



Shanghai Dongzheng Automotive Finance Co., Ltd.\*

上海東正汽車金融股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)  
stock code : 2718



# 2020 Environmental, Social and Governance Report



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## ABOUT THIS REPORT

### Overview

This Environmental, Social and Governance Report (the “Report”) for the year of 2020 is issued by Shanghai Dongzheng Automotive Finance Co., Ltd.\* (the “Company” or “Dongzheng AFC”), which adheres to the principle of materiality, quantitative and consistency and focuses mainly on the disclosure of the sustainable development of the Company relating to corporate governance, economy, environment and social responsibility areas. Unless otherwise specified, this Report covered the period from 1 January 2020 to 31 December 2020 (the “Reporting Period”).

### Basis of Preparation

This Report was prepared in accordance with the disclosure obligations under the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guide”) contained in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### Reporting Scope

The purpose of this Report is to objectively present the performance of the Company in the aspects of corporate social responsibility, such as economic, products and services, social, environmental, employees’ growth and corporate governance. The reporting scope covers Shanghai Dongzheng Automotive Finance Co., Ltd.\*.

### Access and Response to the Report

This Report is published in electronic version. Please refer to the websites of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company ([www.dongzhengafc.com](http://www.dongzhengafc.com)).

If you have any comments or suggestions on the environmental, social and governance performance of the Company, please feel free to send an email to [ir@dongzhengafc.com](mailto:ir@dongzhengafc.com).

## I. CORPORATE OVERVIEW

### 1.1 Company Profile

Shanghai Dongzheng Automotive Finance Co., Ltd.\* was established as a limited liability company on 11 March 2015 and converted into a joint stock company with limited liability on 15 August 2018. The Company was listed on the main board of the Stock Exchange on 3 April 2019 (the “Listing Date”) (stock code: 2718). As an auto finance company licensed and regulated by the China Banking and Insurance Regulatory Commission (the “CBIRC”), the Company specializes in providing auto finance products and services for the purchase of luxury-brand cars.

The Company is committed to improving corporate governance, steadily developing its business, while continuing its innovation and evolution. Due to the outbreak of the COVID-19 pandemic and other impacts, consumers’ consumption demand for passenger vehicle purchase has reduced, the auto finance industry faced serious challenges and new loans disbursed by the Company has decreased in 2020 comparing with the corresponding period of last year. Moreover, the negative impact on repayment capabilities of some of its customers increased the allowances for impairment losses on loans and advances to customers and finance lease receivables, etc. For the year ended 31 December 2020, the Company recorded operating income of approximately RMB577 million, representing a decrease of 27.84% as compared to approximately RMB799.8 million in 2019. The Company’s net profit decreased by 85.88% from approximately RMB389.4 million in 2019 to approximately RMB55 million in 2020. Looking forward to 2021, although the global economy continues to be affected by the COVID-19 pandemic, the pandemic is under effective control within the country and the domestic economy will stage a resumption of rebounds and growth.

### 1.2 Corporate Governance

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company also acknowledges the vital importance of strengthening corporate governance to the success and sustainability of the Company. The Board is of the view that during the year ended 31 December 2020, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “Corporate Governance Code”).

In accordance with domestic and overseas laws and regulations, the Company has established a corporate governance structure composed of a board of directors, a supervisory committee and senior management and has established a sound corporate governance system framework primarily in accordance with the Articles of Association of the Company, supplemented by various specific corporate governance systems, which set out the authorities and responsibilities of the shareholders’ general meeting, the board of directors, the supervisory committee and senior management, forming a corporate governance operating mechanism with each of the branches performing its own responsibilities and monitoring each other with checks and balances among them.

The Company will periodically review and enhance its corporate governance practices to ensure that it will continue to comply with the requirements of the Corporate Governance Code.

Details of the Company’s corporate governance are set out in the section headed “Corporate Governance Report” of the Company’s 2020 annual report.

### 1.3 Recognitions and Awards

During the Reporting Period, the Company received the following recognitions and awards from the community:

Awarding Organisation	Award	Year of Award
Financial Bureau of Pudong New District of Shanghai	2020 Annual Statistics of Advanced Business Entities in the Financial Sector in Pudong New Area (2020年度浦東新區金融業年定報統計工作先進單位)	2020
Financial Bureau of Pudong New District of Shanghai	The Second Prize of the Best Enterprise Annual Report of 2019 (2019年度企業年報二等獎)	2020
The Community Chest of Hong Kong	2020 Award of Excellence (2020年公益卓越獎)	2020

## 1.4 Key Performance Indicators

*Table of Key Performance Indicators*

Type of Indicator	Name of Indicator	Unit	2020	2019
Economic Indicators	Operating income	RMB100 million	<b>5.77</b>	8.00
	Net profit	RMB100 million	<b>0.55</b>	3.89
	Basic earnings per share	RMB	<b>0.03</b>	0.19
	Total assets	RMB100 million	<b>62.69</b>	103.28
	Total loans	RMB100 million	<b>62.03</b>	101.96
	Total deposits <sup>1</sup>	RMB100 million	<b>0.30</b>	1.57
	Return on average total assets	%	<b>0.66</b>	3.92
	Return on average equity	%	<b>1.36</b>	12.00
	Non-performing loan ratio	%	<b>0.36</b>	0.44
	Provision coverage ratio	%	<b>2,037.81</b>	423.97
	Capital adequacy ratio	%	<b>59.37</b>	41.62
Social Indicators	Total tax paid	RMB100 million	<b>1.56</b>	1.59
	Social contribution per share <sup>2</sup>	RMB	<b>0.24</b>	0.53
	Total headcount	Person	<b>217</b>	304
	Percentage of female employees	%	<b>47</b>	43.75
	Satisfaction rate for customer's complaints	%	<b>100</b>	100
Environmental Indicators	Electricity consumption in office	10,000 kWhs	<b>18</b>	13.8
	Water consumption in office	Tonne	<b>30</b>	33.2
	Paper consumption in office	1 million sheets	<b>0.4</b>	0.4
	Oil consumption in office	Litre	<b>9,441.0</b>	15,571.4

<sup>1</sup> Total deposits = Shareholder deposit + Pledged deposits

<sup>2</sup> Social contribution per share = earnings per share + (total tax payments + staff cost + interest payment + charity donations – social cost) ÷ total number of shares at the end of the period

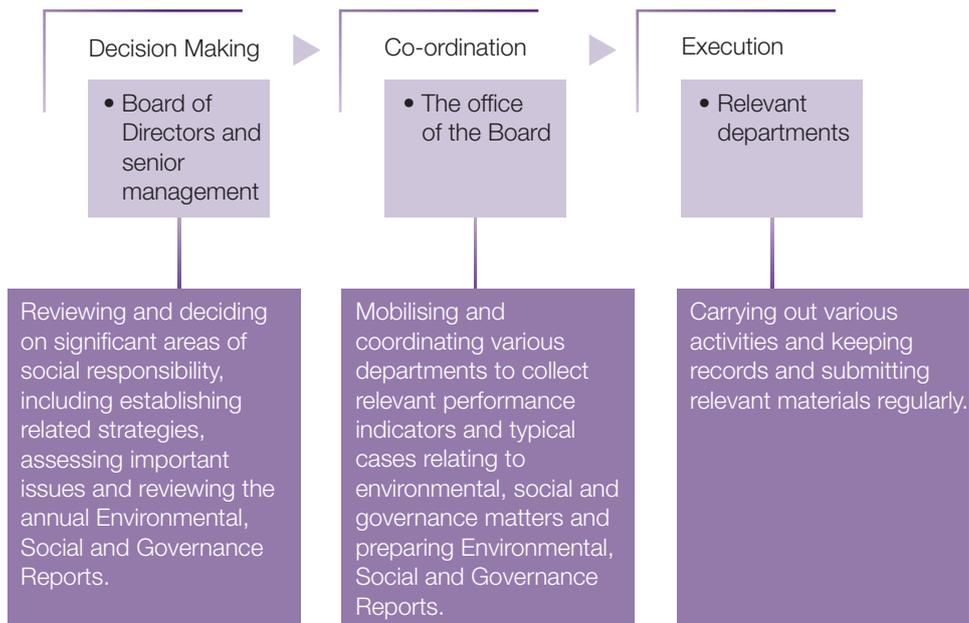
## II. CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT

### 2.1 Social Responsibility Philosophy

- Vision: To become the leading automotive finance company in China
- Mission: To build a wonderful driving experience for customers with quality financial products and services
- Corporate values: Innovation, integrity, persistence, caring, efficiency and sharing

### 2.2 Responsibility Management System

The Company is committed to establishing a high standard of ESG management system. To orderly fulfil the social responsibility, the Company has established a social responsibility management system, under which all departments of the Company perform their duties properly through coordination and collaboration and carry out social responsibility-related activities in the ordinary course of business, thereby incorporating social responsibility philosophy and stakeholder commitments into daily practices.



## 2.3 Stakeholder Communications

The Company values communication with stakeholders and has established various communication channels over the course of our daily operation and service, and maintained regular communication with the stakeholders, fully listening to the feedback from and forging a positive interaction with them.

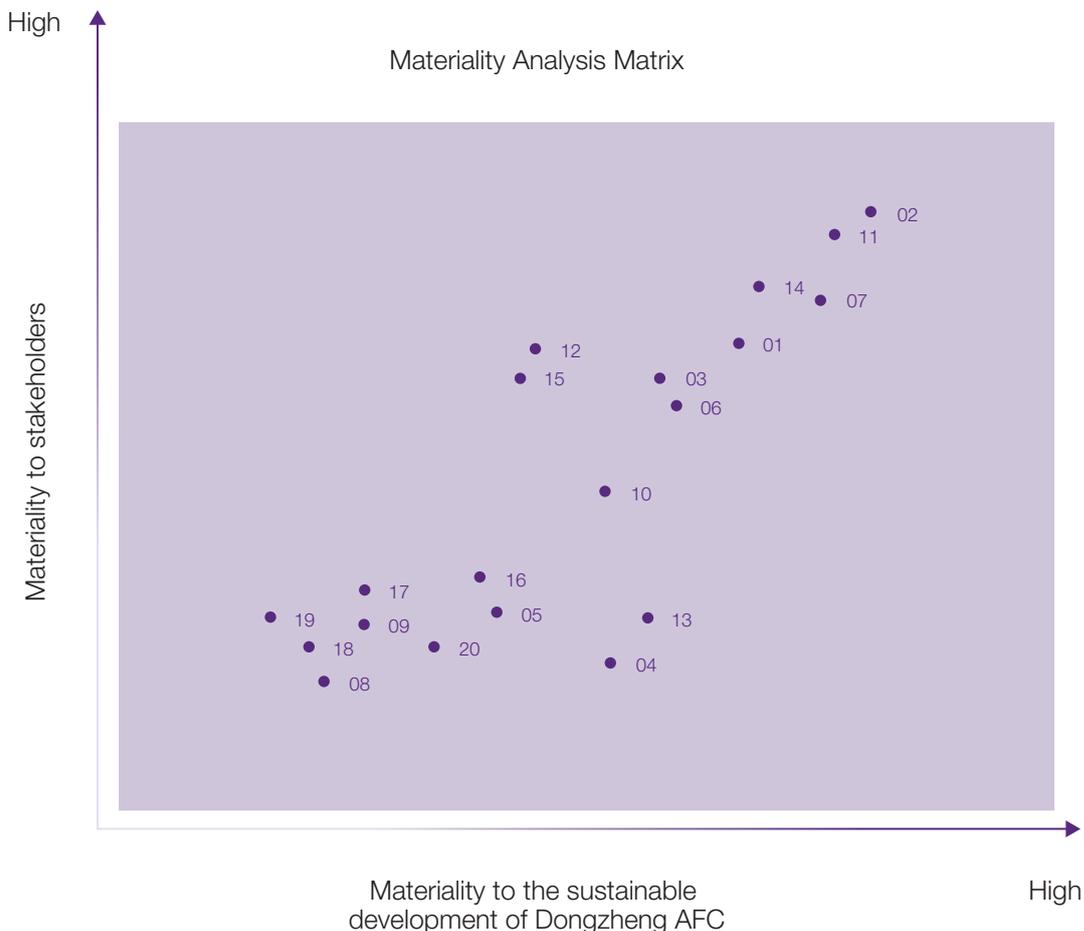
Stakeholders	Expectations and Propositions	Means of communication	Responses and measures
The Government	<ul style="list-style-type: none"> <li>• Real economy support</li> <li>• Implementation of macroeconomic policies</li> <li>• Promotion of local economic development</li> <li>• Inclusive finance development</li> </ul>	<ul style="list-style-type: none"> <li>• Documents and guidelines on policies</li> <li>• Work meetings</li> <li>• Information distribution</li> <li>• Specific topic reports</li> </ul>	<ul style="list-style-type: none"> <li>• Support for the “Belt and Road Initiative”</li> <li>• Active promotion of system and mechanism reform and innovation</li> <li>• Active promotion of supply-side structural reform</li> <li>• Implementation of the policy of “cutting overcapacity, de-stocking, de-leveraging, reducing costs and improving weak links”</li> <li>• Promotion of development in consumer finance field</li> <li>• Strengthening supervision and constrain on key areas</li> <li>• Strengthening leadership and assessment exchanges</li> <li>• Support for key project construction</li> <li>• Provision of innovative services to small and micro enterprises</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>• Compliance with regulatory requirements</li> <li>• Maintenance of financial stability</li> <li>• Assuming social responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory policies</li> <li>• Inspection and supervision</li> <li>• Progress reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancement of corporate governance</li> <li>• Improvement in liquidity risk management capability</li> <li>• Improvement of standard of internal management</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Sustained business operation</li> <li>• Improving profitability</li> <li>• Increasing shareholder returns</li> <li>• Increasing corporate value</li> </ul>	<ul style="list-style-type: none"> <li>• General meetings of shareholders</li> <li>• Information disclosure</li> <li>• Performance roadshows</li> <li>• Investor research and communication</li> </ul>	<ul style="list-style-type: none"> <li>• Improving corporate governance structure</li> <li>• Formulation of corporate development plans</li> <li>• Timely disclosure of information</li> <li>• Enhancing investor relation management</li> </ul>

Stakeholders	Expectations and Propositions	Means of communication	Responses and measures
Customers	<ul style="list-style-type: none"> <li>Improving service quality and efficiency</li> <li>Provision of a richer selection of financial products</li> <li>Safeguards for information and fund security</li> <li>Service channel expansion</li> <li>Enhancing customer experience</li> </ul>	<ul style="list-style-type: none"> <li>Marketing activities</li> <li>Customer service hotline</li> <li>Surveys</li> <li>Digital platforms such as mini programs of WeChat, APP</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing customer experience</li> <li>Innovation of financial products</li> <li>Protection of consumers' rights and interests</li> <li>Development of consumer finance</li> <li>Promoting financial knowledge to the public</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Improving employees' benefits</li> <li>Protecting employees' rights and interests</li> <li>On-job trainings and development</li> <li>Enriching free-time activities</li> </ul>	<ul style="list-style-type: none"> <li>General meetings of employee representatives</li> <li>Employee satisfaction feedback</li> <li>Visits and interviews</li> </ul>	<ul style="list-style-type: none"> <li>Improving the compensation and welfare system</li> <li>Multiple channels for collecting employee suggestions</li> <li>Improving training systems</li> <li>Organization and construction of staff home</li> <li>Offering care to employees in need</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Fair procurement</li> <li>Cooperation for win-win outcomes</li> </ul>	<ul style="list-style-type: none"> <li>Negotiation</li> <li>Cooperation agreement</li> <li>Tendering and bidding</li> </ul>	<ul style="list-style-type: none"> <li>Improving the procurement management system</li> <li>Enhancing business cooperation</li> </ul>
Partners	<ul style="list-style-type: none"> <li>Mutually beneficial cooperation</li> <li>Communications and exchanges</li> </ul>	<ul style="list-style-type: none"> <li>Meetings</li> <li>Project cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Continually deepening banking cooperation</li> <li>Enhancing exchanges and cooperation with industry peers</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Caring for disadvantaged groups</li> <li>Organizing charity events</li> </ul>	<ul style="list-style-type: none"> <li>Visits and seminars</li> <li>Charity events</li> </ul>	<ul style="list-style-type: none"> <li>Promoting financial knowledge to the public</li> <li>Employee voluntary activities</li> <li>Supporting public charity</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Environmental protection with low carbon</li> <li>Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Policies on energy conservation and emission reduction</li> <li>Green public service activities</li> <li>Collection and disclosure of environmental performance</li> </ul>	<ul style="list-style-type: none"> <li>Green finance development</li> <li>Persistence in green services</li> <li>Green operation practices</li> </ul>

## 2.4 Materiality Analysis

Under the materiality analysis model, the Company further identifies social responsibility issues and performs a materiality assessment and selection on top of our work done in 2020 with due regards to the expectations and needs of various stakeholders, as well as the development strategy of the Company. The Company analyses and compares the materiality of different social responsibility issues on the sustainability development of the Company and the stakeholders and thus identifying the issues of materiality in regard to the Company and the stakeholders, which are specifically disclosed with commensurate responses in this Report.





1	Employee career development	6	Persistence in anti-corruption campaigns	11	Improving corporate governance	16	Optimising credit structures
2	Protecting employees' rights and interests	7	Safeguarding compliance operation	12	Improving information disclosure	17	Improving employee incentives
3	Development of internet finance	8	Green operation practices	13	Improving fair procurement	18	Promoting caring culture
4	Innovating financial products and services	9	Supporting social welfare	14	Financial risk prevention and control	19	Assistance to the underprivileged
5	Promoting financial knowledge to the public	10	Improving services quality	15	Protection of consumers' rights and interests	20	Enhancing energy conservation and emission reduction

### III. IMPROVEMENT OF SERVICES QUALITY

#### 3.1 Optimizing Customer Experience

Dongzheng AFC has been providing professional and meticulous services to build the best customer experiences. Focusing on the constant improvement of simplicity, flexibility and timeliness, the Company markets its products to high-end luxury car customers, with a view to providing customers with exclusive financial solutions and VIP services. In this regard, the Company has carried out numerous work to improve our service quality by strengthening business training in terms of staffing; maintaining system updates and upgrades in terms of system; and constantly optimizing product processes from customers' perspectives in terms of process.

#### 3.2 Promoting Product Innovation

The Company focuses on product innovation by continuously increasing its efforts and investments on product research and development. With a focus on the business experience of financial consumers, and adhering to the service concept of "customer first", the Company continues to develop featured financial products to meet customers' diversified needs for automotive financial services. With a commitment to building a better driving experience for customers with quality financial products and services, we continue to promote the comprehensive upgrading of the risk decision-making system, and actively optimize business processes and product models. In addition, we continuously improve product service quality based on customer needs. The Company will continue to launch more high quality financial products and services in the future.

#### 3.3 Protecting Customers' Rights and Interests

The Company attaches great importance to the needs and opinions of customers, who are important assets of the Company. In order to maintain customer satisfaction and improve customer loyalty, as well as to enhance its brand profile and position in the industry, the Company formulated the "Measures on Customer Service Management" to protect the customers' rights and interests in accordance with relevant laws, rules and regulations such as the "Measures for the Administration of Automotive loans", the "Administrative Measures on Governing the Automotive Finance Company" etc.

The Company establishes and improves the rapid response mechanism for customer problems, such as 1) manned hotline service available from 8:45 to 17:45 on every working day; 2) time limit for handling consultations and enquiries, where consultations and enquiries are immediately handled or handled after confirmation; 3) responses to customer complaints, where responses are given from 2 to 5 working days under normal circumstances; and 4) complex complaints or problems that cannot be solved immediately, in which case, the head or manager of the department will designate and engage specific staff in active communications with customers. The mechanism to address customer complaints is embedded in our online and offline service process, which connects to our front office, middle office and back office so that customer complaints are resolved by the Company throughout the company-wide network based on the concept of protection of customer rights and interests, eliminating issues involving "indifference", "routing" and "industrial practice". By fully implementing the service concept of "customer first", the Company actively responds to customer needs and resolves their business issues. In 2020, the Company received a total of 7 complaints (including complaints on staff attitude, pricing for loan interest and charges, transaction issues, loan collection and credit disputes, process, etc.) referred by the regulator. The Company has resolved them by providing feedback to the satisfaction of the customers without any repeated customer's complaint.

In addition, the Company conscientiously implements the “Guideline Opinions on Improving the Protection of Consumer Rights and Interests in Finance” promulgated by the State Council of the PRC. Besides fully appreciating and actively safeguarding the information security rights, property safety rights and other basic rights of financial consumers, we focus on safeguarding financial information security of individual consumers to protect the legitimate rights and interests of the customers. In 2020, the Company specified requirements for collecting, storing and accessing customer information and was in strict compliance with such requirements in the ordinary course of business by means of training to protect customer information and fund security. For example, disclosure of customer information to any person or any institutions without authorization is strictly prohibited, while the operation process for enquiries on personal credit reports is strictly regulated. Prior written authorization from individual loan applicants and related persons shall be obtained for enquiries into their personal credit reports and for providing the basic financial credit information database of the People’s Bank of China with the information pertinent to the borrowers and related persons, which shall also be included in the borrower’s contract.

## IV. ENVIRONMENTAL PROTECTION

### 4.1 Green Operations Practices

Category	Unit	2020	2019
Water consumption in office	Tonne	30	33.2
Electricity consumption in office	10,000 kWh	18	13.8
Paper consumption in office	1 million sheet	0.4	0.4
Exhaust gas emissions	Kg	83.7	165.6
— Sulfur oxides	Kg	0.1	0.2
— Nitrogen oxides	Kg	83.6	165.4
Total greenhouse gas emissions	Tonnes of carbon dioxide equivalent	171.6	284.2
— Direct greenhouse gas emissions (Note 1)	Tonnes of carbon dioxide equivalent	22.3	36.7
— Indirect greenhouse gas emissions (Note 2)	Tonnes of carbon dioxide equivalent	149.3	247.5

Notes:

1. Direct greenhouse gas includes greenhouse gas emissions from natural gas and gasoline consumption
2. Indirect greenhouse gas includes greenhouse gas emissions from electricity and municipal heating consumption

### ***Energy Saving and Emission Reduction Measures***

The Company is in compliance with the relevant laws and regulations, including the “Environmental Protection Law of the People’s Republic of China” and “Energy Conservation Law of the People’s Republic of China”. By upholding the business philosophy of energy saving and environmental protection, the Company implements the electronic office processes and reduces delivery of paper printed materials. As for electricity consumption, employees are reminded to power off computers and water dispensers before leaving the office to eliminate waste. Furthermore, professional personnels are organized to conduct regular inspections of equipment and facilities at the Company’s office premises, and provide repair work on a timely basis to reduce running loss and ensure efficient operation. As for water consumption, we enhance efficient consumption of water by strengthening the maintenance and management of water equipment and encouraging employees to save water and reduce waste of water resources. As for energy consumption, we exercise strict control over vehicle use for office needs, enhance fuel management, and make reasonable arrangement of vehicle routes to reduce fuel consumption, as well as to minimize pollutant emissions. Domestic waste of the Company is collected and handled by personnel designated by a specialized property management company. Multiple measures are taken to foster an environmentally friendly office environment that efficiently consumes energy and constantly reduces carbon emissions. During the Reporting Period, the Company reported total emissions of nitrogen oxides, sulfur oxides and particulate matters, amounting to 83.6kg, 0.1 kg and 8.0 kg, respectively.

### ***Waste Treatment***

During the working process of the Company, no significant hazardous waste was generated. A qualified professional agency is appointed to carry out specialized treatment of hazardous wastes existing in office waste. The Company is mainly engaged in providing financial services to its customers without substantial use of packaging materials during the course of business. Meanwhile, regarding to sewage and waste disposal, domestic sewage generated by the Company is discharged into the municipal sewage treatment system for unified treatment, and domestic garbage is collected and handled by personnel designated by a specialized property management company.

The Company proposes the strategy of “recyclable use” and “non-hazardous disposal” to minimize the adverse impacts on the environment. Sewage generated from daily office and services is transported to the municipal sewage pipeline without any violation of discharge regulations.

In 2020, the Company actively responded to and promoted the concept of waste sorting by focusing on recycling of paper, plastics, wooden materials, hardware, and other waste generated from our daily operations and offices so that they can be turned into useful resources.

### ***Improvement of Resource Use Efficiency***

The Company promotes use of natural lighting, implements centralized management of vehicles and unified deployment, and avoids unnecessary vehicle air-conditioning in order to greatly improve energy efficiency. Policies for shutting off utilities after work, as well as mechanisms to recycle remaining water at the pantry and reuse cleaning water, are formulated. Meanwhile, we strengthen the administrative measures for use of vehicles and fuel consumption by implementing a fuel card policy. We also achieved effective water conservation by implementing the “weekly inspection” program. Our security patrol covered the security check of the buildings. Use of vehicles was optimized, as inspections were conducted over their access to oil products, volume, and fueling sites. The results are reported for supervision and management so that conservation practices are adopted by various departments.

In order to further enhance the environmental awareness of all employees, the Company has included articles governing water, energy and electricity conservation to prevent waste of resources into its work system documentation, which specifies the rules and principles for using air conditioners, computers, electric lights and other high-power equipment. All employees are also required to conserve water. During the Reporting Period, the Company had no finished products, nor were packaging materials used for finished products. During the Reporting Period, our electricity consumption was 180,000 kWh. The electricity consumption per capita was 829 kWh/person, and the water consumption per capita was 0.14 tonnes. The copy paper consumption was 1,843 sheets/person.

### ***Environmental Responsibility***

Since the inception, the Company has regarded protection of the environment and resources as an important responsibility. The Company has been in strict compliance with the relevant laws and regulations, such as the “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution”, the “Environmental Protection Law of the People’s Republic of China”, the “Energy Conservation Law of the People’s Republic of China” and the “Water Law of the People’s Republic of China”. Some of the businesses have already adopted electronic and paperless means to lower carbon emissions for environmental protection. In active response to and facilitation to the development of green financial reform and pilot innovation zone, the Company continues to pursue the green development values. For “fully creating a new landscape of innovation and development through new orientation, thinking, and action”, we actively promote the management and development of electronic and online business by innovating our management models and product channels. Meanwhile, the Company has launched the WeChat enquiry platform to provide access to checking account repayment records and details, online customer services, etc., further expanding the service scope and enlarging the customer base.

## **4.2 Development of Internet Finance**

To secure customer channels, the Company actively explored cooperation with automotive e-commerce platforms to increase brand exposure and improve financial penetration and financial conversion rate. As regards customer services, the Company has always persisted in the technology-enabled strategy by prioritizing our investments and budgets for the information technology field according to our plan over the years. The Company established the complete business system coverage, the front end of which is connected to the remote electronic credit reference and pre-approval model for loan submission forms, significantly improving the submission efficient and customer experience. This has laid a solid foundation for attracting the customers via the internet. Furthermore, the Company continues to upgrade its automated approval model to achieve the differentiation approval strategy for customers with different classifications. With the OCR and other technologies introduced, the loan approval and deduction is fully automated without any manual intervention, significantly improving the operating efficiency. In addition, our collection system and second-generation credit reference system have been connected online. Empowered with technologies, the Company has demonstrated its environmental-friendly development in risk control and operations.

## V. ACTIVELY GIVING BACK TO SOCIETY

### 5.1 Employee Career Development

31 December 2020	Classification	Number of people (person)	Percentage (%)	Turnover rate (%)
Total number of employees		217		36%
By gender	Male	114	53%	23%
	Female	103	47%	13%
By employment type	Full-time	217	100%	36%
	Part-time	—	—	—
By age group	Below 30 years (inclusive) old	69	32%	10%
	31 to 40 years (inclusive) old	120	55%	23%
	41 to 50 years (inclusive) old	24	11%	3%
	Over 50 years old	4	2%	—
By region	Shanghai employees	149	69%	15%
	Non-Shanghai employees	68	31%	21%
By academic	College qualifications	52	24%	13%
	Bachelor	117	54%	16%
	Master degree and above	38	18%	6%
	Other	10	5%	2%
Newly recruited employees	—	27	11%	2%
Employees of ethnic minorities	—	12	5%	2%
	—	217	85%	36%

Note: Turnover rate = total number of turnover/(total number of employees+ total number of turnover)

The Company is conscientiously implementing and fulfilling the requirements of the Chinese relevant laws and regulations, including the “Labour Law” and “Labour Contract Law”. Fair treatment is given to our employees of different ethnicities, genders and cultural backgrounds, as great efforts have been made to ensure justice and fairness in such areas as recruitment, training, remuneration, career development and promotion, and to prevent discrimination. The Company pays attention to employee development by assisting them in pursuing all-round career development and planning, which will in return improve their core competence and professional knowledge and skills.

	Number of people (person)	Training time per capita (hours)
Male employees	114	7.81
Female employees	103	7.79
Senior management	5	7.80
Middle-level management	15	7.87
Frontline employee	197	7.79

The Company has established an employee training system that is comprehensively tailored to all employees, which also focuses on various areas, including business and product expertise, occupational conduct and safety, management skillsets, and leadership. In this regard, our employees at different positions with different ranks are provided with customized training programs. Trainings are provided throughout the Company to enable both male and female employees to enjoy equal training opportunities. In addition, the Company has provided its employees at different levels with targeted training activities based on the frontline-, middle-, and high- levels. The establishment of a comprehensive training system enables employees at all levels to receive on-the-job training within the department, while receiving online and offline education at the company level. In 2020, the Company organized 94 training sessions with a training coverage of 100%.

## 5.2 Protecting Employees' Rights and Interests

According to Chapter 9 of the “Labour Law”, the Company makes full contribution to the “Five Insurances and One Fund” (being pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund) for all employees on time pursuant to local standards. The Company arranges the work/rest schedule for its employees according to the labour time, labour intensity and statutory holidays as stipulated in Chapter 4 of the “Labour Law”, and provides paid leave for qualified employees. In addition to strict compliance with the regulations related to national statutory holidays, the Company will also organize various non-work activities for its employees. The Company regularly organizes physical checks for all employees, and encourages its employees to participate in cultural and sports activities to further enhance their physical fitness. The Company has formulated rules and organized employee training so that its employees can strengthen their ability to prevent fire accidents and implement emergency measures to prevent occupational safety risks. During the Reporting Period, the Company did not identify any employee injury or fatal accident during the course of business.

The Company has expressly regulated working hours, leave and vacation policies, labour protection and workplace conditions. The Company did not identify any case of forced overtime work, and complied with the laws and regulations regarding employee health, safety and the environment. The Company was committed to protecting human rights, establishing a respectful, honest and fair working environment for employees and customers. The Company was in compliance with all applicable laws and regulations, particularly those that have a significant impact on the Company and laws related to labour. These laws and regulations include the “Labour Law of the People’s Republic of China” and the “Labour Contract Law of the People’s Republic of China”. The Company did not identify any major non-compliance case during the Reporting Period. The Company strictly prohibits use of forced labour and child labour. The Company has set up strict requirements for selecting employees, pursuant to which, the applicants are required to provide identity documents, the highest academic qualification, professional certificate and certificate of resignation for the verification purpose when recruiting employees. Where any department of the Company is found in violation by using child labour or forced labour, the Company will immediately terminate related labour contract, identify the causes, hold the involved personnel accountable, and impose penalties against such personnel for misconduct. During the Reporting Period, the Company did not identify use of forced labour and child labour.

### **5.3 Care about Employees’ Life**

The Company actively mobilized and organized a variety of cultural and sports activities and team-building activities that are popular among our employees, and took these activities as an important platform to promote the unity and development of the Company, so that our employees will always maintain a high-spirited spirit for their daily work.

Over the years, the Company has successively established basketball team, yoga, cheerleaders and other clubs, and organized various activities to continuously satisfy employees’ spiritual and cultural needs. In addition, each department of the Company actively organized a variety of team building activities in 2020, which have been well received and widely participated by employees. These activities not only enriched our employees’ life after busy work, but also strengthened team cohesion and continuously enhanced employees’ sense of belonging.

#### 5.4 Advocating Safe Working

The Company actively creates a safe and healthy working environment for our employees. In order to effectively respond to the COVID-19 pandemic and ensure the safety of our personnel and workplace, the Company urgently formulated and issued the “Measures for Office Management during the Epidemic Prevention and Control”, “Guidelines for Work during the Epidemic” and other systems in early 2020, which clearly regulated the working methods during the epidemic from the company level, department level and employee level, ensuring each department of the Company carried out their work efficiently in an orderly manner on the premise of safe working during the epidemic. The Company has taken various countermeasures in a timely manner, including rotation and flexible working mechanism; daily monitoring of employees’ health; daily disinfection of office premises; preparing sufficient epidemic prevention materials for office workers; timely checks on employees; arranging quarantine and nucleic acid testing for those who have visited high risk areas, etc. so as to effectively ensure the safety of personnel and workplace.

#### 5.5 Enhancing Fair Procurement

The suppliers of the Company mainly provide IT solutions, daily office supplies, transportation vehicles and decoration services, business process outsourcing, and information consultation for the Company. Effective supply chain management represents an important part of the Company’s operations. Though supply chain management is not a major business segment for a service provider, long-term and stable cooperation established with suppliers can enhance our corporate image and lower business risks, thereby promoting the Company’s development. In this regard, the Company has formulated relevant regulations on supplier evaluation, selection and supervision.

In 2020, Dongzheng AFC continued to improve its procurement fairness system and procurement procedures. For the evaluation of suppliers and admission approval, the Company has established evaluation criteria for quality, price, health, environment, safety, ethics, and other indicators, which are given weight in different areas. For the purpose of assessment, the Company has strictly complied with these criteria to identify high quality suppliers that meet the standards. To select a supplier, its performance is evaluated according to the evaluation criteria, and its reputation, as well as the suitability for establishing long-term and stable cooperation, which constitute important references. In addition, the Company has strengthened its regulation and standardization of procurement management, as well as the management of contract performances by our suppliers, by improving the “Administrative Measures for Procurement” and formulating various outsourcing management systems to further strengthen the Company’s follow-up management and evaluation process for supplier services. For the purposes of potential situations and issues arising from the performance by our suppliers of the contracts, the Company has explored various means, including daily communications, regular meetings, and post-procurement assessment, to acquire details of the suppliers in an in-depth and comprehensive manner. By identifying these potential risks in our analysis, the Company will recommend procurement strategies so as to improve the contract performance quality of our suppliers significantly.

For large-scale procurement or infrastructure projects, the Company has established specific tender policies to ensure a fair and impartial selection process. As for the approved suppliers, the Company will continue to monitor their performance and regularly check whether their behaviors meet the Company’s evaluation criteria. As of the end of 2020, the Company had 27 major suppliers, including 23 suppliers in Shanghai and 4 suppliers outside Shanghai.

## 5.6 Persistent Efforts in Anti-corruption

The Company actively carried out people-oriented rectification of undesirable work practices such as indolence and extravagance according to those regulations. The Company deeply recognizes the importance of compliance and steady development to the Company, and believes that lawful and regulated operations represent the strongest foundation for the Company to achieve prosperity and growth. The Company is required to incorporate pragmatism and efficiency into all aspects of its operations to prevent extravagance and reduce waste.

The Company strictly abides by the laws and regulations on anti-commercial bribery, such as the “Anti-Money Laundering Law of the People’s Republic of China” and the “Prevention of Bribery Ordinance of Hong Kong”. Besides striving for the incorruptibility practices, the Company will enhance the employees’ self-discipline awareness to prevent violation of employee rules and policies. To this end, the “Business Accountability Management Policy” and the “Employee Code of Conduct” has been formulated, in which case, all employees are prohibited from accepting gifts from or offering gifts to customers, or participating in various consumption and entertainment activities arranged by customers. Systems related to anti-fraud and anti-commercial bribery, as well as the code of conduct of employees, are formulated to prevent corruption and crack down on bribery.

At the same time, the Company also strictly abides by the “Anti-Unfair Competition Law” and other relevant laws and regulations to manage and restrict its own act, with a view to eliminating all kinds of unfair competition behaviours such as employee bribery. The Company actively protects the rights and interests of financial consumers, and strives to make contribution for creating a sound business development environment for the society.

In 2020, the Company organized anti-corruption and anti-bribery training for employees. The Company strives to create incorruptible business atmosphere, enhance employees’ self-discipline awareness, avoid violations of regulations by employees, and promote the sustainable development of the Company and society.

During the Reporting Period, the Company did not identify any internal corruption, and there was no corruption-specific lawsuit filed and completed against the Company or employees.

## 5.7 Promoting Financial Knowledge to the Public

To implement the relevant requirements of the regulators and improve the quality of services, in 2020, the Company launched the special promotion campaigns, such as “Financial knowledge to the General Public” and “Anti-money Laundering Education”, which fully take the advantages of online media for promotions among our corporate and potential customers and expanded the publicity range. In addition, the Company has also joined forces with 8 regional cooperative dealers to promote the relevant law education. By continuing to institutionalize and normalize the promotion of financial knowledge, the Company will introduce a brand-new mechanism to protect the legitimate rights and interests of financial consumers in all directions.

Whilst conscientiously implementing the legal and regulatory requirements under the Law of the People's Republic of China on Anti-money Laundering, the Anti-Money Laundering Regulations for Financial Institutions, and the Measures for the Administration of Anti-Money Laundering and Counter Terrorist Financing by Banking Financial Institutions, the Company has prepared anti-money laundering education courseware based on the anti-money laundering characteristics of automotive finance companies according to the regulations relevant to anti-money laundering, and held seminars within various departments of the Company to conduct explanation and interaction in respect of anti-money laundering knowledge. These seminars have successfully raised the awareness of the personnel at various departments of the Company on the criminal behavior of "money laundering".

### 5.8 Supporting Social Welfare

As part of the society, the Company persists in actively fulfilling social responsibilities. Over the years, the Company has been actively fulfilling corporate citizenship responsibilities by advocating and participating in charity undertakings throughout the Company, including donation, as well as striving for harmonious development between enterprises and the society. Since its inception, the Company has been committed to building a stable and sustainable community.

In 2020, an unexpected COVID-19 outbreak swept through China and took the entire country by storm. Every Chinese citizen has been taking the initiative to combat this outbreak. In fulfilling the social responsibility as an financial institution, the Company has also launched the donation campaign "Expeditious Assistance to Hubei and Wuhan", which received active participation and response from all employees of the Company.

In addition, the Company insists on taking a series of practical measures to play the role of financial institutions in the fight against the pandemic, so as to win "the Tough Battle of pandemic Prevention and Control" with quality financial services. The Company, based on specific situation of particular customers who are affected by the pandemic, actively provides humanistic care, supports people's livelihood, strengthens employee care, and undertakes social responsibility.

Despite the pandemic impacting on the operation of the Company, our caring action on "boundless love for dedicated doctors" has fully demonstrated strong sense of social responsibility, mission, proactiveness, and gravity. These actions convey the spirit of love and compassion to those in need across the country.

## VI. OUTLOOK

The year of 2021 marks the commencement of China's "14th Five-Year Plan". Dongzheng AFC will continue to pursue its business development that supports the major national strategic plans and serves the regional economic development. With a major focus on the real economy, we will actively implement environmental measures, take the initiative to shoulder social responsibilities, and promote economic, environmental, and social sustainability.

**Responsibility Management:** Dongzheng AFC will continue to improve the overall social responsibility management, and will assign related social management responsibilities to the responsible officer at each level to achieve normalized professional management. Furthermore, the overall internal control procedures of the Company will take into consideration the social and environmental factors to identify the opportunities and risks that the social and environmental factors bring to the Company.

**Risk Control:** Dongzheng AFC will continue to enhance its comprehensive management of credit risks, anti-money laundering risks, and market risks so as to effectively exercise risk control and prevention measures in key areas. By pursuing the compliance philosophy and fulfilling the anti-money laundering duties, Dongzheng AFC will promote the development of compliance values. Furthermore, we will thoroughly enhance the risk awareness of our employees at all levels, while regulating the employee conducts.

**Products and Services:** We will continue to expand geographically and optimize our dealer network by further extending strategic cooperation with automakers and dealers and focusing on retail finance products and services; optimize our product and service structure by developing more innovative products and providing more customized services; and strengthen technical investment to improve the product and service competitiveness and operation capabilities through the application of information technology.

**Talent Development:** We will increase investments in human resources, maintain continuous improvement in the various aspects such as recruitment, training, promotion, welfare package, employee care, and corporate culture development. Furthermore, a talent echelon through a talent development program will be built so that our employees will gain continuous growth and achieve their own value.

**Environmental Protection:** Besides adhering to the mission of environmental protection, we will continue to promote paperless operation, pursue low-carbon operation practices, and support the green development and environmental protection through scientific and technological innovation. Meanwhile, we will actively promote green office and resources conservation to reduce our environmental impacts. By working with all community members, we will promote the development of a harmonious relationship between man and nature.

Looking into the future, Dongzheng AFC will continue to actively respond to the expectations of the stakeholders, and improve our social responsibility management system. With a greater determination to advance the high-quality development, we facilitate further integration of the sustainability strategy into our corporate operation strategy. While pursuing our own healthy and sustainable development, we will further assume economic, social, and environmental responsibilities and serve as a greater contributor to the economic sustainability in the country.

## ESG REPORT INDICATOR INDEX

Subject Areas and Aspects	General Disclosures	Reference	Key Performance Indicators	Reference
		Page Number		Page Number
<b>A. Environmental</b>				
A1 Emissions	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Page 12–13	<p>A1.1 The types of emissions and respective emissions data.</p> <p>A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p> <p>A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p> <p>A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p> <p>A1.5 Description of measures to mitigate emissions and results achieved.</p> <p>A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.</p>	<p>Page 12</p> <p>Page 12</p> <p>This indicator is insignificant and is not applicable as the Company is a financial services company</p> <p>Page 12</p> <p>Page 13</p> <p>Page 13</p>

Subject Areas and Aspects	General Disclosures	Reference Page Number	Key Performance Indicators	Reference Page Number
A2 Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials.	Pages 12-14	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Page 12
			A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Page 12
			A2.3 Description of energy use efficiency initiatives and results achieved.	Page 14
			A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Page 14
			A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	This indicator is not applicable as the Company is a financial services company
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Page 14	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 14
A4 Climate Change	Significant climate-related issues which impacted the issuer, and the measures taken to manage them.	N/A	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the measures taken to manage them.	This indicator is not applicable as the Company is a financial services company

Subject Areas and Aspects	General Disclosures	Reference	Key Performance Indicators	Reference
		Page Number		Page Number
<b>B. Social</b>				
B1 Employment	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 15	B1.1 Total workforce by gender, employment type, age group and geographical region.	Page 15
			B1.2 Employee turnover rate by gender, age group and geographical region.	Page 15
B2 Health and Safety	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 16–18	B2.1 Number and rate of work-related fatalities in each of the past three years including the reporting year.	Not applicable as there was no death tolls caused by work during the past three years including the Reporting Period
			B2.2 Lost days due to work injury.	Page 16–17
			B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 16–18
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 16	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Page 16
			B3.2 The average training hours completed per employee by gender and employee category.	Page 16
B4 Labour Standards	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Page 17	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Page 17
			B4.2 Description of steps taken to eliminate such practices when discovered.	Page 17

Subject Areas and Aspects	General Disclosures	Reference Page Number	Key Performance Indicators	Reference Page Number
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Page 18	B5.1 Number of suppliers by geographical region. B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 18  Page 18
B6 Product Responsibility	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Pages 11–12	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.  B6.2 Number of products and service related complaints received and how they are dealt with.  B6.3 Description of practices relating to observing and protecting intellectual property rights.  B6.4 Description of quality assurance process and recall procedures.  B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	This indicator is not applicable as the Company is a financial services company Page 11  The Company maintains and protects intellectual property rights in accordance with the laws of the PRC  This indicator is not applicable as the Company is a financial services company Page 12

Subject Areas and Aspects	General Disclosures	Reference Page	Key Performance Indicators	Reference Page	
		Number		Number	
B7 Anti-corruption	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 19	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	The Company did not have relevant lawsuits during the Reporting Period Page 19
			B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 19–20	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 19–20 Page 20
			B8.2	Resources contributed (e.g. money or time) to the focus area.	

