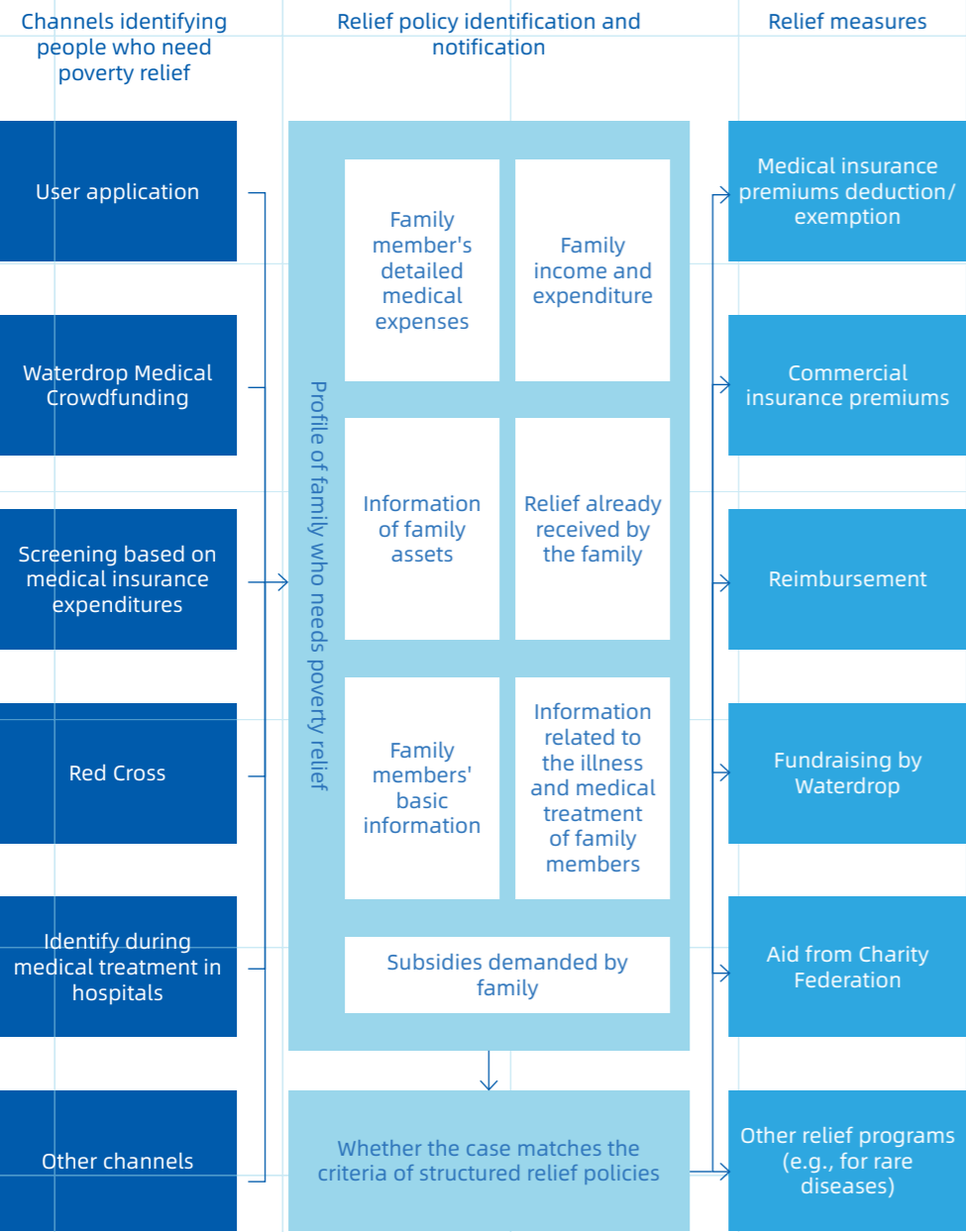
1 NO POVERTY

In March 2020, the CPC Central Committee and the State Council published The Opinions on Deepening the Medical Insurance System Reform, proposing that a medical protection system that centers on basic medical insurance, underpinned by medical aid, including the mutual development of supplemental medical insurance, commercial health insurance, charitable donations, and mutual medical assistance should be well-established by 2030. Besides, the General Office of the State Council released the Opinions on Improving the Medical Insurance and Assistance System for Major and Critical Diseases in October 2021, proposing "to encourage charitable organizations and other social organizations to set up critical illness relief projects, play a supplementary role in assistance, promote the development of Internet platforms to disclose public fundraising information and the sharing of charity resources across platform, regulate the release of information related to individuals with critical illnesses who seek for assistance on Internet platforms, and implement Sunshine relief projects."

In response to these government policies proactively, Waterdrop is engaged in the establishment of a multi-layer medical protection system as a "supplementary layer" through its Waterdrop Medical Crowdfunding and Waterdrop Charity, with an aim to prevent patients with critical illnesses from being impoverished or returning to poverty. Firstly, we establish a multi-layer one-stop assistance system for patients with critical illnesses, by linking the policies and services of various institutions such as medical insurance companies, Civil Affairs Administration, charitable organizations, and Waterdrop such that each institution is capable of identifying and assisting those patients through this system, and providing feedback on the results of the assistances. Secondly, we have set up a one-stop offline relief service system, whereby we deploy fundraising service specialists to hospitals and communities to help patients initiating fundraising campaigns ,and connect them with public welfare relief resources, thereby improving their medical care experience. Finally, in addition to basic medical insurance, critical illness insurance, medical aid, temporary aid and charitable aid, we also rely on Waterdrop Medical Crowdfunding to raise funds for individuals with critical illnesses and Waterdrop Charity to raise funds for public charity.

Medical Assistance		**Base Layer (government assistance)** Medical insurance, civil affairs and other relief programs provided for specific groups of populations
Special Public Welfare Fund	Waterdrop Charity/ Citizens' Monthly Donations Government Subsidy/ Business Donations	**Supplementary Layer (commercial insurance + charity)** Supplementary protection in the event of high medical expenses/expenses for diseases not covered by basic medical insurance, to reduce the incidence of impoverishment caused by diseases and high medical expenses 1. Secondary supplement to commercial supplemental health insurance 2. Waterdrop Medical Crowdfunding - personal donations, giving priority to individual fundraising 3. Red Cross, charitable foundations, and Waterdrop Charity - charity funds providing supplemental assistance flexibly, in addition to basic medical insurance and assistances from various government relief programs and other non-government relief programs for patients with critical illnesses
Waterdrop Medical Crowdfunding	Assistance to Patients with Critical Illnesses	
Supplementary commercial insurance	Supplemental Commercial Insurance/ Government- led Commercial Supplemental Health Insurance (Hui Min Bao)	
Basic Medical Insurance Critical Illness Insurance		**Main Layer (policy)** The policy layer covers a wide range of basic protections and is the first layer of coverage in the medical protection system

Jin Qing Bang – Waterdrop X Jinyun County Healthcare Security Administration Medical Insurance and Poverty Relief Project

In March 2021, Waterdrop cooperated with Jinyun County Healthcare Security Administration, Zhejiang Province to launch a medical insurance and poverty relief project – Jin Qing Bang. Leveraging the relief policies of the Civil Affairs Administration, the Healthcare Security Administration, the Disabled Persons' Federation, the Red Cross and other authorities, Jin Qing Bang is designed to help the implementation of multi-level medical protection in Jinyun through multi-department reporting, two-way communication of information related to the progress of relief, and the opening of the green channels on the Waterdrop Medical Crowdfunding platform and public fundraising projects on the Waterdrop Charity platform. With the joint participation of multiple authorities, we strive to help as many patients as possible without duplicating the assistance, and improve the efficiency of relief fund utilization, making the relief more efficient and effective.

Channels identifying people who need poverty relief

- User application
- Waterdrop Medical Crowdfunding
- Screening based on medical insurance expenditures
- Red Cross
- Identify during medical treatment in hospitals
- Other channels

Relief policy identification and notification

Profile of family who needs poverty relief

- Family member's detailed medical expenses
- Family income and expenditure
- Information of family assets
- Relief already received by the family
- Family members' basic information
- Information related to the illness and medical treatment of family members
- Subsidies demanded by family

Whether the case matches the criteria of structured relief policies

Relief measures

- Medical insurance premiums deduction/ exemption
- Commercial insurance premiums
- Reimbursement
- Fundraising by Waterdrop
- Aid from Charity Federation
- Other relief programs (e.g., for rare diseases)

Case Study: Multi-layered protection, "Jinqing Gang" helps children with aplastic anemia to solve problems

In 2021, the child of Ms. Xia from Jinyun County was diagnosed with aplastic anemia. Upon screening and labelling in the medical insurance system and a household survey, it was confirmed that the family was in financial difficulty due to the high medical cost of RMB 540,000.

Thanks to the Jin Qing Bang medical insurance and poverty relief project, the family enjoyed multiple of poverty relief, including reimbursement under basic medical insurance and the Lishui-custom supplemental commercial medical insurance of RMB 270,000, funds raised on the Waterdrop Medical Crowdfunding platform of RMB 87,000, a temporary subsidy from the Civil Affairs Administration of RMB 2,400, a subsidy for poverty due to illness of RMB 20,000, and a relief fund from the Charity Federation of RMB 35,000. Given that the family was grouped at the low-end of the low income category under our multi-layer poverty relief system, the Jin Qing Bang poverty relief fund provided an aid of RMB 73,000, and an additional subsidy of over RMB 20,600 for poverty due to illness to the family. With the concerted efforts of all parties, the out-of-pocket medical expenses of the family were finally reduced to RMB 50,000, which was within the local out-of-pocket medical expense standard.

The Jin Qing Bang medical insurance and poverty relief system was launched in July 2021, and has assisted Jinyun County in the active identification and management process of more than 15,000 people. According to our estimates, the platform helped reduce the out-of-pocket medical expenses of the needy by over RMB14 million in 2021, equivalent to a per capita reduction of over RMB5,000, or a year-on-year decline in such expenses of about 12%. More than 2,900 users in need of relief were automatically detected by the system. By the end of December 2021, Waterdrop Medical Crowdfunding + Waterdrop Charity – Jinyun Public Welfare Fund had provided relief fund to 193 people, with a total amount of more than RMB 4.66 million. We expect the number of people in poverty caused by diseases to reduce by 77% year-over-year in 2021. In addition, we have established critical illness relief stations, along with promotion displays of Jin Qing Bang in 7 hospitals in Jinyun County. Offline fundraising specialists are stationed in the hospitals to serve patients who are in need of relief fund.

In December 2021, the "Jin Qing Bang medical insurance and poverty relief project" was ranked No.7 in the second batch of Best Applications in Digital Society by the Zhejiang Provincial Development and Reform Commission.

Model in serving the purpose of "inclusive insurance"

explore a new benchmark for government-backed health protection

3 GOOD HEALTH AND WELL-BEING

Compared with the traditional commercial health insurance, the local customized commercial medical insurance (Hui Min Bao) has lower threshold for enrolment, larger insurance coverage, and lower insurance premiums, with the removal of age limits and occupational restrictions. Meanwhile, as a supplemental medical protection system, Hui Min Bao has provided additional medical protection against traditional medical insurance, such as enlarging the coverage of medical treatment and drugs, especially for specific high-cost drugs, and topping up the insurance coverage amount to mitigate the medical burden of individuals. According to the County-level Healthcare Security Analysis Report released by the Waterdrop Insurance Institute, Hui Min Bao products are of large educational significance to the insurance market, with more than half of the insured clients of Hui Min Bao were first time buyers of commercial insurance, and this ratio was even higher at 64.8% for county residents.

The *Opinions on Deepening the Medical Insurance System Reform* proposed that "a multi-layer medical protection system, promoting the mutual connection of various types of medical protections, increasing the support for the medical treatment of critical illnesses, and regulating and strengthening the cooperation with commercial insurance institutions and social organizations in the development of medical insurance governance." We strive to address for the pain points faced by the general public, including expensive medical treatments, heavy financial burden on traditional medical insurance, and the unbalanced allocation of medical resources. To this end, Waterdrop leverages its technological expertise and a full set of intermediary business licenses to empower local Hui Min Bao projects with technical supports for product design, platform construction, marketing and promotion, pharmacy benefit management, and other patient services.

In 2021, Waterdrop, as an operating platform, was engaged in the Hui Min Bao projects in Beijing, Zibo and Dezhou. With advanced insurance technologies and Internet operation capabilities, we helped establish an online insurance portal and payment system that support multiple channels, identify and match the electronic medical insurance cards of individual users, support the purchase of insurance policies through personal medical insurance accounts, and provide users with more insurance payment methods.

In September 2021, based on the operation of Hui Min Bao, Waterdrop launched "Zibo Qi Hui Bao". To further meet the needs of the Zibo Healthcare Security Administration, we established a multi-layer protection plan for rare diseases beyond the basic coverage of the Qi Hui Bao plan. Apart from national health insurance, critical illness insurance, commercial insurance, Qi Hui Bao, and other medical aids, we have included in this plan supplemental medical aid funds through our "Waterdrop Medical Crowdfunding + Charity Aid Foundation + Charitable Free Medication," for patients of rare diseases thereby promoting the multi-layer protection system for rare diseases in Zibo.

This business model does not only engage more parties into Hui Min Bao, but also allows families in medical funding need to have more channels to seek for help. The Qi Hui Bao project is now becoming a new benchmark that continues to be replicated in more cities. As of December 6, 2021, more than 1.58 million residents had purchased the Qi Hui Bao 2021.The penetration rate reached 37.4%, a record high in both Zibo City and Shandong Province, and ranks first among all Hui Min Bao projects nationwide.

The Nanchang Hui Min Bao, where Waterdrop serves as an operating platform, was officially launched in January 2022. The product is designated for all Nanchang residents covered by national healthcare insurance. In just 2 working days after the launch, the number of registered insured persons has exceeded 100,000. Since 2020, we have been playing a key role in the Hui Min Bao projects of many cities, including megacities and small and medium-sized ones such Beijing, Chongqing, Nanchang, Kunming, Zibo, Dezhou, Tai'an, Changzhou, Bozhou and Liaoyang. So far, a total of 12 million users have been insured under these projects. This has demonstrated our commitment to the mission of "leveraging internet technologies to make insurance protection more inclusive and accessible to the public." In the "2022 National Huimin Insurance Selection" campaign initiated by Sina Finance, after online voting, tripartite review, expert review and final review, "Zibo Qihuibao", together with Beijing Puhui Health Insurance and Shanghai Huhuibao, etc. were included in the "National Huimin Insurance Selection Award List". "Zibo Qihuibao" finally won the "Annual Innovative Huimin Insurance Product" award.

Waterdrop's multi-layer medical protection solution for rare disease patients in Zibo

Purchase of drugs for specified rare diseases at designated pharmacies is entitled to 40% reimbursement, with a maximum of RMB 100,000

Waterdrop Medical Crowdfunding provides one-on-one green-light service channel for rare disease patients

Waterdrop Charity works with charity organizations to set up charity aid funds of RMB 1 million

Waterdrop, together with pharmaceutical companies and insurance companies, establishes a special fund for rare diseases

Waterdrop Medical Crowdfunding provides a green-light service channel for fundraising of patients with rare diseases who need to take Category 2 drugs which are not covered by commercial insurance

Driven by technological innovation

promote the development of the healthcare industry

In August 2020, Waterdrop announced that its plan to build a new insurance technology infrastructure. Leverage its in-depth insights of the healthcare industry since its founding, Waterdrop designed a so-called "ABDC" strategy, or AI + Blockchain + Data = Construction, applying technology to help healthcare industry achieve function of online, process-based, digital and smart operations.

The difficulty to make claims and the long waiting time for payment are always the pain points for insurance customers. How to improve their satisfactory rate is the top priority for Waterdrop. We focused on applying big data, AI and other technologies in claim settlement, installing an intelligent claim settlement system. It has greatly improved user experience while reducing operational expenses for platforms.

From the moment users submit online claim application, the intelligent claim settlement system begins to assist users to upload and/or add information following the instructions from our mobile APP, mini-programs and other channels. This greatly simplifies the process and avoids mailing materials in the traditional claim settlement process.

The system's intelligent entry technology automatically collects data based on OCR and NLP applications, and can identify dozens of claim documents including medical bills and expense items. The system supports documents and bills generated by more than 90% of public hospitals of the prefecture-level or above across China. In the meantime, the system leverages Waterdrop's massive medical dictionary, medical insurance knowledge library and rigorous articulation rules to achieve intelligent data calibration and automatic fee control while improving the entry efficiency by 50%.

In terms of adjustment, our proprietary intelligent adjustment system, which is under application for an invention patent in China, can receive data processing requests and OCR-identified text information, and identify user information and detailed settlement data. Relying on user information and historical data, it offers intelligent assistance in determining whether a claim can be accepted. Its intelligent adjustment function supports model scoring according to a user's health records and medical data, and outputs a Waterdrop Health Score to determine the subsequent steps, such as automatic payment, automatic rejection, or transfer back to manual review. Since November 2020, Waterdrop Insurance Marketplace has reduced the time for system-based adjustment audit to seconds, significantly improving productivity of insurance companies.

On risk management, Waterdrop is equipped with identity verification and authentication capabilities to judge whether a claim is made by the customer himself. Through the strategic matching of user profile, risk data, disease data, etc., we perform model-based comprehensive analysis and rating on users, and thus identify fraud risks. By doing so, we are able to accurately discover risky cases, reduce the supplement and adjustment rate, determine the scope of investigation, and reduce the time of case circulation and investigation costs. As of the date, Waterdrop has marked 500 plus risk control labels, established 50 plus model factors for machine learning, and in-house developed a technological system consisting of "risk control methods, systems, storage media and computing equipment", which is under application for national invention patent.

Our intelligent claims settlement system has cut claim settlement time from days to hours and even minutes today, with an accuracy rate remaining above 99%. And 100% claims are processed online. In 2021, our shortest claim settlement time was only 8 seconds, 38.5% faster than the previous year, and 2.61 million physical claim documents were reduced and/or waived. The system has also been recognized with obtaining several awards, including the 17th People's Choice – Ingenious Technology Award.

Looking forward, Waterdrop will continue to improve its technological capabilities and explore the ways to make technology better integrate with insurance.

Case Study: With the help of technology, the speed of claims settlement has been upgraded

Ms. Sun from Shandong province was diagnosed with rectal cancer and received medical treatments in hospitals. Before her illness being discovered, she purchased a medical insurance policy from Waterdrop, and applied for online claims through our Mini-program on WeChat. Ms. Sun noticed that the speed of settlement getting faster. For one time, after we upgraded the system, Ms. Sun initiated a claim application and attached all required documents online at 17:05 on November 10, 2021. At 17:30, she received a text message that informed her of the close of the case with the bill of RMB 8,912.95 being compensated in full. It took Ms. Sun only 25 minutes from the online request to the completion of the claim. As of the date, she has received 20 compensations in total, amounting to over RMB 140,000.

Solid Governance and Steady Operation in Compliance

Since its founding, Waterdrop has been operating in strict compliance with laws and regulations, and consistently improving its corporate governance. We are promoting the steady operations through implementing self-regulation measures, compliance review, management rectification and other methods.

Waterdrop sees responsible governance as a vital principle and has built a sound governance framework. It is constantly improving its corporate governance, conducting its business in compliance and implementing sound risk control to ensure steady operations.

GOVERANCE

Compliance and Steady Operations

Compliance is a cornerstone for the long-term and steady development of a business. Waterdrop has made internal control and compliance plans according to the requirements of local regulators, and offered company-wide compliance trainings to employees.

In 2021, Waterdrop completed the rectification tasks relating to online insurance, including regulation rule establishment, marketing and promotion, sales management, product management, and standard business operation, and addressed other problems in business and operation in accordance with the latest policies such as the Supervision Measures for Internet Insurance Service, and the *Supervision Measures for the Informatization of Insurance Intermediaries*.

Compliance Regulations Establishment

Waterdrop timely develops and updates its internal compliance rules and ensures its legal and compliant operations pursuant to the *Insurance Law of the People's Republic of China*, the *Regulations on the Supervision of Insurance Brokers*, the *Regulations on the Supervision of Insurance Agents*, the *Regulations on the Supervision of Insurance Adjusters*, the *Supervision Measures for the Informatization of Insurance Intermediaries*, the *Supervision Measures for Internet Insurance Service*, the *Notice on Matters Related to Further Regulating the Internet Personal Insurance Service of Insurance Institutions*, the *Notice on Regulating the Retrospective Management of Internet Insurance Sales*, and the *Administrative Measures for the Telephone Sales of Personal Insurance*, among other laws and regulations.

Internal Control and Management

Waterdrop sees it as a top priority to establish a long-term internal control mechanism and promote its compliant operation and standardized development. We are fully committed to compliant operations. We have set up a compliance department, and built a comprehensive compliance audit organizational system.

Between 2020 and 2021, Waterdrop offered the compliance training to its employees. On the one hand, we organized multiple training sessions as required by local industry associations. On the other hand, the compliance department developed compliance courses according to the different needs of different businesses, offering employees customized compliance training to help their day-to-day work. We continuously enhance employees' compliance awareness and improve the Company's overall performance in compliance operations.

In 2021, Waterdrop also actively responded to the *Notice on Launching the "Year of Internal Control and Compliance" Campaign in the Banking and Insurance Industry* of the China Banking and Insurance Regulatory Commission. As required by the document, we have firmly established the philosophy of "internal control first and core compliance". We built a sound compliance system, with focus on enhancing internal control and compliance in key risk areas, consumer rights protection and corporate social responsibility, and forming compliance culture.

水　滴　价　值　观

正直
诚信

道纪守法、实事求是
言行坦荡、挺身而出

水滴
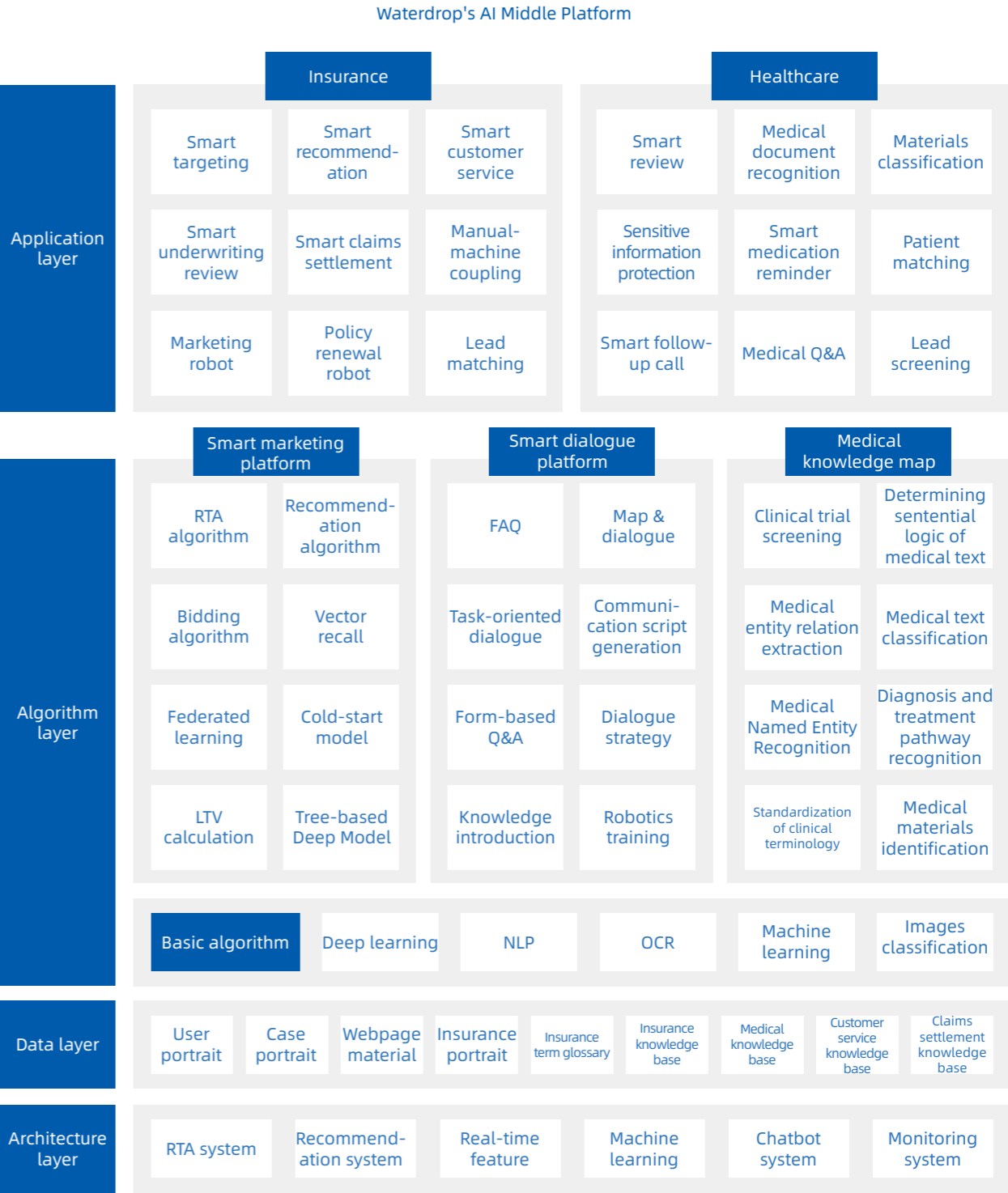WATERDROP INC.

Risk Management and Control

Waterdrop has implemented a stringent full-process risk control system in an effort to live up to the trust and expectations of our users. The system, which serves as Waterdrop's firewall, has been constantly evolved and upgraded with the help of our mass data. Meanwhile, we place a high value on our own internal risk control capabilities, and have established an internal audit and supervision department, which works independently and professionally with no bias to ensure risks are identified and addressed in a timely manner. Also, the department is responsible for optimizing procedures and establishing a robust prevention mechanism, to ensure the Company's efficient, sound and healthy development.

Waterdrop's AI Middle Platform

Waterdrop's AI middle platform is divided into four layers - architecture layer, data layer, algorithm layer and application layer.
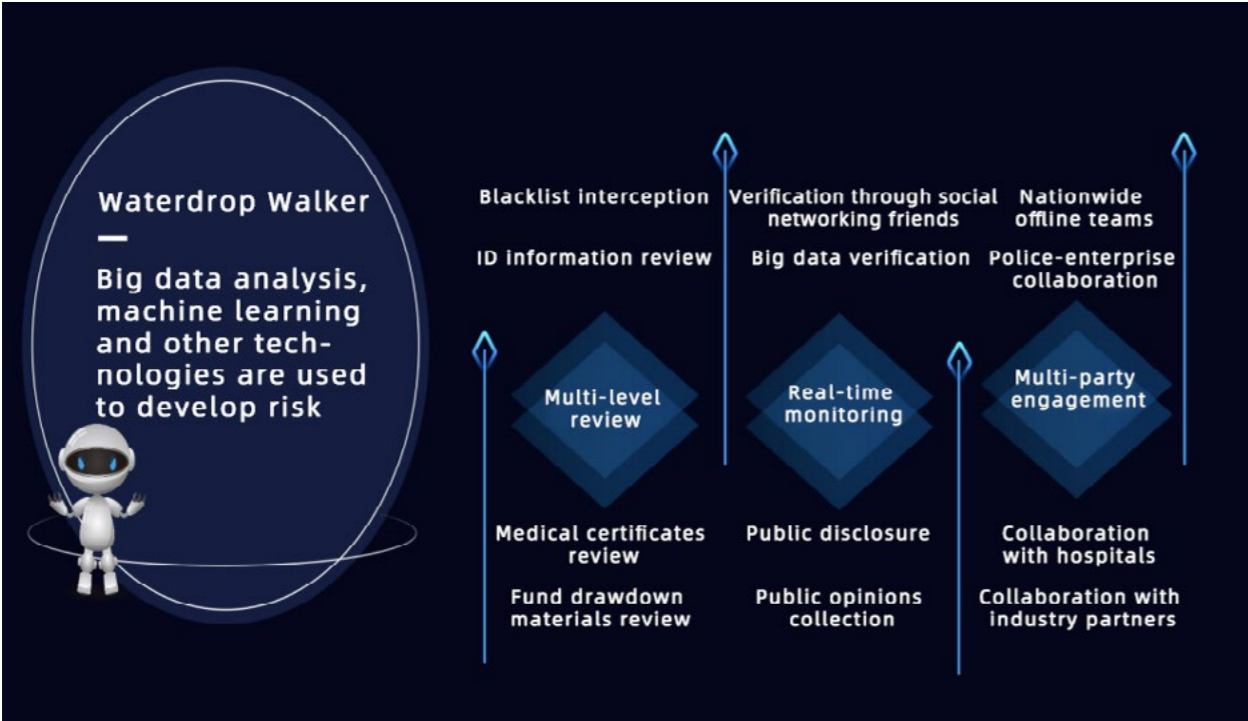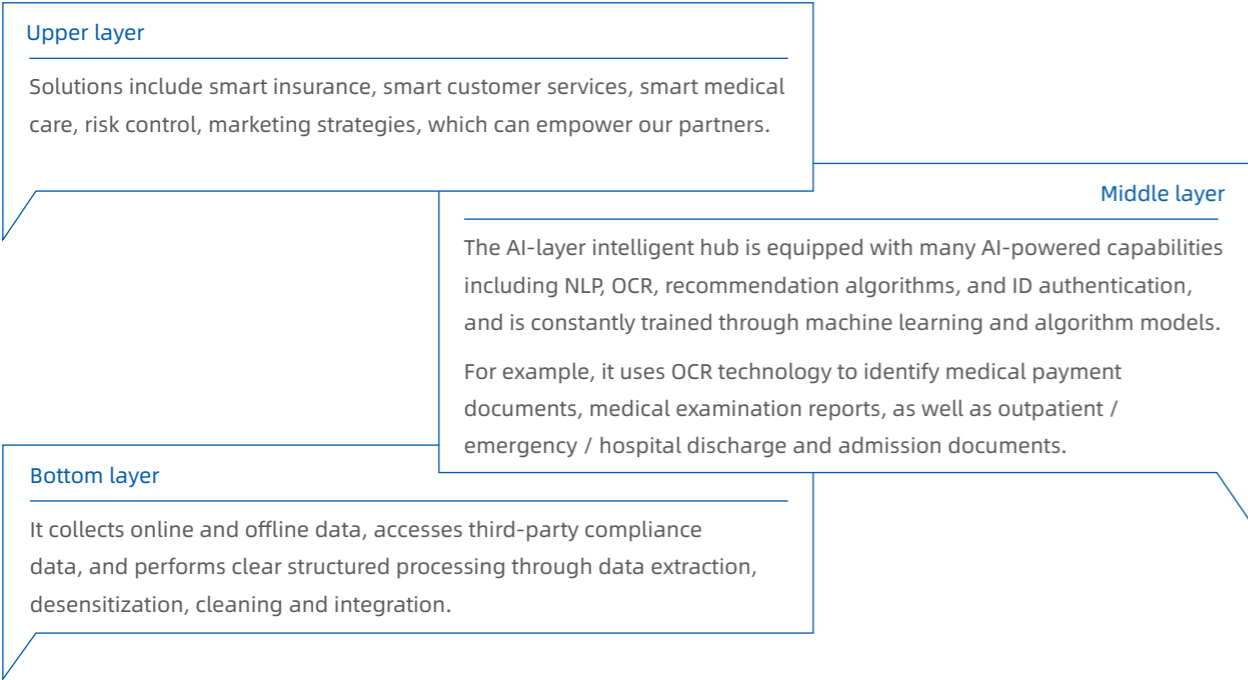
A monitor system is set up in the architecture layer for risk control management for all business scenarios. The data layer, ensuring its security and compliance, extracts, desensitizes, cleans and integrates various types of in-house data and third-party data legally collected in diversified business scenarios to enable structured data processing. The algorithm layer, through machine learning and the continuous training of algorithm models, works to improve the accuracy of OCR and NLP, and develop AI capabilities such as the Waterdrop CONF medical knowledge map. Supported by OCR technology, the system can identify the medical bills, inspection reports, and outpatient/emergency and hospital admission/discharge documents from more than 90% of the prefecture-level public hospitals in China, as well as validate more than 100 kinds of materials.

Any fundraising application on the Waterdrop Medical Crowdfunding platform is subject to risk control review. The platform will check the basic information of the case, such as the disease name, the patient's identity, and the intended amount of fundraising, and compare them with its built-in database for diseases and historical expenses on critical illnesses for verification. The applications that fail to comply with applicable criteria or request an inappropriate fundraising amount will be rejected. At the same time, the platform will engage multiple partners to handle risk cases in a timely and effective manner, including Waterdrop Medical Crowdfunding's offline fundraising consultants across the country, and more than 1000 partnered hospitals nationwide. These consultants work together to verify fundraising applications through on-site visits and phone calls. Medical funds raised in large amounts will be transferred to an institutional bank account, in batches, or through other means, to ensure the funds are used for treatment itself. Once any falsification behavior is identified, the platform will promptly freeze the fund, terminate the project, and launch an investigation or work with police authorities in the event of any suspected criminal offense.

Waterdrop's AI Middle Platform

Waterdrop Walker Risk Control System

At the end of 2020, Waterdrop upgraded its risk control system comprehensively. In addition to the existing five security mechanisms – self-discipline convention, social network verification, big data verification, special fund management and anti-fraud actions, Waterdrop started to engage offline fundraising consultant teams, hospitals, and public security organs in its multi-level medical crowdfunding review and credit investigation process, in order to better protect the rights and interests of users in a variety of ways. In 2021, Waterdrop launched its new risk control system "Waterdrop Walker" which uses big data analysis, machine learning and other technologies to develop risk control and early warning models and automate the risk management process. Waterdrop Medical Crowdfunding's technology-driven risk control innovation has effectively identified misconducts at source and improved the efficiency of the audit resources.

Upper layer

Solutions include smart insurance, smart customer services, smart medical care, risk control, marketing strategies, which can empower our partners.

Middle layer

The AI-layer intelligent hub is equipped with many AI-powered capabilities including NLP, OCR, recommendation algorithms, and ID authentication, and is constantly trained through machine learning and algorithm models.

For example, it uses OCR technology to identify medical payment documents, medical examination reports, as well as outpatient / emergency / hospital discharge and admission documents.

Bottom layer

It collects online and offline data, accesses third-party compliance data, and performs clear structured processing through data extraction, desensitization, cleaning and integration.

Business Integrity

Waterdrop values business integrity and operate in compliance with laws and regulations in China and abroad. Waterdrop continues to strengthen its anti-corruption and governance efforts throughout the Company. We've set up an internal audit and supervision department to investigate and punish malpractices, and enforce a robust constraint mechanism, thus ensuring the Company's efficient, sound and healthy development.

Waterdrop is committed to self-discipline and a good environment of diligence and integrity as per *the United Nations Convention against Corruption*, which provides a strong disciplinary guarantee for the Company's development. We will strengthen governance supervision, ensure regulation enforcement, and improve the daily supervision mechanism, while enhancing the implementation of the central government's major decisions and national strategies, and modernizing our corporate governance systems and governance capabilities. Meanwhile, the Company provides well-defined whistleblowing channels such as email, telephone and mail, as part of its complaint and whistleblowing mechanism. Employees and external partners are encouraged to report business corruptions related to any staff members or entities of the Company to the internal audit department or the audit committee, including bribery, extortion, fraud, money laundering and other inappropriate behaviors.

Business ethics is the cornerstone of business development. Waterdrop regulates its business behavior, conforms to best practice of the industry, and upholds fair competition in the market in strict compliance with the *Anti-monopoly Law*, the *Law against Unfair Competition* and other applicable laws and regulations. Employees are forbidden to obtain trade secrets and participate in unfair competition through improper means such as theft, inducement, and coercion, in order to seek benefits for the Company or themselves.

Information Security

Waterdrop stays highly committed to information security and user privacy. Its two entities – Shuidi Hubao and Miaoyi Hulian – have been certified to the ISO 27001 information security management system, and its other business entities are also in the application process for ISO 27001 and ISO 9001 certifications. In the meantime, we abide by the *Cybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China* and other domestic laws and regulations, with 13 of our systems certified to the Multi-Layer Protection Scheme Level III.

In 2021, the Waterdrop Security Emergency Response Center worked with platforms such as Huoxian and Butian and launched three vulnerability discovery incentives. Based on the proportion of vulnerabilities (mostly unauthorized access), the R&D and the QA departments strengthened efforts in interface authentication and unauthorized access detection and received relevant training courses. Migration to our self-developed WAF has been completed. All the 91 core domain names are connected to the Tencent Cloud WAF to enable attack protection. On average, 16,230,822 attacks are intercepted every month, a 2.3-fold increase compared to last year. The failure caused by WAF's erroneous block is close to 0. In the meantime, we have performed a total of 102 safety assessments before launching projects.

Waterdrop implements a well-established, three-level information security management system. As provided in the information manuals, our information security regulations cover four dimensions: organization, personnel, system construction, and system operation and maintenance.

In terms of employee training, Waterdrop offers a combination of online and offline cybersecurity week activities, delivers training courses including the OWASP Information Security Training, Waterdrop Company Confidentiality Training, and Information Security Training, and organizes information security trainings for all employees through Waterdrop Academy.

> In 2021, Waterdrop developed the following new documents: the *Encryption Control Regulations*, the *Email Security Regulations* and the *SD-1-20 Security Specifications for External Data Display*.

Investor Relations

Waterdrop places information disclosure at the core of investor rights protection and abides by applicable regulations. We've formulated the Information Disclosure Management Regulations, stipulating that the Company's information disclosure work is led by the board of directors. We have also set up a disclosure committee to supervise the Company's information disclosure work, and the effectiveness of the disclosure management mechanism and relevant procedures, while managing and coordinating the Company's disclosure of financial and operating information.

We continue to perfect our information disclosure management system, improve the timeliness, fairness, accuracy, integrity and compliance of our information disclosure and internal reporting, and ensure the proper performance of our information disclosure obligations in the listing venue. Waterdrop hopes to build long-term and stable relations with investors, by enhancing transparency, deepening investors' understanding of the Company, and protecting the rights and interests of the Company, shareholders and other stakeholders.

To address investors' demand for information, Waterdrop has set up an investor relations department. The Company also maintains an investor relations website to publish company events, press releases and information disclosure, and provide investors with subscription-based information service. An investor relations mailbox is available to collect opinions and suggestions from institutional and individual investors, and provide responses promptly. Waterdrop also welcomes investors' feedback during communication events.

Technology for Health Protection

Waterdrop firmly believes that it is not the technology itself that determines human destiny, but the humanity that it carries. Innovation has always been the DNA and driving force behind our continuous progress. Leveraging our technological innovation, top-tier talent and collaborative resources, we insist on ensuring product quality and safety, and providing excellent customer services.

TECHNOLOGY

R&D and Innovation

Since its inception, Waterdrop has consistently invested in R&D, in order to empower its businesses, improve its operational efficiency, and support its service upgrades. In 2021, our R&D expenses reached RMB 379 million, increased by 55.2% year-over-year as we further expanded our R&D team and strengthened our technological competitiveness. We strive to become the leading technology platform for insurance and healthcare services in China.

In August 2020, Waterdrop announced its plan to build a new insurtech infrastructure, and launched Waterdrop Open Platform 2.0. We have applied artificial intelligence, big data and other technologies to our businesses, enhancing our capabilities to empower the digitalization of the insurance industry. Currently, we have applied artificial intelligence in marketing, customer services, insurance claims and other business operations. Our AI-powered customer service and insurance claim systems, and other similar projects have significantly improved our operational efficiency and user experience, and prompted a breakthrough in our service quality. Leveraging the new technologies, our productivity has improved notably by over 60% compared with conventional quality control.

📖 Case Study: Technological Innovation Protects Hundreds of Millions of Families – First Waterdrop Hackathon Concludes

On August 7, 2020, the first Waterdrop Hackathon came to a successful conclusion in Wangjing Science and Technology Park. After 48 hours of intense competition, the user growth products of the "Front office & crowdfunding business" team won the first place. Both the "Payment business & IT" team, and the "Business analysis & Big data" team won the second prize. The "Claims settlement" team, the "Front office and Growth-protected product" team, and the "Back office" team won the third prize. The 6 teams shared the exclusive bonuses of the competition.

Our CEO Shen Peng appraised that the first hackathon has reiterated Waterdrop's mission of "leveraging internet technologies to make insurance protection more inclusive and accessible to the public, and bring insurance and healthcare service to billions". He also reminded players to take care of themselves.

Hackathon was launched in 1999 at a cryptographic development event in Calgary. This is a festival for tech lovers who write program overnight and present their projects the next day, demonstrating their capabilities to complete a creative project under limited time constraints through ongoing trial-and-error adjustments.

Continued Improvement in Technological Capabilities

AI-based Fine Operations

Technology has become the core strength to drive the transformation of the insurance industry. Waterdrop has put the utmost efforts to build its digital core competitiveness in the digital and intelligent transformation of its insurance businesses.

Based on the AI technology analysis of LPs' historical service data and the user group they are effective in serving, our proprietary AI-powered matching tool is capable of matching each user with the most appropriate LP staff. We have upgraded our AI-powered matching system to version 3.0. In this version, we have introduced timing information and preset allocation mechanisms for LPs, thus leading the allocation module close to a "comprehensive optimal solution". This substantially improves our user satisfaction, further increases the value of our sales matching mechanism, and enhances the efficiency of our entire service system.

In 2021, through 3 algorithm architectural upgrades, more than 40 rounds of model optimizations, the application of 7 patented technologies, and thousands of feature developments, Waterdrop's AI-powered matching system has finally become a stable, efficient and industry-leading sales lead distribution system, Compared with the traditional distribution, the AI-powered matching system has increased the Annual Premium Income (API) by 40%. The system has helped establish Waterdrop's core technological strength in intelligent outbound insurance sales service.

CONF Medical Knowledge Map

Waterdrop has adopted the OCR and NLP technologies to extract entities, relationships, attributes and other knowledge map components from massive unstructured medical data, and combined them with professional medical information to construct a medical knowledge map, thereby improving its service quality, and laying a solid foundation for the development of new technology infrastructure.

The CONF medical knowledge map has now covered 99% of the diagnostics database and medical insurance catalog library, as well as more than 95% of hospitals and disease identification institutions nationwide. We have also standardized the names of drugs and diseases that frequently occur in our daily operation. The map now includes more than 10,000 disease names, hundreds of thousands of entity nodes and over 1 million entity relationships, enabling the semi-automated processing of medical data and the life cycle management of the knowledge map.

Waterdrop has developed several application scenarios based on the CONF medical knowledge map. In terms of the fundraising for critical illnesses, the medical knowledge map is capable of improving the risk control system and make a more accurate estimate of the amount of funds required for the medical treatment of the fundraisers. For the insurance business, the map can help enhance the intelligence of our underwriting and claims systems, thereby improving the accuracy and operational efficiency of these operations significantly.; In the area of special drug recommendations, based on the disease diagnosis data, patient cases, and professional medical data gathered by various business lines, together with the data collected from our pharmaceutical partners, the medical knowledge map is capable of providing more cost-effective drugs to our users.

Intelligent Chatbot System

To better serve both our customers and business needs, we have continued to increase our investment in technology and refine our chatbot system and have applied for 8 invention patents, enabling us to improve user experience and service efficiency. We continue to refine the pre- and post-processing algorithms, thereby improving the accuracy of our ASR (automatic speech recognition) technology and mitigating the impact from surrounding noise. Meanwhile, by analyzing massive industry data, our R&D team conducted incremental pre-training on our models so that they are adapted to our specific scenarios, thereby improving the models' performance. To improve sales efficiency, we have also developed a "manual+machine" coupling system, which facilitates the switch from chatbot mode to manual model on a real-time basis in various scenarios, thereby enhancing both user experience and salesforce productivity.

Intellectual Property Protection

Waterdrop highly regards the importance of intellectual property management and has taken the initiative to refine its intellectual property operation system to support the orderly intellectual property business planning. Through our analysis and evaluation of patents, our intellectual property protection and R&D capabilities have improved persistently. During the reporting period, we continued to refine our intellectual property incentive program by increasing incentives for patents, revising the award standards for technological achievements, and improving the supporting awards mechanism.

In 2021, Waterdrop introduced the *Waterdrop Patent Management Measures V4.0*, which include standardized and detailed rules and guidance for patent management, patent application and maintenance, patent implementation and protection, as well as awards for patents.

Product Value

Waterdrop Medical Crowdfunding – a Platform Providing Financial Assistance for Those with Critical Illnesses

Launched in July 2016, Waterdrop Medical Crowdfunding is China's leading crowdfunding platform for patients with critical illnesses seeking financial assistance. It employs mobile technology to shift the offline mutual aid to online social networks, allowing critical illness patents and their families who are in need of financial assistance to share their situations to the public more easily. Through mobile payment and various other functions, the platform also allows donors to offer help more conveniently.

Waterdrop Medical Crowdfunding is the first of its kind in China to introduce the Internet fundraising service that allows patients with critical illnesses to raise and use the funds at the same time. During the fundraising period, a patient may apply for fund withdrawal at any time as required by his/her therapy. Once necessary documents are examined and approved, the patient can receive money in 3 seconds at the soonest. This is regarded as an industry-leading practice that truly helps those in need.

A Transparent Crowdfunding Platform

Waterdrop Medical Crowdfunding strives to develop as a transparent and credible crowdfunding platform for patients with critical illnesses. Guided by the Ministry of Civil Affairs, Waterdrop Medical Crowdfunding and its counterparts in the industry have signed and published the Self-discipline Convention for Internet Assistance Service Platforms for Individuals with Critical Illnesses. In this document, we have established industry service standards and a self-regulatory mechanism, as well as a comprehensive risk management system, contributing to an open, transparent, honest, trustworthy, healthy and orderly environment for the relief of critical illness.

394 *million people*

By the end of December 31, 2021, the cumulative number of donors supporting the critical illness relief projects on our platform reached 394 million

2.4 *million people*

Helping nearly 2.4 million patients

48.4 *billion RMB*

Cumulative funds raise exceeding RMB48.4 billion

No.1

Waterdrop Medical Crowdfunding was ranked the first in the industry, demonstrating its market dominance in terms of users' choice and trust, according to the *Report on Industry Insights into Online Fundraising Platforms for Critical Illnesses* published by Kantar Group, a world-renowned market research institution, in October 2020.

Social Network Verification

The success of crowdfunding usually relies on the communications via patients' social networks. Our platform thus requires the fundraisers to disclose adequate information, including the patient's health conditions, his/her family's financial situation, and medical insurance coverage, etc. It also provides functions such as whistleblowing, validation, comments, and the verification of the contacts in the patient's social network. All feedback will be checked by the platform. Applicants can withdraw assistance funds only after passing the final review of the platform and the verification of the contacts in the patient's social network.

Big Data Validation

Waterdrop Medical Crowdfunding has established an intelligent verification system based on big data technology and the risk assessment data collected from millions of fundraising cases. The system evaluates risks by cross-checking the authenticity of patient identities and other related information.

Dedicated Fund Management

To ensure the safety of all funds raised on the platform, Waterdrop Medical Crowdfunding has entered into cooperation with third-party banks to directly transfer assistance funds to dedicated bank accounts. These funds will be segregated from the platform's own working capital, and are earmarked for dedicated management and special purposes.

Anti-fraud Actions

Waterdrop Medical Crowdfunding does not tolerate any suspected illegal and criminal acts of false concealment. Any misconduct found will be subject to investigation, and will be reported to the public security administrations or other relevant authorities, with legal actions taken. We resolutely safeguard the kindness of caring people.

Public Disclosure System of Aid-seeking for People with Critical Illness

Waterdrop Medical Crowdfunding has set up a public disclosure system for people with critical illness who is seeking help, for the purpose of openness and transparency, as well as information symmetry between applicants and donors. In our quest for honesty and truthfulness, we spare no effort to eliminate misinformation. Disclosure is made through various channels and means to all users who have completed real-name authentication. After login into the disclosure system, users may browse all projects around their living area and search for details by typing the names of patients seeking aid.

Public Disclosure of Donation Information

After fund draw-down by applicants, the unused portion should be returned to the platform. Following the principles of openness, fairness and transparency, Waterdrop Medical Crowdfunding will make public disclosure of unclaimed funds for 90 days. When the period expires, the unused fund will be transferred to charity organizations with similar programs for critical illnesses which can help other patients in need.

Public Disclosure to Donors

In case that there are disputes in certain circumstances caused by differences in the understanding of different groups of people and the flexible application of governance rules. The platform will conduct investigation and review and may disclose project information to donors – with the consent of applicants before making decisions on specific cases. We will inform donors of the risks and seek their opinions, and make decisions with reference to both the platform rules and donors' opinions.

Responsible Waterdrop

Waterdrop Medical Crowdfunding has pledged that all interest income incurred in the bank account for individual critical illness assistance will be used for public welfare donations and patient assistance. In July 2021, we donated interest income of RMB 1 million to the Chinese Red Cross Foundation, supporting public welfare projects related to human organ donation. In November 2021, Waterdrop donated another RMB 1 million of interest income to the public welfare projects for medical treatment and critical illness relief projects managed by the China Siyuan Foundation for Poverty Alleviation.

In 2020, Waterdrop Medical Crowdfunding announced to invest RMB 200 million to provide caring subsidy to more than 150,000 families with members who have critical illnesses. All patients who have initiated fundraising projects on our platform are qualified to receive subsidies.

In addition, Waterdrop Medical Crowdfunding has also partnered with hospitals nationwide to set up 300 critical illness relief service stations to help patients in need. The specific services include registration and consultation guidance, interpretation of charitable aid clauses, personal fundraising and medication guidance, long-term rehabilitation guidance, etc. The number of stations will increase to 1,000 in the next three years, to thoroughly address patients' demand for medical treatment and medication in hospitals.

📖 Case Study: "Aid for the People" Program Launched in Wuhan and Changsha

In April 2021, Waterdrop teamed up with the *Health Channel of People's Daily* and its affiliated publication *Health Times* as well as leading public Grade A tertiary hospitals, and jointly launched the "Aid for the People" program. It is intended to aid patients suffering from critical illness and financial difficulties and help hospitals execute plans to improve medical service. The program has already been progressed in Wuhan, Changsha and other cities.

"Aid for the People" Program – No. 1: Renmin Hospital of Wuhan University

"Aid for the People" Program – No. 2: Hunan Children's Hospital

"Aid for the People" Program – No. 3 Partnered Hospital: Zhongnan Hospital of Wuhan University

Waterdrop Stories

📖 Case Study: "I Will Pay the Money Back!"

Two years ago, Miao Yanyan was critically ill with myasthenia gravis. 3,565 caring people donated more than RMB 120,000 collectively via the Waterdrop Medical Crowdfunding platform. After saving enough money by selling agricultural products, Miao returned the charitable funds to the donors. Love is an ability and I will pass on, said her.

📖 Case Study: The "Bald Buddy" Dancing in Garbage Bags

In a Oncology ward, Zhao Xinzhi, a "bald buddy" who suffered from advanced cancer, danced in a garbage bag. This scene went viral on the web. His brave battle against the disease brought sunshine and joy to the lives of other patients, making him a candidate for the Figures Moving Hebei 2021.

📖 Case Study: 100,000 Donations After an Explosion

On July 18, 2021, an e-bike caught fire on Yuhuangshan Road in the city of Hangzhou. The father and his daughter on the bike were severely burned. Nearly 100,000 donations came in after the incident on Waterdrop Medical Crowdfunding, with fund of RMB 4 million raised. This is the largest number of donations for one single case on our platform.

110 _million people_

By December 2021, our cumulative insurance customers reached over 110 million

28 _million people_

Of them more than 28 million were paying customers. In terms of the first-year premiums ("FYP"), Waterdrop has been the largest independent insurance technology platform in China.

Waterdrop Insurance Marketplace – a Technological Driving Engine for Inclusive Insurance

Waterdrop Insurance Marketplace is an Internet insurance brokerage platform launched by Waterdrop in May 2017, operated by Shuidi Insurance Brokerage Co., Ltd, a national insurance brokerage company approved by the China Banking and Insurance Regulatory Commission. Shouldering the mission of "benefiting hundreds of millions of families with Internet-powered, universal access to insurance and healthcare, it is committed to promoting inclusive insurance with technology and providing better value-for-money insurance products and superior customer experience. As of the date, more than 100 million users have purchased the products of Waterdrop Insurance Marketplace and over one third of them were born after 1980. Moreover, more than 70% of our platform users are from third-tier and lower-tier cities, and 6.23 million users have chosen to purchase insurance for their family members.

Enhance Cooperation with Insurance Companies and Unveil Customized Insurance Products

Waterdrop Insurance Marketplace has inked partnership with more than 80 Chinese insurance companies and introduced 364 good value-for-money insurance products. Over 90% of its FYP came from exclusively customized insurance products based on user study, covering medical, critical illness, accident, life insurance, annuity and other types of life and health insurance. We established an innovative insurance division to support the online data analysis on adults, children, elderly people and individuals suffering chronic diseases, tailor insurance products, and provide a full range of insurance and service for people who are under-served in the market.

Engage in Hui Min Bao for Multi-layer Medical Protection

As a platform with mindset of openness and creating win-win situation, Waterdrop is exploring a new exemplary model of healthcare insurance through improved technological openness and health service capabilities, with the goal of "inclusive protection." In 2021, Waterdrop Insurance Marketplace has been deeply involved in the Hui Min Bao projects in Beijing, Zibo, Dezhou and other cities. While providing inclusive insurance, leveraging the synergy with Waterdrop Medical Crowdfunding, Waterdrop Medicine and other businesses, our marketplace offers local services such as fundraising for critical illnesses and drugs for special medical purposes. We endeavor to explore the new healthcare insurance model of "inclusive insurance + personal assistance + public welfare support" and help improve the multi-layer medical protection system.

Strategic Upgrades Coupled with Online and Offline Development

In 2021, Waterdrop Insurance Marketplace continued to advance its strategic upgrades and explore the online-merge-offline model. On one hand, our offline brokerage business accelerated its growth. On the other hand, our Waterdrop Open Platform was upgraded. We are delighted to share our established capabilities on marketing, operation, intelligence and systems with partners and work together to expand the addressable insurance market.

Waterdrop Insurance Marketplace is proactively investing in offline brokerage business. In September 2021, we announced new strategy for our offline brokerage business by launching the WE Plan and the ME Plan, supported by our digital, product, training and marketing capabilities. The goal is to provide users with optimized insurance service through our professional, specialized and digital brokerage team. On online front, the Waterdrop Open Platform is empowered to provide partners with customer-centric, data-driven "online + offline" operation strategies and technology solutions. Since 2021, over 150 new service partners have joined the Waterdrop Open Platform.

Waterdrop Medicine – an Enabler for Inclusive Medical Care

Waterdrop Medicine is an innovative medical payment platform of Waterdrop to reduce the financial burden of patients from multiple dimensions who need drugs not included in the coverage of public healthcare insurance, and make drugs for special medical purposes more accessible and affordable.

Drugs for special medical purposes refer to some specialized medications that are expensive but effective, and have no alternative solutions. This type of drugs often represent low accessibility and a high financial costs for patients, due to the lack of knowledge, limited regional healthcare resources, as well as the limitations on public healthcare system coverage.

Relying on the network of DTP pharmacies across China, Waterdrop Medicine seeks to provide comprehensive service including healthcare services and diversified medical payment solutions for patients in need of new drugs for special medical purposes, chronic disease drugs, and rare disease drugs through payment tools such as pharmacy benefits, therapy insurance, and medical funding.

Waterdrop Medicine has worked with several well-known pharmaceutical companies in China and abroad to explore innovative models for patient education, medication service, medical guidance, and patient communities, in an effort to give patients the access to reliable medication at cheaper prices. By doing so, we aspire to become an innovative and trusted medical payment platform.

300,000 *members*
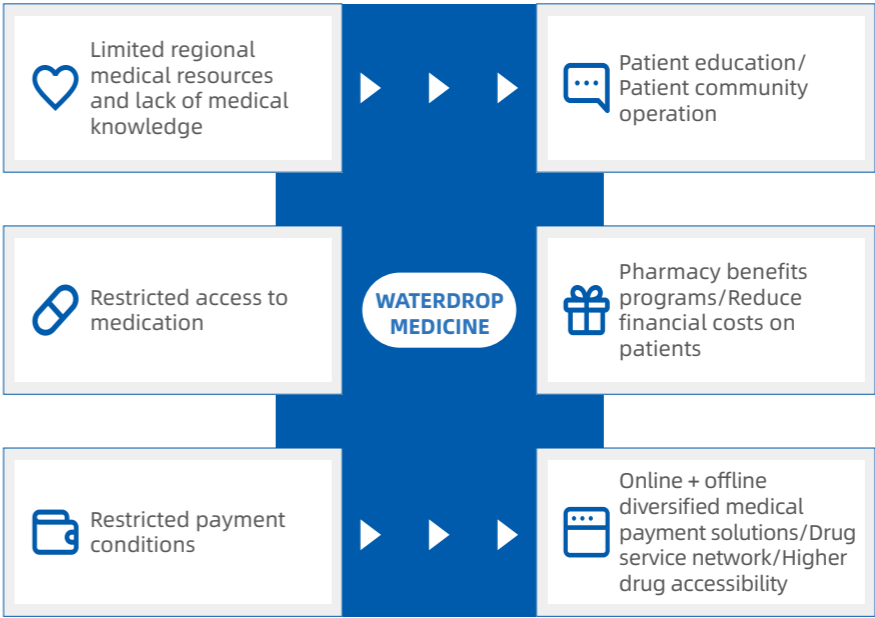As of December 2021, Waterdrop Medicine had more than

2,300 *pharmacies*
Was connected to over

2.5 *billion RMB*
The platform had GMV of close

50 *million RMB*
Saving for more than 150,000 seriously ill patient

Limited regional medical resources and lack of medical knowledge	→ → →	Patient education/ Patient community operation
Restricted access to medication	WATERDROP MEDICINE	Pharmacy benefits programs/Reduce financial costs on patients
Restricted payment conditions	→ → →	Online + offline diversified medical payment solutions/Drug service network/Higher drug accessibility

Members purchase drugs online with subsidies

Pharmacists review prescriptions through a multi-level review system for compliance

Patients pick up drugs or order delivery

Customer Service

Waterdrop Medical Crowdfunding Upgraded Services in an All-round Way

In August 2020, Waterdrop Medical Crowdfunding and other fundraising platforms for critically ill patients jointly initiated the Self-discipline Convention on Online Aid-Seeking Service Platforms for Individuals with Critical Illnesses Version 2.0, aiming for the healthy and orderly development of the industry. Also, the platform has comprehensively improved its service quality through upgrades in five aspects – service standards, consulting services, charitable subsidies, aid scope and aid path.

In terms of service standards, Waterdrop Medical Crowdfunding has launched a set of service standards consisting of "three service commitments + seven bottom-line requirements." The three service commitments refer to authenticity, free of charge, and security. Alongside a transparent disclosure system in place, in the event of any fraud identified by a competent authority, the platform will make an "advance payment" to refund all the donations back to the donors who have participated in the project. Waterdrop values customer feedback, and has hence set up customer complaint channels such as telephone hotlines and WeChat. Waterdrop requires users' complaints to be directly received and handled by human customer service teams, and has established standard operating procedures or SOPs, for all kinds of problems. These customer service specialists will match users' problems with corresponding SOPs and provide appropriate solutions.

The seven bottom-line requirements are the basic code of conduct that all staff working for fundraising platforms for critically ill patients such as Waterdrop Medical Crowdfunding should abide by in their daily work. They are: no launch of misleading or fake fundraising projects; no violation of public order and good customs; no fundraising for patients who can afford their medical expenses; no falsification of any documents or signatures; no abuse of power for personal gain; no foul language or personal attacks; and no illegal use of the title "volunteer."

Number of new recruits participating in customer service training

232	2020
248	2021

Number of employees participating in on-the-job customer service training

232	2020
243	2021

Number of employees participating in skill improvement training

232	2020
243	2021

Annual number of customer service times

8,635,734	2020
9,139,757	2021

Annual number of customers receiving customer services

775,249	2020
842,756	2021

Annual customer service time length · hour

8,760	2020
8,760	2021

Customer satisfaction · %

97.30	2020
98.14	2021

Number of internal customer service training sessions

123	2020
121	2021

Time length of internal customer service training · hour

1,658	2020
1,635	2021

Number of employees participating in customer information security training

300	2020
300	2021
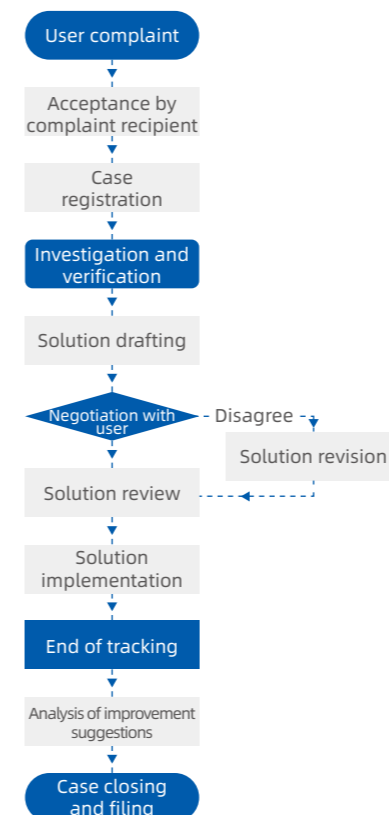
Waterdrop Insurance Marketplace Adheres to the "Three No's and One Line" Service Commitment

In 2021, Waterdrop Insurance Marketplace accomplished a 100% online claim application rate. The average claim settlement time has been reduced to 15.7 hours, with a minimum of 8 seconds. And in November 2020, Waterdrop Claims Settlement launched a 24-hour quick settlement service, which allows simple, small claims cases to be resolved within 24 hours.

📖 Case Study: Waterdrop Insurance Marketplace's Service Commitment

• No worry about fund security

• No trouble in seeking professional consulting

• No bother with whole-process assistance

• Never cross the red line of misleading sales

Claims Settlement Service

Waterdrop Claims Settlement assigns consultants to customers along the entire process. A procedure has been set up to pre-review users' claim materials, and where any materials uploaded are incomplete or when there're other circumstances that may influence the conclusion of the claim, a professional consultant will call the user and help him/her supplement necessary materials and information, making sure the user makes a valid claim application. Where the user has any questions about the conclusion and the amount of the claim after receiving a case closing notice, a professional consultant will give answers and help the user initiate a negotiation procedure and communicate with the insurance company, for the best interest of the customer.

Waterdrop Claims Settlement upgraded its claims settlement service in September 2021, based on its knowledge database, as well as the efficient adjustment and risk identification capabilities of its intelligent claims settlement system. All submitted claims with a compensation amount of less than RMB 10,000, complete materials, and well-defined accident liability will enjoy priority and go through the "express claims settlement channel" of Waterdrop Insurance Marketplace, which promises to issue a claim conclusion to users within 1-3 working days. This upgrade, focused on "fast settlement" and "explicit expectations," allows more users to benefit from the improvement in claim settlement efficiency enabled by big data and other technologies. 92.81% of users received insurance companies' case closing notices before the time predicted by Waterdrop, and 91.30% of users were highly satisfied with the processing speed.

Service Satisfaction

After the settlement of each claim case, we will invite the user to participate in an online satisfaction evaluation. The evaluation consists of three dimensions – result, speed, and convenience – with a scale of 1-5 stars, and collects user comments at the same time.

- User complaint
- Acceptance by complaint recipient
- Case registration
- Investigation and verification
- Solution drafting
- Negotiation with user — Disagree → Solution revision
- Solution review
- Solution implementation
- End of tracking
- Analysis of improvement suggestions
- Case closing and filing

User Survey

Every year, our claims settlement department works with the user research center to conduct research on different topics and in varied forms, including online and offline questionnaires and face-to-face interviews. In September 2021, a Claim Applicant Experience Map was compiled based on telephone and face-to-face interviews. It helps us understand the behaviors, pain points and feelings of users throughout the claims settlement process. In December 2021, the Company interviewed 178 users aged 20 to 66 by telephone with an average valid interview time of 20 minutes, with the focus on challenges faced by users and their experience in the stages of "material submission – return after initial review – material supplementation." Using the first-hand information obtained from such research, Waterdrop Claims Settlement has upgraded the content of online claims education and improved the operating tips in the submission procedure, which leads to an increase in the proportion of users who submit complete materials at one time.

Complaint Handling

Our claim applicant center has a procedure for handling complaints related to claim settlement. Internally, we resolve customer problems by specifying the responsible person for each module and maximum response time, and ensuring fast verification and handling. Externally, we have established a "green customer service channel" with insurance companies, through which complaints are handled timely and return calls are made afterwards, so that we can track service quality closely, and improve the customer service experience through an agile workflow. Meanwhile, the claim settlement department has introduced a quality inspection and control procedure, where specialists are appointed to monitor and control service quality.

Quality Control

Around 10% of the claims' settlement work is subject to quality control by designated staff, including claim information entry, pre-review, auxiliary review, consultation and complaint handling. The results of the random inspections are reported daily for variance review, with quality control results included in the performance appraisal of staff.

Waterdrop Medicine Fulfills its Commitment to Protecting the Health of Rare Disease Patients

Waterdrop has continuously optimized patient services on its drug benefits platform – Waterdrop Medicine, in order to ease the financial burden on patients in need of drugs uncovered by medical insurance and make drugs for special medical purposes more accessible and affordable. The platform is supported by a professional medical team of more than 30 members. Through systematic management, professional operation and standard operating procedures, the platform seeks to reach more patients, improve their understanding of diseases and drugs, and provide them with standardized medication guidelines.

Waterdrop also makes continuous efforts to improve the quality of its service for patients with special medication demands. We provide one-on-one exclusive service specialists to follow up on patients' drug applications throughout the process; professional service staff with medical background are also available to offer service such as disease introduction, adverse reaction reminder and grading, as well as guidance for diet, exercise and lifestyle. Meanwhile, the Company has introduced an industry-leading standard, that is, "to establish contact within 10 minutes, complete review and feedback within 2 hours, and finish delivery within 12 hours." With it, we hope to offer customers timely, considerate and superb full-process service and safeguard the health of patients. In 2021, Waterdrop completed a total of 243 deliveries of drugs for special medical purposes, with a 100% out-of-expectation delivery rate, and a minimum delivery time of 5 hours.

At the same time, Waterdrop has been establishing a network of drugs for special medical purposes and expanding the catalog of such drugs, so as to continuously improve its ability to address patients' needs for special medication. So far, the Company has reached partnership with 2,300 DTP pharmacies and pharmacies near hospitals in 29 provinces and 323 cities across the country. We are also working in close collaboration with more than 20 domestic and foreign pharmaceutical companies on over 400 drugs for special medical purposes.

Compared with most of the traditional pharmacy patient management models which record patients' preliminary information but fails to operate systematic management model, Waterdrop's service procedure for patients with special medication needs provides a model where Waterdrop doctor and Waterdrop medical assistant will act as the communication focal point for patients. Customized service file will be created from the first day of patient's enrollment. During the early stage of the service, In the early stage, in addition to checking the patient's purchase information and medication reminders, relevant departments regularly carried out patient education activities, improve patients' disease cognition. Before discharge, patients should have a comprehensive follow-up review and give exclusive interpretation, provide lifestyle guidance and adverse reaction guidance in diet, exercise and other aspects, and provide patients with a whole process of systematic security services.

A user fills in an application	Waterdrop Medicine's one-on-one customer service team follows up and reviews	A pharmacy receives a direct billing order	Waterdrop Medicine completes delivery and sends a caring message	The page of direct billing order for special medication

Waterdrop's Service Procedure for Patients with Special Medication Needs

Collaboration with Suppliers to Facilitate Sustainable Development of Value Chain

Waterdrop is committed to joining hands with suppliers to optimize the supply management system. Through our collaborative innovation with suppliers, we strive to create an industry ecosystem with harmony and mutual benefits.

COLLABORATION

Supply Chain Management

Waterdrop is committed to building an open, positive and benign supplier cooperation ecosystem, and forming and strictly complying with the supplier management systems and norms, such as the *Waterdrop Inc. Supplier Management Regulations 2.0*, the *Waterdrop Inc. Pre-cooperation Notice*, the *Anti-commercial Bribery Commitment Letter, the Confidentiality Commitment Letter,* so as to ensure the openness and transparency of the procurement process and maintain a good supply chain environment. Meanwhile, we strive to maintaining an open, fair and impartial procurement environment, by engaging all suppliers to our integrity initiatives and permanently blacklisting suppliers with serious violations. Waterdrop is also partnering with Trust and Integrity Enterprise Alliance to promote its mutual growth with suppliers in a healthy business environment.

Waterdrop Inc. Pre-cooperation Notice

Waterdrop Inc. Integrity Initiatives

Waterdrop Health's Supplier Review Procedure

Pre-cooperation review

Through the bidding system, we gain a thorough understanding of suppliers' service capabilities and resource strengths.

Entry thresholds

Entry thresholds are set according to business nature to ensure that supplier capabilities meet our company standards.

Agreements in the contracts

Relevant quality indicators are set in each contract. For example, the satisfaction rate of users in each contract year shall be no less than 96%: the satisfaction rate = the number of satisfied users served in the current period / the number of all users served in the current period * 100%; the complaint rate in each contract year shall be no higher than 1%: the complaint rate = the number of complaints in the current period / the number of service cases in the current period * 100%; phone calls from users shall be answered within 25 seconds, with the first-time answer rate of no less than 92%, and the doctors' call-back rate should be 100%.

Regular review of user data

Based on users' service feedback and usage rate to review the order allocation to different suppliers.

Promoting Healthy Development of the Industry

Waterdrop highly values its communication and cooperation with suppliers, customers, academic and research institutions, and other partners. With an inclusive, open and innovative mindset, we consistently integrate the resource strengths of various parties and establish a strategic sharing platform, aiming to explore opportunities, exert influence, and promote the healthy development of the industry.

Industry Cooperation

As an industry-leading technology platform specializing in insurance and healthcare services, Waterdrop is not only responsible for itself, but also actively undertakes industry responsibilities and participates in industry activities, striving to establish an industry ecosystem with harmony and mutual benefits, and drive the healthy development of the industry. In 2021, Waterdrop has joined hands with other industry organizations, such as the Internet Society of China, the China Federation of Internet Societies, the China Veterans Entrepreneurship and Employment Association, the Insurance Society of China, the Chaoyang Listed Companies Association, and the Small and Medium Business Association, to engage in the formulation of the *Self-discipline Convention for Internet Assistance Service Platforms for Individuals with Critical Illnesses* and the *Self-discipline Convention for Internet Assistance Service Platforms for Individuals with Critical Illnesses 2.0*. We persistently enhance opinion exchanges and interactions, and foster win-win cooperation with other enterprises in the industry.

📖 Case Study: INSLAB Wuzhen Insurance Technology Festival

Waterdrop was invited to the INSLAB Wuzhen Insurance Technology Festival in 2021. In the event, the Head of Open Platform business stated that Waterdrop highly values the application of technological tools to improve the operational efficiency of the insurance industry chain. Leveraging its established capabilities relating to marketing, business operations, artificial intelligence and operating systems, Waterdrop is committed to building a digital open platform to share and expand the market with its partners, and achieve an open market with mutual benefits.

📖 Case Study: Summit on the Information Development of China's Insurance Industry

On June 24, 2021, Waterdrop attended the 14th Summit on the Information Development of China's Insurance Industry organized by *China Banking and Insurance News*.

In his speech at the conference, the head of Insurance Technology R&D of Waterdrop stated that the application of AI algorithms on Waterdrop's scenarios and database has effectively improved its operating efficiency and user service quality. Leveraging its sophisticated information technology, Waterdrop has also applied the data analytics and operating system capabilities established in its business operations to empower its insurer partners, and promote mutual development of the industry.

Industry Research

Waterdrop has actively involved in industry research in the insurance and healthcare sectors, and discussing with its peers about the future development of the industry. In 2021, the Waterdrop Insurance Institute published the *2021 Internet Health Insurance Trend Analysis*, predicting eight future trends of the industry. Moreover, we have conducted in-depth research on commercial insurance, medical check-ups and medicines, healthcare, medical treatment for critical illnesses and the like. For example, under the principle of ensuring the safety and compliance of user information and data, we have conducted a research based on the user data in the Waterdrop ecosystem as samples and published the *County-level Healthcare Security Analysis Report*, which presents the consumption characteristics and trends of users in the health insurance market of the county areas in China.

📖 Case Study: Waterdrop Insurance Marketplace User Research Center Releases the Report on Insights into Population Segments in the Insurance Market

In 2021, the Waterdrop Insurance Marketplace User Research Center released a *Report on Insights into Population Segments in the Insurance Market*, which provides analyses in four areas – the users' perceptions and attitudes towards insurance, the decision-making process in insurance consumption, the user behavior in insurance consumption, and the demographic segmentation of the insurance market.

Co-operations between the Industry and Universities

Waterdrop highly values the development of professional talents, and have cooperated with international and domestic universities to jointly promote the training of industry talents, research on industry trends, and technological innovation.

On September 15, 2021, the Waterdrop Critical Illness Research Institute and the China Philanthropy Research Institute of Beijing Normal University co-founded the China Critical Illness Relief Promotion Center in Beijing. The center will be responsible for academic research, project research, and the development of innovative critical illness relief projects.

Inauguration of the China Critical Illness Relief Promotion Center

Decent Workplace for Common Growth with Employees

Waterdrop has always regarded its employees as its partners, insisting on protecting their legal rights and interests and caring for their physical and mental health, so that they can enjoy a pleasant working life. Furthermore, we provide employees with plenty of development opportunities and channels, as well as customized training programs to support their continuous progress, thereby motivating them to demonstrate their talents and passion to the Company.

EMPLOYMENT

Protection of Employee Rights

In establishing its relationship with the employees, Waterdrop is in strict compliance with all laws and regulations, and protects their legal rights and interests. We provide employees with fair development opportunities and competitive compensations and benefits, and maintain open and frank communications with them.

Diversity and Equal Opportunities for Employees

Waterdrop strictly follows the laws and regulations in China, including the *Labor Contract Law of the People's Republic of China* and the core labor standard SA8000. We promise not to use child labor, and not to discriminate against employees in hiring, compensation, training, promotion, retirement and the like on the basis of gender, race, disability, social class, political affiliation or other factors.

Waterdrop does not set any thresholds on ethnicity, race, gender, and religious belief at the time of recruitment and salary determination. We strictly follow the *Remuneration Standard Instructions* and other related regulations. There is no significant difference in the ratio of male to female employees currently in employment or in their compensation. Our employees come from more than 20 ethnic groups who trust each other and work together for diversified development.

Employee Benefits

Waterdrop has a well-established compensation and benefits system, and developed a series of human resources regulations such as the *Remuneration Standard Instructions*, the Waterdrop Performance Regulations and the Year-end Bonus Plan. Under such regulations, we provide employees with fixed salary, and other incentives based on monthly, quarterly and semi-annual performance appraisals such as year-end bonuses and performance commissions, depending on the nature of their work.
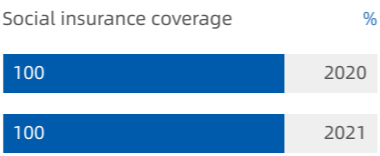
Waterdrop has also developed its annual leave system to enhance the employees' loyalty and show its appreciation for their efforts. For example, employees who have been employed by Waterdrop for one year or more are entitled to statutory annual leave – one day for each full year of service, up to a maximum of ten days. Interns are also entitled to such benefits after one year or more of internship in the Company.
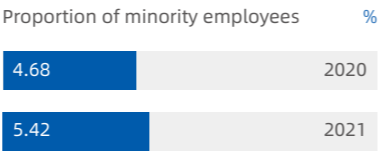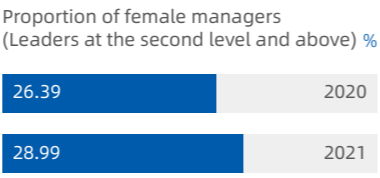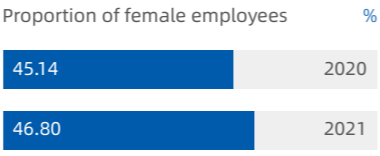
Employee Communications

The voice of employees is crucial for the business development and growth of a company. Hence, Waterdrop organizes regular face-to-face dialogues with CEO and other executives, allowing employees are to communicate with and provide feedback to the senior management.

To better serve the employees and increase their communication channels, Waterdrop elected the first trade union committee at the trade union assembly on November 15, 2021, for a term of five years and with 169 members. The union will hold regular activities to enhance communication between employees and the Company, and among employees.

Employee rights protection

Signing rate of labor contracts %

100		2020
100		2021

Social insurance coverage %

100		2020
100		2021

Number of employees and their profiles

Total number of employees

4,291		2020
2,936		2021

Proportion of female employees %

45.14		2020
46.80		2021

Proportion of female managers (Leaders at the second level and above) %

26.39		2020
28.99		2021

Proportion of minority employees %

4.68		2020
5.42		2021

Employees' Occupational Health

Waterdrop pays utmost attention to the occupational health and safety of employees. We insist on providing a safe and healthy working environment for employees. We also persistently optimize the health benefits of employees, striving to maintain their best state of health.

Occupational Health Management

In terms of occupational health protection, Waterdrop offers three health insurance benefits for its employees, providing comprehensive coverage for the prevention, inspection and protection of health problems of employees.

Prevention and Inspection of Health Problems

To prevent health problems of employees, Waterdrop has encouraged employees to maintain a healthy lifestyle and build up a strong immune system. The Company has set up a gymnasium in the office building, so that employees can do exercise after work to improve their physical fitness and maintain a healthy lifestyle. Besides, Waterdrop also provides regular medical check-ups, workplace medical consultation and vaccination services for employees to prevent and screen for potential health problems.

Employee Health Insurance

• The provision of five insurance protections and housing provident fund, and the work-related injury insurance scheme

Waterdrop has provided the five insurances protections (including pension, medical, unemployment, work injury and maternity insurance) and a housing provident fund for its employees in accordance with the law to protect their basic rights and interests. It also ensures workers with occupational diseases are entitled to the social insurance benefits under the work-related injury insurance scheme.

• Supplementary medical scheme

Waterdrop provides a supplementary medical scheme for employees, covering accident insurance and supplementary medical insurance. Under this scheme, employees (including interns) are entitled to a certain percentage of insurance protections for outpatient/emergency and inpatient medical treatment.

• Million-RMB sized medical insurance

Waterdrop provides million-RMB sized medical insurance for regular employees with service of more than 3 months, covering 1,002 medical institutions in 140 cities including Shanghai, Beijing, Guangdong, Tianjin, Jiangsu and Zhejiang.

Healthy Working Environment

Waterdrop provides spacious offices, open workstations, and quiet lounges, allowing employees to work efficiently and live happily. The safety and hygiene of our workplace are assured by regular disinfection, interior decoration and repair, and office equipment maintenance. During the COVID-19 pandemic, Waterdrop strictly complies with the government's epidemic prevention policy and prepares corresponding workplace epidemic prevention measures to assure a safe and healthy working environment for employees.
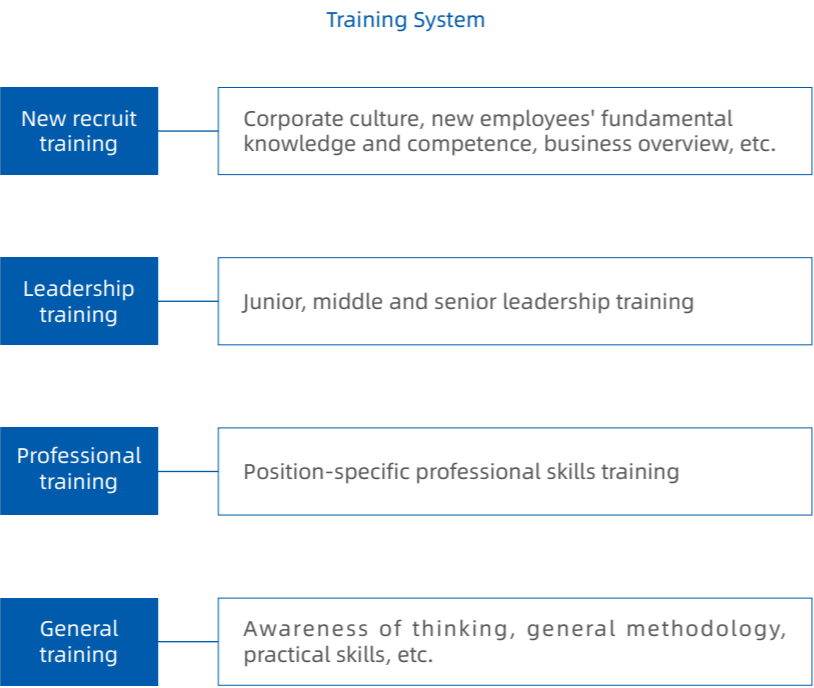
Employee Growth and Development

Waterdrop offers a wide range of development opportunities for all employees and like-minded partners through its diversified business layout. At the same time, we advocate our employees to maintain lifetime learning habits, so as to make continuous progress and to build up competitive strengths for a better future.

Comprehensive Talent Training System

Leveraging Waterdrop Academy, Waterdrop provides customized training programs for employees in different positions. Through a complete training system and a variety of training activities, we help all employees to achieve comprehensive growth, ranging from a new hire, to a backbone force and a leader. We foster a learning environment that provides every employee with the opportunity to acquire comprehensive and sustainable development capabilities.

To ensure continuous learning and development of our staff, we have prepared corresponding training and lecturer management methodologies. As part of our efforts to improve its training management system, we also select a team of high-quality part-time lecturers internally in addition to hiring external training institutions and individual lecturers.

Each part-time lecturer is required to go through systematic training before recruitment, and should be able to develop, deliver, and guide training according to the Company's actual development. To ensure the quality of internal training, Waterdrop also invites employees to participate in training evaluation and satisfaction surveys, and the survey results are used as a basis for the subsequent adjustment and improvement of internal trainers and courses. By doing so, we hope to continuously offer more professional and practical training courses to employees.

Training System

Category	Description
New recruit training	Corporate culture, new employees' fundamental knowledge and competence, business overview, etc.
Leadership training	Junior, middle and senior leadership training
Professional training	Position-specific professional skills training
General training	Awareness of thinking, general methodology, practical skills, etc.

Growth system	Purpose/description	Training program
New recruits	• To quickly learn about Waterdrop's corporate culture, business overview and professional knowledge • Intensified training for new recruits from campus/training camp for new recruits from society	• New Generation Program (School Recruitment) • Waterdrop Planet (Social Recruitment)
Professional	• To gain a thorough understanding of the core modules and operational logic of Waterdrop's business chain, acquire Waterdrop's expertise, and find your value and position in the Company, through the sharing of the core knowledge of the Company's different business sectors	• Waterdrop Manual
General	• To strengthen your high-productivity thinking and behavioral habits through classic methodologies and knowledge models • General competence training, professional skills training, and lectures from cross-border influencers for regular employees • To use pockets of time and learn anytime, anywhere, through the massive knowledge on the useful, interesting and informative online learning platform	• Waterdrop Fundamentals • Waterdrop Lecture • Waterdrop Open Class • online learning platform
Leadership	• To gather the core strength of Waterdrop's management level, create a management learning culture, focus on the realistic problems in management scenarios, work together to develop methods, tools, and standards, formulate a guiding principle for management, and collect useful management cases	• Class S

Internal Trainers' Development Pathway

There are four levels of part-time internal trainers in Waterdrop, namely junior, intermediate, senior, and expert. Junior trainers are those who have been newly selected and certified. Internal trainers follow a well-defined development pathway, with different KPIs set in each level.

Level	Requirements	Key tasks
Junior internal trainer	Employment in Waterdrop of 6 months or above; no disciplinary violations or other misconducts at work	To deliver standard courses of the corporate version, and develop courses based on job sequencing or specific business needs
Intermediate internal trainer	Employment in Waterdrop of one and a half years or more. Of which, more than one year of the employment being the junior internal trainer; an average training satisfaction score of 4.2 or above in the evaluation of the lecture	In addition to the tasks of a junior internal trainers, a need to deliver/optimize existing courses, and participate in course system design workshops to convey important knowledge and skills
Senior internal trainer	Employment in Waterdrop of two and a half years or more. Of which, more than one year being an intermediate internal trainers; an average training satisfaction score of 4.5 or above; Performance appraisal among the top 10% in the department.	To lead large seminars and workshops and develop business need cases
Expert lecturer	Business managers and decision-makers	To share knowledge, experience and skills with the participants.

Managers at the second level and above automatically join in the internal trainer team to perform the duties of internal trainers

Employee training

Investment in employee training — Million RMB

0.96	2020
1.69	2021

Number of participantions

8,375	2020
9,683	2021

Employee training coverage — %

100	2020
100	2021

📖 Case Study: Waterdrop's New Generation Program Focuses on College Recruits Training

In July 2021, Waterdrop launched the New Generation Program, which focuses on the training of new employees recruited from colleges. In 2021, 63 new employees benefited from a total of 10 courses under the program. They learned about Waterdrop's corporate culture and business operation, as well as their roles in the workplace. The Program enables each participate to make a fast transition from a student to an employee at Waterdrop and integrate into the Waterdrop family more quickly.
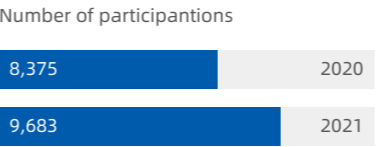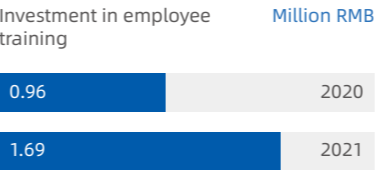
📖 Case Study: Practical Training on the "7 Habits of Highly Effective People"

During December 2020 to September 2021, Waterdrop organized training on *"7 Habits of Highly Effective People"*. This program was served as a tool and content in the talent training programs, and was applied in such scenarios as job debriefing and performance interviews. A total of 2,500 employees has participated in this practical training.

Clear Career Pathways

Inheriting the culture of "running water", Waterdrop provides employees with diversified growth opportunities and clear career pathways. To allow employees to demonstrate their passion and realize their personal value, Waterdrop has established a clear talent development channel to facilitate continued exploration and growth of employees. Furthermore, all job opportunities at Waterdrop are open to internal staff. Any employee with at least six months of service may apply for an internal job transfer in order to find the right job for him/her.

Employee Care

Waterdrop cares every partner who works together with the Company, from everyday lifestyle to physical and mental health, from efficient work to happy life. We work hard for every employee's well-being, by organizing themed activities and providing thoughtful benefits.

Themed Activities

To enhance employee loyalty and make their work and life more enjoyable, Waterdrop regularly organizes a variety of workplace recreational activities, such as cultural and sports events, team building, club activities, festive celebrations and company anniversaries.

Summer carnival

Chinese Valentine's Day

Thanksgiving Day

Christmas wish bazaar

Thoughtful Benefits

Waterdrop offers a comprehensive set of benefits to all employees, covering work, health, and life.

Work	Health	Life
• The provision of seven insurance protections and housing provident fund (five social insurances, , supplementary medical scheme, million RMB-sized medical insurance) • Statutory paid annual leave, paid sick leave • Face-to-face dialogue with CEO • Onboarding gift set • Flexible working hours	• Annual medical check-ups for the employees and their family members • Free doctor helpline, critical illness green pass, registration service and other services • Workplace health and fitness services	• Rental discounts (Ziroom, 5i5j, etc.) • Taxi reimbursement • Free gymnastics • Pantry, snack vending machine, Starbucks beverage • Onboarding gift set, reading/birthday party, holiday gift set, work anniversary gift • Medical kit, rainy day care

HPV lecture

Workplace massage

TCM consultation

Care for Female Employees

To better serve its employees, Waterdrop has been committed to developing a diversified employee care model. In particular, we provide more considerate care to female employees by customizing comprehensive female medical check-up packages, setting up nursing rooms, and offering breastfeeding leave.

📖 Case Study: To the Most Beautiful You | Waterdrop Girls' Day

On March 8, the International Women's Day, Waterdrop presented a gift kit for every female employee, and invited chief physicians of obstetrics and gynecology to give a featured lecture on women's health. Moreover, we have put up "Ladies First" signs in public facilities such as elevators, water dispensers, pantries, and gymnastics.

Employee Volunteering

Waterdrop Charity initiated various offline charity activities to bring together all sectors of society and contribute to social development. Waterdrop has recruited nearly 18,000 volunteers in over 400 cities across China and organized over 700 charity events each year to assist as many people as possible.

To engage more employees to participate in charity events, we have launched the "Waterdrop Charity Hours" program, encouraging each colleague to contribute at least 3 hours every year to charity events. These include charitable visits, donations and charity helpers, as well as involvement in the work of Waterdrop Charity. Waterdrop continues to develop more flexible and multi-dimensional channels so that its employees can be dedicated more to charity events and increase their social responsibility.

📖 Case Study: Overseas Returnee Dr. Zhang Li Devoted to Charitable Services

Waterdrop highly values its employees' volunteer efforts. After years of work, the Company has already created a favorable environment for volunteer activities, and a number of outstanding volunteers have emerged. Dr. Zhang Li is an overseas returnee, as well as a Waterdrop employee devoted to charitable services. With a passion for charity work, Zhang joined Waterdrop and has been involved in charity work outside of work.

After learning that there was no private rescue organization in her hometown – Ma'anshan, she immediately gathered several like-minded friends and set up the first registered private rescue team in the city: the Ma'anshan Red Cross Public Welfare Rescue Team. Over the years, Zhang Li and her team members have stood in the front lines wherever there is difficulty and danger. In the Hengshan fire, she was the only woman involved in firefighting on the mountain. When Typhoon Lekima hit, she and the rescue team rushed to the affected area of Ningguo City to rescue and provide disaster relief to victims. During the COVID-19 pandemic, she and the team worked days and nights to set up emergency tents, guard road checkpoints, assist in the delivery of epidemic prevention supplies, coach the epidemic prevention team, provide translations for hospitals to confirm overseas donations, educate people on the street about epidemic prevention, and distribute free masks to sanitation workers. The rescue team has led and participated in more than 20 rescue missions such as Hengshan fire, Ningguo typhoon, flood relief and snowstorm rescue. Apart from that, it has also delivered nearly 100 emergency rescue training sessions, provided security service for more than 20 large events, assisted in 120 pre-hospital emergency care, and participated in large provincial and municipal emergency drills. Zhang Li uses practical actions to serve as a role model for Waterdrop employees and those around her.

Green Development for a Better Planet

Waterdrop acknowledges its responsibility for tackling the global climate change, and helping China fulfill its commitment to emission reduction under the Paris Agreement, that is, to peak its carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. Therefore, we attach great importance to our sustainable development, by acting in active response to the national call for energy conservation and emission reduction, and consistently implementing green development and low-carbon strategies.

ENVIRONMENT

Environmental Management Philosophy

As a non-production enterprise, Waterdrop is highly concerned about the environmental impact of its operations, and has been championing the UN Sustainable Development Goals and China's call for energy conservation and emission reduction, and continuously aligning its growth with environmental initiatives. As it works to establish a sound environmental management system, the Company closely monitors its key environmental performance, and continues to promote green and environmental protection concepts internally. In 2021, the Company identified energy conservation and carbon reduction as a priority of its environmental protection work, with continued efforts to promote green office through a variety of measures covering energy management, carbon emissions and resource use.

Addressing Climate Change

Climate change is currently in the spotlight on a global scale. Waterdrop pays constant attention to climate change, and is well aware of the substantial impact it may have on the Company's operations. We've taken steps to improve energy efficiency and reduce greenhouse gas emissions in order to combat climate change, embrace sustainable development, and boost our competitiveness.

Waterdrop supports the national effort to fulfill the goals on peak carbon emissions and carbon neutrality. We've introduced internationally-recognized systems to comprehensively regulate our environmental and energy management and formulated the Office Electricity Use Management Regulations and other internal policies. Energy used for air-conditioning, lighting and other operational activities is under management by designated personnel, who are responsible for making timely adjustments to electrical equipment according to changes in the external environment such as light and temperature, in order to reduce power waste and improve energy efficiency. During the reporting period, the power consumption of Waterdrop recorded 625,404.8 kWh, a decrease of 79,915.2 kWh over the previous year.

In the meantime, we keep abreast of effective ways to reduce carbon emissions. Upon rigorous monitoring and analysis, it's found that our greenhouse gas emissions mainly come from the Company's vehicles and the use of natural gas. Therefore, Waterdrop has strengthened the management of vehicle use, by controlling the use frequency and driving mileage of vehicles. The principle of "approval before departure" has been enforced to make sure vehicles are used based on business needs. Also, employees are required to keep records of vehicle use and fuel consumption in a timely manner to prevent vehicles from being used freely and without authorization.

Electricity consumption	kWh	
705,320.0		2020
625,404.8		2021

Electricity consumption per unit area	kWh/m²	
56.2		2020
49.92		2021

Resource Utilization

Waterdrop is dedicated to improving resource utilization efficiency and supporting the development of the circular economy. Under the state provisions on energy and water resources management, the Company adopts a scientific approach to manage the use of water, electricity and other resources. Waterdrop is not a water-intensive firm, and its operation does not involve a large amount of water use or wastewater discharge. However, we still encourage and urge water conservation throughout the organization. We pursue the efficient use of water resources by posting water conservation posters in the office, regularly inspecting water-using equipment, and timely reporting malfunctioning equipment for repair. In the future, Waterdrop will continue to monitor the water use practice, in the hopes of making continuous progress.

We work hard to reduce waste in daily office operations, minimizing our damage to the environment. Waterdrop has vigorously implemented waste classification and introduced corresponding disposal measures for different types of waste in strict compliance with applicable national laws and regulations on waste management. General office and domestic waste is handed over to qualified cleaning service providers for recycling and disposal after classification by the Company. For hazardous waste such as waste electronic equipment and office electronic waste, we've specified disposal requirements in our Fixed Assets Management Regulations: Such waste will be shipped to qualified service providers for resource recycling and harmless disposal.

Number of waste electronic equipment	Piece	
213		2020
300		2021

Number of waste lighting tubes	Piece	
32		2020
18		2021

Green Office

Waterdrop pays close attention to the impact of employees' workplace practice on the environment and climate and promote green office throughout the organization. The Company has put in place a number of internal policies such as the *Office Space Management Measures* and the *Water and Electricity Management Measures* to ensure the scientific use of office space and related resources and encourages shared office and working from home regularly, thus improving the efficiency of office space use and resource utilization. Meanwhile, we encourage employees to take every chance to implement green and environmental protection concepts by posting reminders to save paper and turn off lights on the wall. In 2021, Waterdrop started the initiative to build a paperless office and encourage double-sided printing and the use of e-signature, among other means. As a result, our consumption of office paper was reduced by 47.14 kg compared with the previous year.

As a practitioner of sustainable development, Waterdrop is also active in promoting environmental protection culture, and committed to raising employees' awareness of energy conservation and environmental protection. Our administrative staff, janitors, and security guards received a total of 20 sessions of water and electricity conservation trainings in 2021.

Social Contributions for Common Prosperity

As an integral part of its ESG efforts, Waterdrop has continued to provide charitable organizations with all-round support through the Waterdrop Charity platform, by improving the charity infrastructure and charity funds utilization efficiency through technology. Since its establishment, the Company has been dedicated to public welfare and charity projects in various fields, including anti-epidemic action, poverty alleviation, emergency response, disaster relief, and rural revitalization, making continuous contributions to common prosperity.

CONTRIBUTION

Social Responsibility and Waterdrop Charity

As part of its active efforts to undertake social responsibilities, Waterdrop launched an online charity crowdfunding information platform – Waterdrop Charity in July 2018. The platform is designed to improve the social charity infrastructure and social charity funds utilization efficiency through technology, and provide all-round support for charitable organizations. The Waterdrop Charity platform has established a sound service and risk control mechanism in accordance with the *Basic Technical Specifications of Online Public Crowdfunding Information Platforms for Charitable Organizations* and the *Basic Management Specifications of Online Public Crowdfunding Platforms for Charitable Organizations*. In May 2018, the platform was selected into the second batch of online public charity crowdfunding information platforms by the Ministry of Civil Affairs.

By leveraging its mobile Internet technology, the Waterdrop Charity platform enables public charity fundraising based on social networks and promotes the integration of social resources. Since its founding, Waterdrop Charity has established partnerships with 93 public charity fundraising foundations by December 2021. Meanwhile, the platform has expanded its communication channels to include WeChat official accounts, WeChat Moments, WeChat Mini-programs, and Weibo. With Waterdrop's massive user base, it has launched a series of influential charity campaigns online and offline to address the needs of the society.

From January 1, 2020 to December 31, 2021, there were 9,451 projects on the Waterdrop Charity platform, covering anti-epidemic action, emergency response, disaster relief, rural revitalization and many other topics. A total of RMB 833,776,562 was raised from 47,258,209 donations. In particular, RMB 723,803,505 was raised for health initiatives, accounting for 86.8% of the total; and RMB 11,851,523 was raised for poverty alleviation, accounting for 1.42% of the total.

Anti-pandemic Action

In 2020, the COVID pandemic struck the world. In the early stage of the breakout, Waterdrop Charity joined hands with more than 20 charity organizations to support pandemic prevention and control. A total of over RMB 65 million was raised and used for purchasing medical masks, protection suits and other anti-pandemic supplies. In particular, Waterdrop Charity teamed up with the Ai You Foundation and raised RMB 920,000, to provide living subsidies for local hospitals in Hubei and medical assistance teams from other provinces; it worked with the China Population Welfare Foundation to raise RMB 10 million for the procurement of epidemic control supplies for Hubei hospitals; and it partnered with the China Organ Transplantation Development Foundation and raised over RMB 580,000 for medical supply procurement and humanitarian assistance, helping 12 hospitals including Xiangya Hospital of Central South University and West China Hospital of Sichuan University.

In the same year, Waterdrop collaborated with Tencent and Taihecap to donated RMB 1 million to the Medical Department of Tsinghua University to support the research process of the new coronavirus vaccine. President Xi paid close attention to the research progress and personally inspected the vaccine research results.

Waterdrop is concerned with the global anti-pandemic cause in the meantime. In April 2020, the Waterdrop Charity and the China Population Welfare Foundation jointly launched a fundraising initiative, raising more than RMB 210,000 for the World Health Organization's COVID-19 Solidarity Response Fund to aid the global fight against the pandemic.

📖 Case Study: Emergency Response Workers Protection Program

In February 2020, Waterdrop Charity and China Social Welfare Foundation launched the Emergency Response Workers Protection Program to provide a relief subsidy of RMB 100,000 to those who were infected with COVID while working in the frontline of pandemic control, and RMB 500,000 to the families of frontline workers who deceased in the fight against the pandemic as condolences, living allowances, and education subsidies for their children.

As of April 7, 40,694 caring donors had contributed a total of over RMB 1.5 million to the Program, which had granted RMB 400,000 to 4 medical workers who contracted the virus, and RMB 1 million to the families of 2 police officers who died on duty, paying tribute to the heroes and thanking them for their contributions to the anti-pandemic efforts.

Emergency Response and Disaster Relief

Waterdrop is taking a proactive approach to fulfill its social responsibility for disaster relief. In 2020, several rounds of heavy rain fell in southern China, causing floods in many places. Waterdrop Charity Fund and One Foundation launched a public welfare program for emergency response and disaster relief and two regular disaster preparedness programs, raising funds of nearly RMB 1.7 million collectively. The funds were used to help affected residents in Guizhou, Chongqing and Sichuan.

To make residents' lives easier after disasters, since June 2020 Waterdrop has collaborated with One Foundation and gathered forces from various parties to participate in flood relief operations and distribute supplies in Guizhou, Sichuan and other provinces and cities, assisting in the recovery of local residents' life and production afterwards.

📖 Case Study: Henan Rainstorm Disaster Relief Program

Extreme heavy rainfall hit Henan starting from July 17, 2021, with record rainstorms pounding the central, western and northwestern regions of the province. Some areas were severely hit by the deadly downpour. On July 20, 2021, Waterdrop Charity Fund promptly launched three public fundraising programs of China Social Assistance Foundation, One Foundation, and Beijing Red Cross Foundation, and kept users updated on the disaster development in Henan, calling for their attention and donations to foundations with rescue experience and qualification. The Waterdrop Charity Fund helped 21 public fundraising foundations including China Charity Federation, China Social Assistance Foundation, Red Cross Society of China Henan Branch, and One Foundation initiate a total of 29 Henan flood relief programs, raising approximately RMB 16.8 million in donations to assist the transfer and resettlement of more than 209,000 victims.

Remedy and Assistance

Urban and rural residents in China have now been essentially covered by medical insurance with the continued improvement of the national medical assistance system in the new era. However, the high cost of treating critical diseases remains a major burden for some families in difficulty, despite the government's efforts to continuously increase the reimbursement portion and introduced secondary reimbursement policies. Deeply concerned with "impoverishment due to illness," Waterdrop is committed to easing the pain of medical bills on poor families suffering from critical illnesses.

On top of providing financial aid, Waterdrop also cares for the mental health of patients and their families. We seek to provide them with multi-level and all-round help and care through an array of public welfare activities.
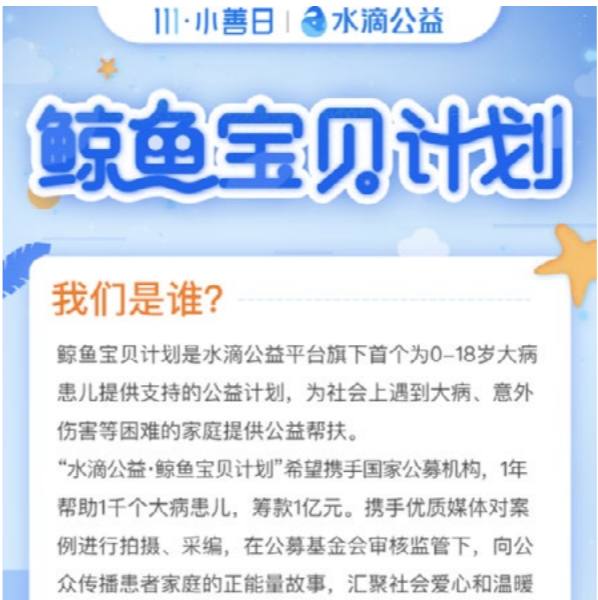
📖 Case Study: Baby Whale Project

Children's health is always a top priority in a family, while the treatment of rare and serious diseases in children often necessitates large, long-term expenditures. To better help families with critically ill children, the Waterdrop Charity has started the Baby Whale Project, which aims to bring together more superior public welfare foundations, public fundraising organizations and public welfare media and offer assistance to impoverished families with kids under the age of 18 who are suffering from serious illnesses.

As of the date, Waterdrop Charity has helped public fundraising foundations raise more than RMB150 million in medical funds from nearly 4.84 million donators for seriously ill children under the age of 18. These funds have benefited 1,795 families of child patients.

📖 Case Study: Multi-party Co-payment Program for Rare Disease Treatment

To reduce the economic pressure on rare disease patients and their families, Waterdrop Charity and Beijing Illness Challenge Foundation jointly started a pilot program on the multi-party co-payment for rare diseases in Shandong, Shanxi and Zhejiang.

The program is designed to improve rare disease patients' living conditions, by supporting their ongoing medical treatment, medication, and special diet. It has been executed for 3 years and distributed accumulatively RMB 4 million donations to 187 patients in the aforementioned three provinces, significantly mitigating their self-pay pressure and ensuring continued treatment and medication.

Leveraging Waterdrop Medical Crowdfunding's capabilities, the program has developed a phased solution to multi-layer medical protection for rare diseases. As of the date, Waterdrop Medical Crowdfunding has raised more than RMB 898 million for a combined of 42,000 rare disease patients.

On the Rare Disease Day 2021, Waterdrop and Illness Challenge Foundation published the *2020 Report on Multi-party Co-payment Practice of Medical Aids for Rare Diseases*. The document has identified the pathway and value of Waterdrop's participation in the multi-layer medical protection for rare diseases, and serves as a valuable reference for practice by local healthcare protection administrations, health commissions, and rare disease diagnosis and treatment hospitals.

Case Study: Waterdrop Charity Home

Waterdrop has initiated Waterdrop Charity Home program to provide accommodation and meals for patients who accept medical treatment and their families outside hometown, as well as better care and assistance for seriously ill patients and their families. The charity homes were arranged under the program, offering spaces for accommodation, rest and other activities.

We teamed up with Midea and other parties to donate 34 Midea steaming & baking ovens to the Waterdrop Charity Homes and offered interesting baking classes for patients. As of the date, more than 30 charitable homes have been built in 7 cities across China.

Case Study: Family Support Program for People with Intellectual Disabilities

In an effort to systematically address the challenge faced by the people with intellectual and/or mental problems, starting from 2019, Waterdrop Charity and Shenzhen One Foundation Charity Fund launched the Family Support Program for Persons with Intellectual/Mental Disabilities, provide an extensive, professional, convenient and continuous support system for their families, and fulfil the long-term vision from family change to social transformation. The program aims for deep community connections with the families of persons with intellectual/mental disabilities, by establishing an open community support platform and building a three-level support network on the national, provincial and municipality levels. Also, we hope to promote social cognitive changes, as well as the improvement of support networks for people with intellectual/mental disabilities nationwide through the joint action by regional networks and policy implementation.

Amid the pandemic time, the program provided direct assistance and support to 21 families at risk of infection, while continuing to offer aid to 959 families with serious intellectually/mentally handicapped in 25 places. Also, different kinds of supplies and services have been distributed to 12,520 affected families in Hubei.

By December 2021, the program had served 14,004 families in the resource centers for families with the intellectually/mentally handicapped, handled 1,126 cases, and organized 1,010 respite care and parental empowerment activities, attracting a total of 48,380 participants. And 2,038 community mobilization/integration activities for the intellectually/mentally disabled were organized via the program, engaging a total of 51,953 participants and 11,107 volunteers.

Rural Revitalization

Waterdrop has launched rural revitalization projects in many places, in active response to the government call for the effective connection of the consolidation and expansion of poverty alleviation achievements and rural revitalization. As a responsible social force, Waterdrop is currently focusing on supporting and solidifying the achievements of poverty alleviation, while bringing together people from all walks of life and innovating working approaches to provide ongoing benefits and care to local communities and residents.

Case Study: Illuminating Daliangshan Villages Program

Riha Township, Zhaojue County, Liangshan Prefecture, Sichuan is located in the Daliang Mountains. Although the locality has completed mission of poverty alleviation campaign, the infrastructure remains relatively inferior. Riha is situated close to the national road of G208. However, there were no streetlamps along the way, resulting in a great safety loophole. Acknowledged by this, Waterdrop Charity took actions to install streetlamps in support of rural infrastructure construction. As of the date, the Company has mounted a total of 177 solar-powered streetlights in the centralized resettlement site of Lietuo Village and the main streets in Riha, helping residents on their mobility demand.

Case Study: Waterdrop Rural Clinic

As a key program of Waterdrop to support rural revitalization, Waterdrop Rural Clinic was initiated in May 2018. As of the date, 64 clinics in Zhangjiakou of Hebei, Moyu Hetian of Xinjiang, Zhaotong of Yunnan, Sinan of Guizhou, Chengde of Hebei, Jiuquan of Gansu and other places have been built, benefiting over 150 thousand people. Waterdrop is planning to establish 1,000 clinics in 100 counties across the country by 2030, making greater contributions to rural revitalization and a healthy China. In addition, Waterdrop stays concerned with a number of rural revitalization matters related to basic medical facilities, education, infrastructure, and security.

Key Honors and Awards for 2020-2021

December 2021

2021 CSR Model of Public Welfare

Beijing Business Today

December 2021

Outstanding Charity Case 2021

Jiemian.com

November 2021

Outstanding ESG Case in China 2021

The Economic Observer

August 2021

2021 INSLAB China Insurtech Top 100

INSLAB

July 2021

Top-3 InsurTechs of Asia 2021

Asia Insurance Review, a specialized magazine in the Asian Insurance industry, in collaboration with WTW and CB Insights

April 2021

Chinese Unicorn Enterprise 2020

Tianjin Municipal Science and Technology Bureau, Greatwall Strategy Consultants

April 2021

Star of Poverty Alleviation

People.cn

March 2021

Advanced Organization for Poverty Alleviation Cooperation in Beijing

The General Office of the Beijing Municipal CPC Committee, the General Office of the Beijing Municipal People's Government

February 2021

Award of Public Welfare Promoter 2020

China Social Welfare Foundation

December 2020

Public Welfare Enterprise 2020

Changjiang Daily Newspapering Group, Wuhan Youth Development Foundation

December 2020

Top 10 Innovative Enterprise with Contribution for Fighting Pandemic 2020

Lieyunwang.com

November 2020

Pioneering Organization for Targeted Poverty Alleviation

China.com.cn

October 2020

2020 Business for Good

China Social Enterprise and Impact Investing Forum

September 2020

Top 10 Valuable Private Digital Healthcare Company

CB Insights

August 2020

2020 China Social Action Ranking for Fighting Pandemic

Southern Weekly

July 2020

2020 China Top 100 Startups Followed by Investors

36Kr

KPI Table

Indicator	2021	2020
Environment		
Electricity consumption (kWh)	625,405	705,320
Electricity consumption in unit area (kWh/m2)	49.9	56.2
Water use (ton)	15,207.8	8,535.2
Water use intensity (ton/m2)	1.21	0.68
Number of waste electronic equipment (piece)	300	213
Number of waste lighting tubes (piece)	18	32
Total hours of environmental training	12.5	8.0
Number of environmental training sessions	20	17
Office paper use (kg)	113.75	160.89
Society		
Total number of employees	2,936	4,291
Proportion of female employees (%)	46.80%	45.14%
Proportion of female managers (%)	28.99%	26.39%
Proportion of minority employees (%)	5.42%	4.68%
Number of employees with a bachelor's degree	1,420	1,433
Number of employees with a master's degree and above	190	127
Signing rate of labor contracts (%)	100.00%	100.00%
Social insurance coverage (%)	100.00%	100.00%
Investment in employee training (RMB 1,000,000)	1.69	0.96
Number of training participants	9,683	8,375
Employee training coverage (%)	100.00%	100.00%
Number of employees suffering from occupational diseases	0	0
Number of new recruits participating in customer service training*	248	232
Annual number of customer service times*	9,139,757	8,635,734
Annual number of customers receiving customer service* (hour)	842,756	775,249
Annual customer service length*	8,760	8,760
Customer satisfaction (%)*	98.14%	97.30%
Number of internal customer service training sessions*	121	123
Length of internal customer service training (hour)*	1,635	1,658
Number of employees participating in customer information security training *	300	300
Governance		
Operating revenue (RMB 100,000,000)	32.06	30.28
Total first-year premiums (RMB 100,000,000)	163.63	144.29
R&D investment (RMB 100,000,000)	3.79	2.44
Number of supplier compliance training sessions	2	1
Number of participants in supplier compliance training	901	249

Note: Items marked with * is limited to Waterdrop Medical Crowdfunding

Assurance report

Independent Limited Assurance Report

The Board of Directors of Waterdrop Inc.:

We have been engaged to perform a limited assurance on the selected 2020 to 2021 key data from 01 January 2020 ended 31 December 2021 Annual Environmental, Social, and Governance Report (hereinafter referred to as "ESG Report") of Waterdrop Inc. (hereinafter referred to as "Waterdrop").

Selected Key Data

The selected key data in the ESG Report of Waterdrop for 2020 and 2021 that is covered by this report is as follows:
- Electricity consumption (MW·h)
- Annual water consumption (tons)
- Total duration of environmental protection training (hours)
- Total number of environmental protection training (number of sessions)
- Total number of employees (person)
- Proportion of female employees (%)
- Proportion of female managers (%)
- Proportion of ethnic minority employees (%)
- Employment rate of persons with disabilities (%)
- Labor contract signing rate (%)
- Social insurance coverage rate (%)
- Employee training person-time (person-time)
- Number of new employee customer service training for Waterdrop Medical Crowdfunding (person)
- Statistics on the number of times of customer service in the Waterdrop Medical Crowdfunding (times)
- Waterdrop Medical Crowdfunding customer satisfaction (%)
- Supplier compliance training sessions (sessions)
- Supplier compliance training person-time (person-time)

Our assurance engagement is limited to the key data for the year from 01 January 2020 ended 31 December 2021. Other information disclosed in the 2020 to 2021 ESG Report and information of previous period are not included in our scope of engagement.

Basis of Reporting

The basis of reporting adopted by Waterdrop to prepare the key data of 2020 to 2021 ESG Report is listed in the Basis of Reporting of key data in Appendix attached to this report (hereinafter referred to as "Basis of Reporting").

Responsibilities of the Board of Directors

It is the responsibility of the Board of Directors of Waterdrop to compile the key data of 2020 to 2021 ESG Report according to the Basis of Reporting. The Board of Directors design, implementation and maintenance of internal control related to the compilation of the key data, so that there is no material misstatement caused by fraud or error in these data.

Our Independence and Quality Control

We perform the assurance process independently of Waterdrop. For the purpose of providing this limited assurance, we have no relationship with Waterdrop that would affect our independence. We

follow the International Quality Control Standard No.1, and maintain a comprehensive and systematic quality control system, including policy and procedure documents related to compliance with professional ethics requirements, professional standards and applicable laws and regulations.

Our Responsibilities

Our responsibility is to publish our conclusions on the key data of the 2020 to 2021 ESG Report on the basis of procedures performed.

We performed the assurance engagement according to the International Standard on Assurance Engagements 3000 (revised): Assurance Engagement Other Than Audits or Reviews of Historical Financial Information, which requires us to plan and implement the engagement to form the assurance conclusion.

The nature and duration of the procedures implemented by limited assurance engagement differ from those of reasonable assurance engagement, and the scope is smaller. Therefore, the assurance extent of limited assurance engagement is significantly lower than that of reasonable assurance engagement. We will not offer reasonable assurance opinions on whether the key data disclosed in 2020 to 2021 ESG Report were compiled according to the Basis of Reporting in all major aspects.

Our assurance engagement includes assessing whether the key data of 2020 to 2021 ESG Report have material misstatement risks caused by fraud or errors, the assurance procedure chosen depends on the judgment of our assessment of risks. Our procedures includes:
1) Interview the staff of relevant departments involved in providing the key data disclosed in 2020 to 2021 ESG Report;
2) Implement analysis procedures for the key data;
3) Carry out sampling inspection on the key data in the 2020 to 2021 ESG Report;
4) Recalculate；
5) Other procedures deemed necessary.

Inherent limitations

As that there is no recognized evaluation and measurement standard system available for non-financial data, so a non-uniform measurement method was adopted, which would affect the comparability of inter-company data.

Limited Assurance Conclusion

Based on the implemented procedures and obtained evidence, we did not notice anything that would lead us to believe that the key data disclosed in the ESG Report of Waterdrop for the year from 01 January 2020 ended 31 December 2021 were not compiled according to the Basis of Reporting in all major aspects.

Limitations on use

This report has been prepared for and only for the board of directors of Waterdrop and no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Zhongcai Lvzhi (Beijing) Information Consulting Co., Ltd.

Zhongcai Lvzhi (Beijing) Information Consulting Co., Ltd

Beijing, China

01 July, 2022

Appendix

Basis of Reporting

1. Electricity consumption (MW·h): The electricity consumption refers to the total electricity consumption of Waterdrop in 2020 and 2021.

2. Annual water consumption (tons): The Annual water consumption refers to the total water consumption of Waterdrop in 2020 and 2021.

3. Total duration of environmental protection training (hours): The total duration of environmental protection training refers to the total duration of environmental protection training of Waterdrop in 2020 and 2021.

4. Total number of environmental protection training (number of sessions): The total number of environmental protection training refers to the total number of environmental protection training of Waterdrop in 2020 and 2021.

5. Total number of employees (person): The total number of employees refers to the total number of employees of Waterdrop as of December 31st, 2020 and December 31st, 2021.

6. Proportion of female employees (%): The percentage of female employees refers to the proportion of female employees to the total number of employees of Waterdrop as of December 31st, 2020 and December 31st, 2021.

7. Proportion of female managers (%): The percentage of female managers refers to the proportion of female managers to the total number of managers of Waterdrop as of December 31st, 2020 and December 31st, 2021.

8. Proportion of ethnic minority employees (%): The percentage of ethnic minority employees refers to the proportion of ethnic minority employees to the total number of employees of Waterdrop as of December 31st, 2020 and December 31st, 2021.

9. Employment rate of persons with disabilities (%): The employment rate of persons with disabilities refers to the ratio of the total number of disabled employees to the total number of employees of Waterdrop as of December 31st, 2020 and December 31st, 2021.

10. Labor contract signing rate (%): The labor contract signing rate refers to the ratio of the number of employees (excluding labor dispatch) who signed labor contracts to the number of employees (excluding labor dispatch) in 2020 and 2021.

11. Social insurance coverage rate (%): The social insurance coverage rate refers to the ratio of the number of Waterdrop employees who paid social insurance to the total number of employees in 2020 and 2021.

12. Employee training person-time (person-time): Employee training person-time refers to the number of employees who participated in the training by Waterdrop in 2020 and 2021.

13. Number of new employee customer service training for Waterdrop Medical Crowdfunding (person): The number of new employee customer service training for

Waterdrop Medical Crowdfunding refers to the number of new employees who participated in the customer service training for Waterdrop Medical Crowdfunding in 2020 and 2021.

14. Statistics on the number of times of customer service in the Waterdrop Medical Crowdfunding (times): The statistics on the number of times of customer service in the Waterdrop Medical Crowdfunding refers to the number of times that the Waterdrop Medical Crowdfunding of the Waterdrop company serves customers each year in 2020 and 2021.

15. Waterdrop Medical Crowdfunding customer satisfaction (%): Waterdrop Medical Crowdfunding customer satisfaction refers to the proportion of Waterdrop Medical Crowdfunding customers provides a"Satisfied"services feedback to the total customer evaluation feedback in 2020 and 2021.

16. Supplier compliance training sessions (sessions): Supplier compliance training sessions refer to the number of compliance training sessions provided by Waterdrop to suppliers in 2020 and 2021.

17. Supplier compliance training person-time (person-time): Supplier compliance training person-time refers to the person-time that Waterdrop's suppliers participated in compliance training in 2020 and 2021.

Indicator Index

Reporting framework		HKE×ESG Guidelines	GRI
About This Report		Reporting Principles; Reporting Scope	GRI102; GRI103
Message from the Founder			GRI102
About Waterdrop Inc.	Business overview and key performance		GRI102; GRI201
	Corporate Culture		GRI102
ESG Management		reporting principles	GRI103
Contributing to the UN Sustainable Development Goals	Special Report 1: Engage in multi-layer medical protection plans to prevent patients with critical illnesses from being impoverished or returning to poverty		GRI102; GRI103
	Special Report 2: Explore a new exemplary model of healthcare insurance with the goal of "inclusive protection"		GRI102; GRI103
	Special Report 3: Driven by technological innovation, and promote the development of healthcare industry		GRI102; GRI413
Solid Governance and Steady Operation in Compliance	Compliance and Steady Operations	governance structure	GRI103; GRI419
	Risk Management and Control	governance structure	GRI102; GRI103
	Honest Operation		GRI-102; GRI-103; GRI-205; GRI-206; GRI-419
	Information Security	B6	GRI103
	Investor Relations	governance structure	GRI102; GRI103
Technology for Health Protection	R&D and Innovation	B6; B6.3	GRI102; GRI103; GRI203
	Product Value	B6	GRI102; GRI103; GRI203; GRI413
	Customer Service	B6.2; B6.5	GRI102; GRI103; GRI203; GRI416
Collaboration with Suppliers to Facilitate Sustainable Development of Value Chain	Supply Chain Management	B5; B5.2; B5.3	GRI414
	Healthy Development of the Industry		GRI102
Decent Workplace for Common Growth with Employees	Employee Rights Protection	B1; B4; B1.1	GRI401; GRI405; GRI407;
	Employees' Occupational Health	B1; B2	GRI103; GRI403
	Employee Growth and Development	B3; B3.2	GRI103; GRI401; GRI403
	Employee Care	B1; B2	GRI401
Green Development for A Better Planet	Environmental Management Philosophy		GRI103
	Addressing Climate Change	A2; A2.1; A2.3	GRI103; GRI302
	Resource Utilization	A2; A1.4	GRI103
	Green Office	A2	GRI103
Social Contributions for Common Prosperity	Social Responsibility and Waterdrop Charity	B8; B8.1; B8.2	GRI102; GRI103; GRI413; GRI415
	Anti-pandemic Action	B8.1; B8.2	GRI102; GRI413; GRI415
	Remedy and Assistance	B8.1; B8.2	GRI102; GRI413; GRI415
	Rural Revitalization	B8.1; B8.2	GRI102; GRI413; GRI415