



Shanghai Dongzheng Automotive Finance Co., Ltd.*

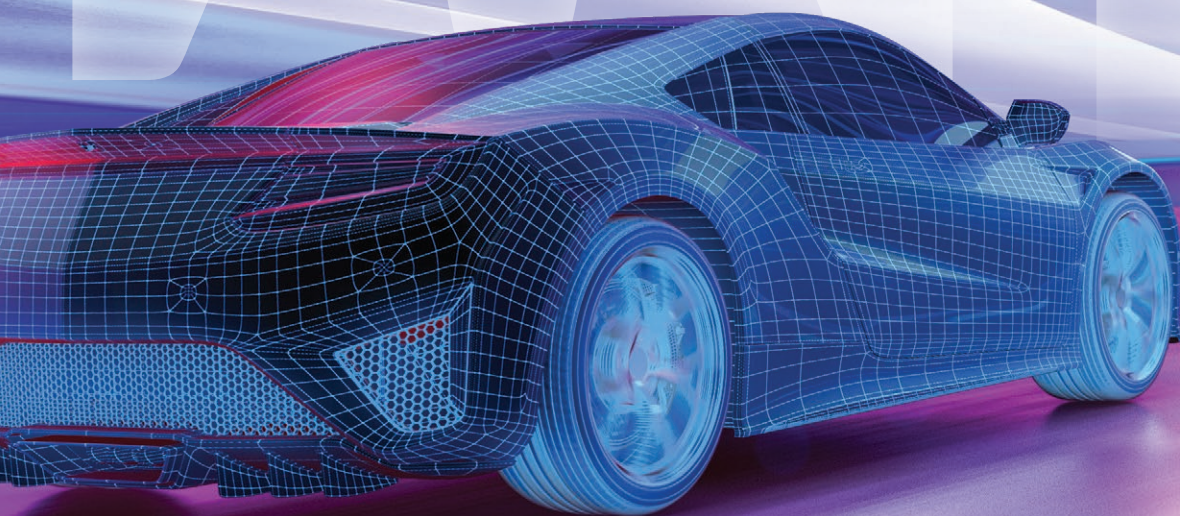
上海東正汽車金融股份有限公司

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

stock code : 2718

**ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT**

2022



*For identification purposes only

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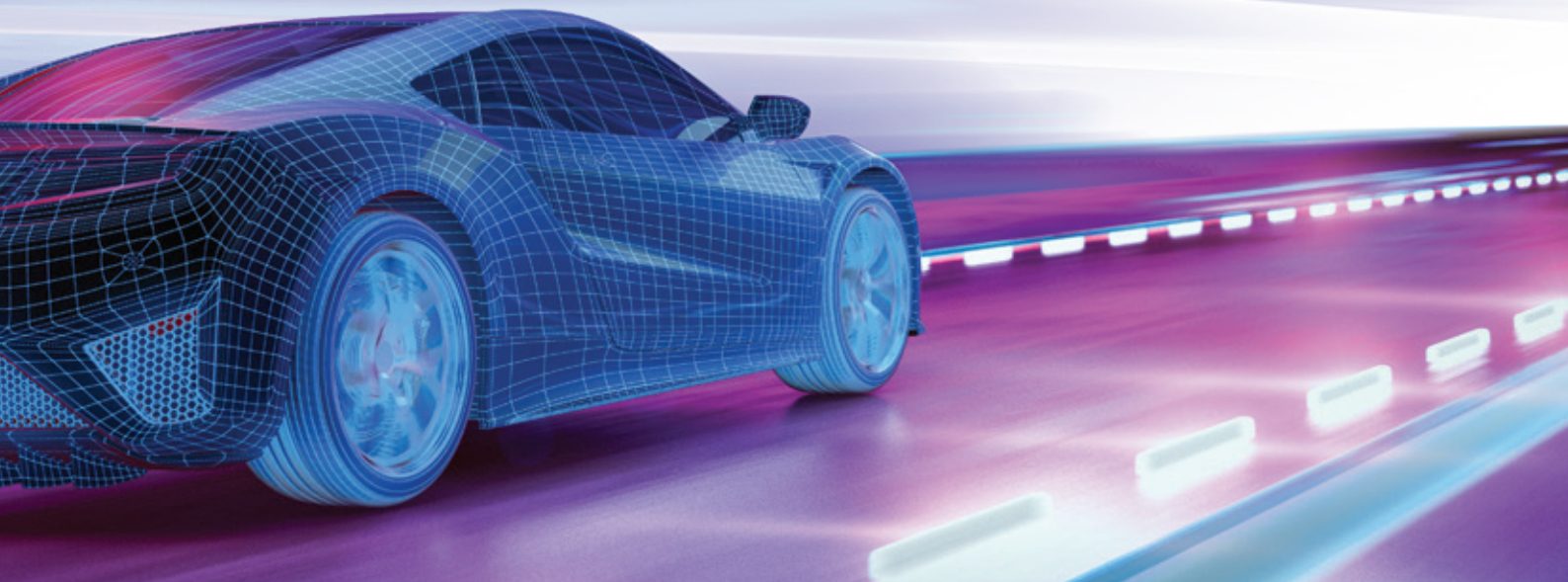
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OVERVIEW

Shanghai Dongzheng Automotive Finance Co., Ltd. (“Dongzheng AFC”, the “Company” or “we”) is pleased to publish this 2022 Environmental, Social and Governance (“ESG”) Report (the “Report”), which discloses information relating to environmental protection, social responsibility, corporate governance and sustainability of the Company. As Dongzheng AFC is an automobile finance company licensed and regulated by the China Banking and Insurance Regulatory Commission (the “CBIRC”), we specialize in providing automotive finance products and services for the purchase of vehicles in the People’s Republic of China (the “PRC”).

ABOUT THIS REPORT

This Report has been prepared in strict compliance with the requirement under Appendix 27 — Environmental, Social and Governance Reporting Guide (the “ESG Guide”) of Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited. It includes the Company’s core business of automotive finance products and services with coverage including the Company’s operating locations and offices in Shanghai, the PRC, for the period from 1 January 2022 to 31 December 2022 (the “Reporting Period”). Key Performance Indicators (“KPIs”) that need to be revealed compulsorily as required by the ESG Guide were all disclosed in the “Environmental Sustainability” and “Social Sustainability” sections. Alongside with the reporting principles of the ESG Guide, this Report also discloses the related laws and regulations that have been complied with. Both English and Chinese versions of this Report are available on the Company’s website at www.dongzhengafc.com and the HKEx news website www.hkexnews.hk. Detailed corporate governance practices of the Company can be found in the section headed “Corporate Governance Report” in the Company’s 2022 Annual Report.

STAKEHOLDERS' ENGAGEMENT

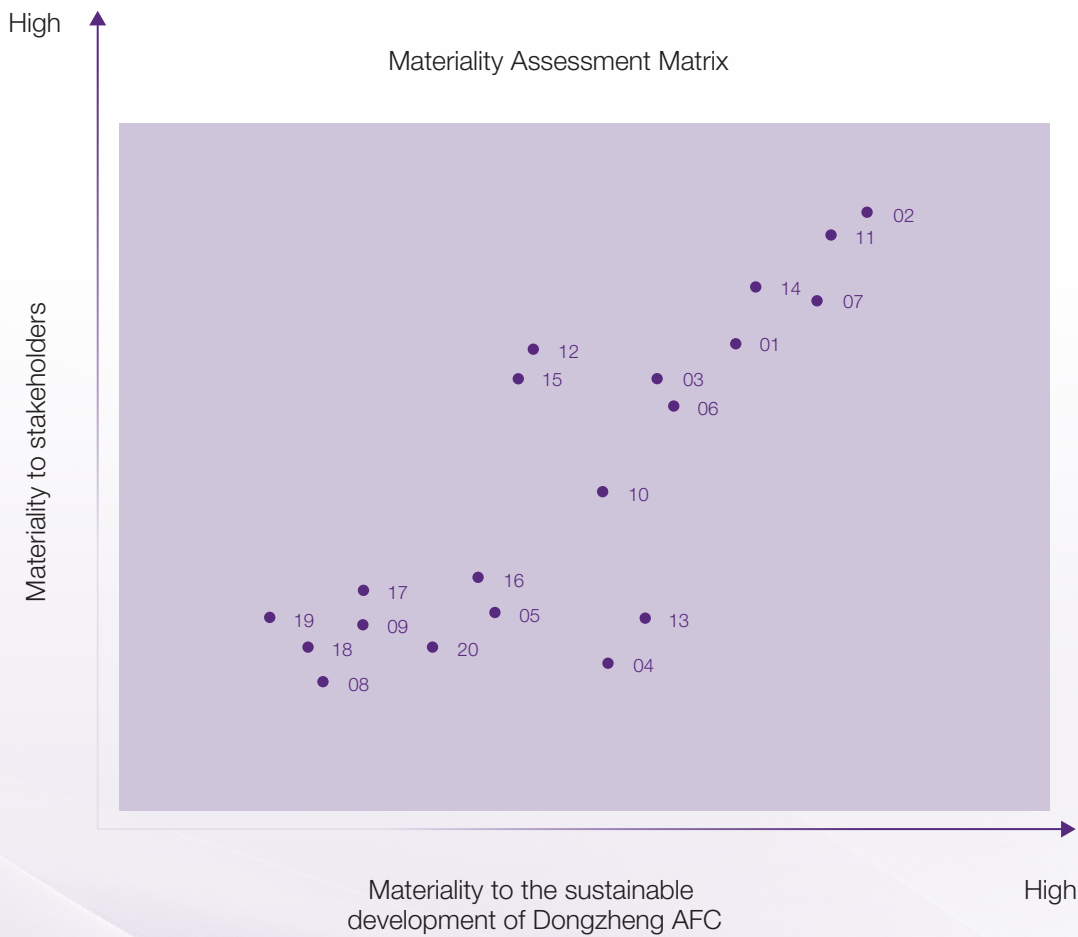
Stakeholders refer to the groups and individuals materially influencing or being influenced by the Company's business. The Company's stakeholders include government, regulatory authorities, shareholders, investors, directors, employees, customers, suppliers and the general public. We strongly believe that establishing effective communication channels with stakeholders facilitates the Company to better understand the sustainability topics which are material to them. It allows us to respond appropriately and effectively and to prepare this Report based on the topics that are important to them. During the Reporting Period, our communication activities with stakeholders include:

Stakeholders	Communication Activities
Government	✓ Policy documents and guidelines
	✓ Meetings
	✓ Information reporting
	✓ Specific topic reports
Regulatory Authorities	✓ Regulatory policies
	✓ Inspections and supervisions
	✓ Work reports
Shareholders and Investors	✓ Annual General Meeting
	✓ Compliance information disclosures
	✓ Corporate website
Directors	✓ Board meetings
Employees	✓ Meetings with employee representatives
	✓ Employee satisfaction surveys
	✓ Trainings
	✓ Visits and interviews
Customers	✓ Marketing activities
	✓ Customer service hotlines and e-mails
	✓ Surveys
	✓ Digital platforms such as WeChat applet, APP
Suppliers	✓ Supplier meetings
	✓ Contract negotiations
	✓ Tendering and bidding activities
General Public	✓ Communications with society and charity activities
	✓ Corporate website

The Company welcomes stakeholders' opinions and feedback, especially on our sustainability approach and performance. Readers are welcomed to share their views with us at ir@dongzhengafcc.com.

MATERIALITY ASSESSMENT

The financial industry differs from traditional business models, and therefore faces significantly different risks in terms of sustainable development. Based on the results of a survey conducted in 2020 by independent sustainable development consultants inviting stakeholders of various types to participate, and taking into account the Company’s operating situation and stakeholder situation, we assessed sustainable development issues for 2022. After evaluation, we believe that there were no significant changes in the Company’s operating situation or stakeholder situation during the reporting period. Therefore, we have continued to use the results of the importance assessment of sustainable development issues in 2020 and have formulated the following materiality assessment matrix:



- | | | | |
|---|--|--|---|
| 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 |

According to the outcome of the materiality assessment matrix, stakeholders identified five ESG topics that were the most significant out of the 20 sustainability topics related to the Company:

1. Employee career development
2. Protecting employees' rights and interest
7. Safeguarding compliance operation
11. Improving corporate governance
14. Financial risk prevention and control

The scientific materiality assessment could assist the Company to identify areas for improvement and provides guidance for decision-making in various business areas of the Company, and to develop and manage effective ESG strategies and actions.

BOARD PARTICIPATION AND BOARD STATEMENT

The board of directors of Dongzheng AFC (the "Board") is the highest governing body responsible for overseeing the Company's sustainability strategy. The Board regularly integrates the Company's sustainability goals into business, identifies and manages our sustainability risks, and provides improvement recommendations. In order to assist the Board in executing sustainability policies, we established an environmental, social and governance committee (the "ESG Committee"), formulated and reviewed the "ESG Policy", and report to the Board on a regular basis. The ESG Committee is led by senior management of the Company, comprising the general manager, secretary to the Board, chief human resources officer, and department heads of the Marketing Department, Finance Department and Compliance Department. The scope of work of the ESG Committee includes:

- ✓ Develop sustainability management policies and strategies, include assessing, prioritizing and managing key sustainability topics
- ✓ Organize and promote various departments to implement sustainability policies
- ✓ Review the progress against relevant sustainability goals
- ✓ Assist the Board to prepare ESG Report in accordance with the ESG Guide

The Company has also engaged an independent sustainability consultant to facilitate our sustainability data collection and analysis, as well as to provide advice on our future work on sustainability.

The Board takes overall responsibility for ESG matters and their integration into the Company's strategies. To ensure effective implementation of the Company's ESG initiatives, the Board requires the ESG Committee to report on a regular basis. The Board will review the list of material issues and risks provided by the ESG Committee, and ensure appropriate risk mitigation measures are in place. All sustainability disclosures, policies, goals and targets of the Company are reviewed and endorsed by the Board. The Board confirms that it has reviewed this Report and takes final responsibility. If you have any questions about the content of this Report, please feel free to give us feedback and the Board will ensure that relevant issues are properly addressed.

A. ENVIRONMENT SUSTAINABILITY

This section primarily discloses the Company's policies and KPIs on emissions, use of resources, and the environment and natural resources for the Reporting Period.

A.1 Emissions

Dongzheng AFC regards environmental protection as an important responsibility and strictly adheres to relevant laws including "Law of the PRC on the Prevention and Control of Atmospheric Pollution", "Environmental Protection Law of the PRC", "Energy Conservation Law of the PRC", "Water Law of the PRC" etc. The Company's core automobile finance products and services business is an asset-light and non-industrial business, which does not emit pollutants and generate hazardous wastes directly, and has immaterial impact on the environment. Our GHG emissions are mainly from electricity used in daily office operations and petrol use in utility vehicles. To mitigate GHG emissions, the Company adopts a number of energy-saving and reducing consumption measures. Detailed measures are described in "A.2. Use of Resources" of this Report.

During the Reporting Period, total GHG emissions for the Company was 82.68 tons CO₂e. The total emissions of various greenhouse gases generated by the Company were lower than the emissions in 2021. The consumption of various resources was also lower than the Company's usage in 2021. The targets of emission or resource usage for 2022 have been achieved. After communication with stakeholders and considering the potential business development in the next few years, the Company has set targets to maintain the greenhouse gas emission density, harmful/non-harmful waste production density, and resource usage density at the level reported during the 2021 reporting period for the next three to five years. We will continue to adopt the measures described in this report to achieve these targets.

Table 1: Emission Comparison between 2022 and 2021

	Unit	2021 Amount*	2022 Amount*
GHG emission	Tons CO ₂	103.28	82.68
Electricity	kWh	149,453	114,789
Paper	Kg	250	210
Gasoline	L	7,143	6,875

Note:* The Company calculated greenhouse gas emissions in accordance with the "Guidelines for Corporate Greenhouse Gas Accounting and Reporting – Power Generation Facilities (2022)" released by the Chinese Ministry of Ecology and Environment. In order to enhance the comparability of the reported data, the same accounting method was adopted to restate the data for 2021.

Table 2: Various GHG Emissions in 2022

KPIs	Unit	Amount	Intensity* Tons/Square meters
Scope 1 (Direct GHG Emissions)	Tons CO ₂ e	14.98	0.01
Scope 2 (Indirect GHG Emissions)	Tons CO ₂ e	66.69	0.02
Scope 3 (Other Indirect GHG Emissions)	Tons CO ₂ e	1.01	0.00
Total	Tons CO ₂ e	82.68	0.03

Note:* Intensity was calculated by dividing the Company's office of 2913.85 m² in 2022.

The various GHG emission factors are referenced from the Corporate Greenhouse Gas Emissions Accounting Methodology and Reporting Guidelines (2022).

The Company's operations do not generate significant hazardous waste. Our other solid waste is mainly from solid commercial waste in daily office operations which include plastic, paper and domestic garbage. The Company implements waste classification and collection. For the wastes generated in daily office operations, we primarily focus on recycling paper, plastic, wood, metal etc., and converting them into usable resources. Meanwhile, we also reduce waste from the source by encouraging our staff to reuse old office equipment and reduce disposables.

Table 3: Non-Hazardous Waste in 2022

KPIs	Category	Unit	Amount	Intensity* Unit/Square meters
Non-Hazardous Waste	Daily Solid Commercial Waste	Kg	23,370	8.02

Note:* Intensity was calculated by dividing the Company's office of 2913.85 m² in 2022.

A.2 Use of Resources

The Company strictly controls the use of various resources in operations, and has launched a series of internal monitoring systems relating to the procurement and use of resources. During the Reporting Period, the main resources we consumed were electricity, water, petrol and paper. The products of the Company do not consume packaging material. In order to enhance employees' awareness of environmental protection, we have set out the prevention of resources wasting such as water-saving and electricity-saving into the Company's system in written form. It includes the conditions and principles for using high power consuming equipment such as air conditioners, computers and lights.

Table 4: Use of Resources by Category in 2022

Use of Resources	Unit	Amount	Intensity* (Unit/Square meters)
Electricity	kWh	114,789	39.394
Water	m ³	13.6	0.005

Note:* Intensity was calculated by dividing the Company's 2913.85 m² Working Area in 2022.

Use of Resources	Unit	Amount	Intensity* (Unit/Square meters)
Paper	kg	210	1.38
Petrol	L	6,875	45.23

Note:* Intensity was calculated by dividing the Company's 2913.85 m² Working Area in 2022.

Electricity

The Company's electricity consumption arises from the daily operations in office premises. Reduction in electricity consumption will reduce the GHG emission. Thus we encourage employees to reduce electricity consumption, and provide trainings on energy-saving and emission reduction to ensure that all staff observe the energy saving measures. At the same time, we actively explored the adoption of more environmentally friendly technologies in business operations. Our electricity saving measures are as follow:

- ✓ Display environmental protection signs such as "Please turn off all the lights after work" in prominent positions in offices
- ✓ Remind staff to turn off electrical appliances such as computers and drinking machines before leaving
- ✓ Promote the use of energy-saving lighting systems such as LEDs
- ✓ Keep the air conditioning system operating at 25 degree Celsius
- ✓ Check the electrical shutdown status regularly on a daily basis to prevent people left without turning off electrical appliances
- ✓ Hire maintenance specialists to regularly check and timely repair office equipment to reduce operating wastage and maintain high operating efficiency
- ✓ Purchase office equipment with energy-saving labels

Water

The Company's water consumption arises from the daily operations in office premises. We regularly emphasize the importance of conserving water to our staff and request them to save water. Measures include:

- ✓ Cut off unnecessary water usage from the sources and review water usage in offices regularly
- ✓ Place "Saving Water" posters in prominent places
- ✓ Remind staff to turn off water taps after use
- ✓ Strengthen the maintenance of water equipment and repair/replace the damaged water equipment immediately

Paper

The Company's paper usage arises from the daily operations in office premises. We emphasize the efficient use of paper and implement the following measures:

- ✓ Encourage double-sided printing as well as using both sides of paper
- ✓ Use of e-mails, intranet and scanners to send/save documents electronically
- ✓ Use recycle paper and purchase printing paper from environmental friendly suppliers
- ✓ Use electronic means to promote the Company's products to customers and reduce the use of paper promotional materials

Petrol

The Company's petrol consumption mainly arises from daily commute, business trips and meetings with clients. Reducing the use of petrol can directly reduce the GHG emission, therefore we actively promote low-carbon travel to our staff and take the following measures:

- ✓ Issue an initiative letter to employees to encourage them to travel green and low-carbon
- ✓ Within a short distance, employees are encouraged to take the "135" mode of commuting, i.e. walking within 1km, cycling within 3km and taking public transport within 5km as far as possible
- ✓ For longer distances, we encourage employees to take public transport or new energy vehicles to reduce the use of petrol vehicles

A.3 Environment and Natural Resources

Save for the use of resources and emission as discussed above, the Company's operations did not have direct and material impact on the environment and natural resources.

A.4 Climate Change

Climate change is one of the most severe challenges faced by the world. Rising temperatures and extreme weather are threatening our community and business operations. The Company regularly reviews the impact of its daily operations on the climate change, and is committed to adopt environmental friendly operating measures to reduce GHG emissions and the pressure on global climate change. Meanwhile, we proactively assess and manage the climate risks in our operations, and enhance our resilience to climate change. During the Reporting Period, the ESG Committee identified the climate risks which may induce financial and operational disruptions to the Company, and included them in the monitoring list. The climate risks that may impact the Company and the corresponding mitigation actions are as follows:

Climate Risks		Mitigation Actions	
Physical Risk	Extreme weather caused by climate change may lead to serious natural disasters such as drought, flooding, hurricane and wild-fire, which will affect the daily operations	✓	Develop emergency response measures to maintain the normal daily business operations
		✓	Commit to adopting environmentally friendly operating measures to reduce GHG emission and pressure on global climate change
Transition Risk	More stringent policies and disclosure requirements for corporate sustainability by various governments and regulatory authorities	✓	Make corresponding changes in daily business operations
		✓	Conduct regular reviews and analyses of local and international sustainability reporting requirements
		✓	Appoint independent sustainability consultant to enhance ESG reporting and data collection

Looking forward, the Company will continue to pay close attention to the global and the PRC environmental protection policies and regulatory trends, and invest in corresponding environmental protection constructions when appropriate to enhance the Company's sustainability performance.

Green Internet Finance

Dongzheng AFC firmly implements the concept of green development. Surrounding our position of "fully creating an innovative development landscape through new orientation, thinking, and action", we actively promote electronic business operations and online management and development by innovating our management models and product channels. Starting from 2021, the Company has basically fully realized the online work process and reduced paper usage to achieve the goal of being more environmentally friendly. We launched a WeChat enquiry platform for checking account repayment records and details, online customer services and other functions.

For the channels to secure customers, the Company actively explored cooperation with automotive e-commerce platforms to increase brand exposure, and enhance financial services penetration and conversion. For customer services, the Company has always persisted in the technology-enabling strategy by prioritizing our investments and budgets in information technology area over the years. The Company established complete business system coverage, incorporated remote electronic credit check and loan pre-approval model in the front-end submission phase, which significantly improved the submission processes efficiency and customer experience. This has laid a solid foundation for attracting the customers through the Internet. The Company continues to upgrade its automated approval model to achieve the differentiation approval strategy for customers in different classes. With the support of the optical character recognition and other technologies, the loan approval and repayment are fully automated without any manual handling which significantly improved the operating efficiency. The repayment reminder system and second-generation credit reference system have also been launched. Empowered by technologies, the Company has demonstrated environmental-friendly development in risk control and operations. In addition, we have adopted server distribution and virtualization to reduce the number of physical servers and energy consumption. It fully utilizes the capability of the machines while ensuring system reliability and security. In future, we plan to relocate the server rooms to professional international data centers for the provision of more stable and secure system services, while further reducing energy consumption and making it more environmentally friendly.

Digital transformation

Information technology, digitalization, and intelligentization are deeply affecting the financial industry. Since 2018, the Company has firmly implemented a technology empowerment strategy and attached great importance to the digital transformation of its business. By constructing and optimizing the system, the Company has improved its data management and promoted high-quality business development.

2018	<ul style="list-style-type: none"> • Launched enterprise workflow system, which has comprehensively optimized the process and approval of loan business; • Completed system integration of the 300 car model database, which has unified and standardized the loan asset data information of the Company.
2019	<ul style="list-style-type: none"> • Launched post-loan mini program project, which has achieved the collection of customer data on the mobile end; • Developed and deployed an in-house automated risk control system, and introduced multiple external data sources to provide more decision-making data for big data risk control; • Completed the second-generation credit reporting system project with the People's Bank of China, which has enriched customers' basic data; • Launched the remote electronic credit reporting and electronic contract signing projects, standardized the loan application process, and migrated contracts from paper-based to electronic-based; • Started the production database synchronization implementation project to improve the data security of core database and the feature of business database; • Started the data warehouse project on core database to facilitate report development and data audit; • Launched automatic approval system, to facilitate the anticipation and management of risks, and enable proactive automatic approval for high-quality customers; • Launched reporting system to meet the reporting needs of various business departments within the Company.
2020	Launched arbitration project, which can save customers' electronic signature data and transmit the signature data to arbitration commissions, improving the efficiency of the Company's arbitration cases.
2021	Launched automated loans disbursement project, where robots monitor the status of loans disbursement and perform loans disbursement operations real-time, replacing the need for manual intervention, and improving the efficiency of loans disbursement process.
2022	Restructured data warehouse to make the data more comprehensive and better categorized, providing stronger support for the Company's future reporting system, regulatory reporting, and big data risk control.

B. SOCIAL SUSTAINABILITY

This chapter mainly discusses the policies and key performance indicators of the Company during the reporting period related to employment, occupational health and safety, development and training, labor standards, supply chain management, product responsibility, anti-corruption, and community investment.

B.1 Employment

Talent is the Company's most important asset, and excellent employees can drive the sustainable development of the Company's business. The Company is committed to attracting outstanding talents to join, and all employee recruitment follows the principles of openness and fairness. In order to retain outstanding talent, we conduct employee performance assessments every year to evaluate employees' work performance, promote and elevate high-performance and high-potential employees, and adjust employee compensation based on assessment results. At the same time, the Company has established a clear dismissal system. Any unfair or unreasonable dismissal is strictly prohibited.

The Company is committed to implementing relevant legal requirements such as the "Labor Law of China" and the "Labor Contract Law of China," and has developed the "Human Resources Management Measures" to treat employees of different genders, races, ages, disabilities, family statuses, marital statuses, sexual orientations, religious beliefs, and nationalities fairly in recruitment, training, compensation, promotion, dismissal or retirement, and to eliminate discriminatory behavior. We also attach great importance to the rights of female employees and ensure that women have equal rights and opportunities for fair promotion in the workplace.

According to the "Labor Law of the PRC", the Company makes full contribution to the "Five Insurances and One Fund" (including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund) for all employees on time pursuant to local standards. We are in strict accordance with the relevant regulations on national statutory holidays. We arrange work and rest schedule for employees according to the prescribed working hours, job intensity and statutory holidays. Paid holidays are provided for qualified employees.

We strive to create an equal, democratic, diverse, and inclusive work environment for our employees. We actively encourage and organize various recreational and team-building activities to enhance employee morale and promote company unity and development. We have formed various societies such as basketball teams, yoga clubs and cheerleading squads etc., and regularly organize events to meet the spiritual and cultural needs of our employees.

During the Reporting Period, various departments actively organized a variety of team-building activities, including the recognition ceremony for outstanding employees and teams. These activities enriched the employees' leisure time and also promoted the cohesion of the Company's teams, continuously enhancing the employees' sense of belonging.

During the Reporting Period, the Company fully complied with all employment laws and regulations related to salary, dismissal, recruitment, promotion, working hours, leave, equal opportunities, diversity, anti-discrimination, and benefits. We did not receive any complaints or disputes related to labor and management.

As at 31 December 2022, the total number of employees of the Company was 152. During the Reporting Period, there were 31 employees leaving the Company. The annual employee turnover rate was 17.82%.

Table 5 : Employees by Category as of 31st December 2022

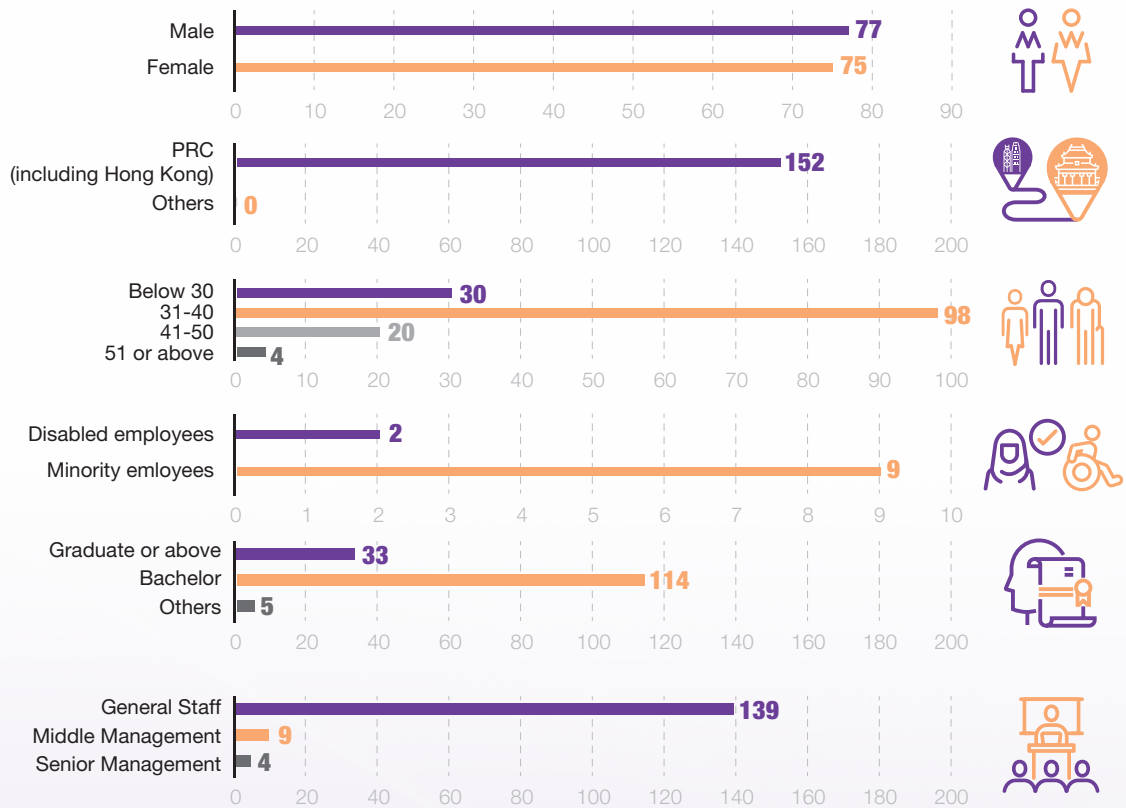
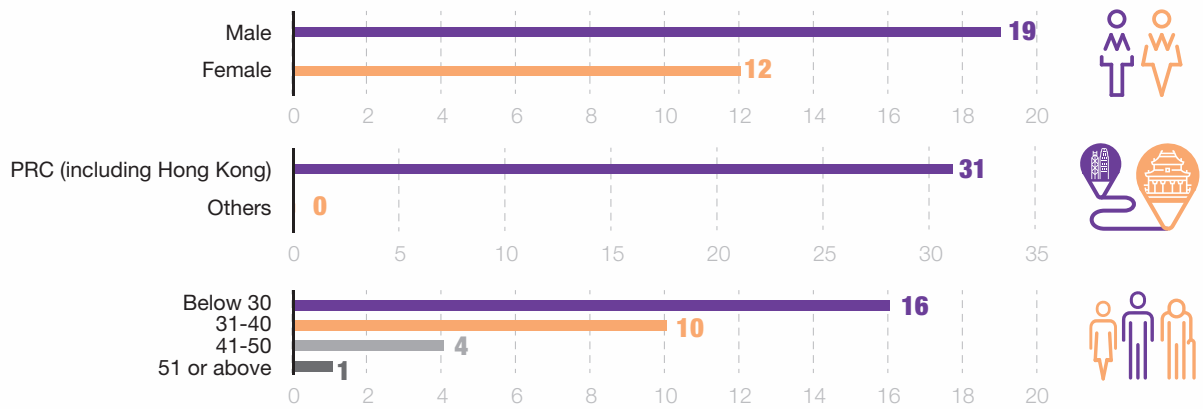


Table 6 : Employees Turnover by Category in 2022



B.2 Occupational Health and Safety

Dongzheng AFC guarantees to provide a safe and healthy working environment for all employees, and implements laws and regulations related to occupational health and safety. We regularly organize physical examinations for all employees, encourage them to participate in cultural and sports activities, and improve their physical fitness. Through the formulation of company regulations and the organization of employee training, we enhance employees’ ability to prevent and respond to fire emergencies, and prevent occupational safety risks for employees. During the Reporting Period, we participated in four fire emergency drills arranged by the office property management department and completed three hidden danger investigations. In addition, all of our offices are equipped with first aid kits to respond to any emergency situations. We also regularly clean air conditioning systems and other office equipment, and are committed to creating a clean, tidy, smoke-free, non-toxic, harmless, healthy, and safe working environment for employees.

During the Reporting Period, the Company did not violate any laws or regulations related to occupational health and safety, and did not lose any workdays due to work-related deaths or injuries.

B.3 Development and Training

Dongzheng AFC believes that the growth of employee capabilities helps to improve our competitiveness. We focus on cultivating employees, helping them to build a comprehensive career development and planning, and enhancing their core competencies and professional knowledge and skills. We have established an employee training system that covers all employees, and male or female employees enjoy equal training opportunities. Training includes different contents such as business and product knowledge, professional ethics, safety and management skills, leadership, etc. We conduct targeted training activities for employees at different levels, from grassroots to mid-level to senior-level, and they can receive on-the-job training within their departments as well as online and offline education provided by the Company. The Company’s training is diverse in form, hierarchical, and covers all employees, which not only improves the personal abilities of employees but also contributes to the improvement of the Company’s governance level and the orderly development of business.

During the Reporting Period, the Company provided a total of 9 training sessions for all employees, including 1 safety training, covering 335 employees.

Table 7 : Training Hours Completed by Employee Category in 2022

	Senior Management	Middle Management	General Staff	Total
Training Hours	26	227	2,459	2,712
Employees	1	9	139	149
Average Training Hours per Employee	26	25.22	17.69	18.20

Table 8 : Training Hours Completed by Employee Gender in 2022

	Male	Female
Training Hours	1,229	1,483
Employees	77	75
Average Training Hours per Employee	16.0	19.8

B.4 Labor Standards

Dongzheng AFC is committed to protecting human rights. We are fully aware that child labor and forced labor violate basic human rights, strictly abide by relevant laws and regulations in the PRC including the “Labor Law of the PRC” and “Labor Contract Law of the PRC” and prohibit the employment of any child labor and forced labor. We have strict requirements on selecting employees. Job applicants are required to provide information such as identity documents, highest academic qualification, professional certificates and certificate of resignation for verification of identity during the recruitment process. If violation of employing child labor or forced labor is found, we will immediately terminate his/her employment contract, investigate the causes and hold the non-compliant staff accountable including impose appropriate penalties.

The Company clearly stipulates working hours, rest and vacation, labor protection and job duties. We do not have mandatory overtime to establish a respectful, honest and fair working environment for our employees.

During the Reporting Period, the Company was not in violation of any laws and regulations related to the prevention of child and forced labor.

B.5 Supply Chain Management

While Dongzheng AFC strongly supports sustainability, we also expect our suppliers to fulfill the same social responsibilities and thus we strictly monitor the sustainability performance in our supply chain.

The Company’s suppliers mainly provide information technology solutions, daily office supplies, transportation vehicles, decoration services, outsourcing services, information consulting, etc. In terms of regulations, we have formulated the “Procurement Management Measures” to ensure fairness in procurement systems and procedures. In terms of supplier evaluation and admission review, we have established evaluation standards from multiple aspects such as quality, price, health, environment, safety, reputation, and ethics. We have assigned different weights to different aspects and strictly followed the standards in the evaluation process to screen out suppliers that meet the standards.

In addition, we have incorporated sustainable development issues into the procurement process and require suppliers to strictly adhere to key environmental, social, and governance principles. We prioritize selecting environmentally-friendly and socially responsible suppliers. To address potential issues and problems that may arise during the fulfillment process by suppliers, we obtain detailed information through various means such as daily communication, regular meetings, post-procurement evaluations, and analyze potential risks. We then provide purchasing strategy recommendations, significantly improving the fulfillment quality of our suppliers.

During the Reporting Period, we worked with a total of 141 suppliers, all of which are from China. We have taken all measures to prevent our employees from receiving personal benefits from our suppliers, and we require suppliers and relevant employees to declare any interests to prevent any occurrence of benefit transmission.

B.6 Product Responsibility

The missions of Dongzheng AFC are to provide first-class services and high-quality products to customers, as well as excellent customer experience with professional and meticulous services. We continuously increase efforts and resources on product research and development to achieve product innovation. We focus on the business experience of financial consumers and adhere to the “Customer First” service principle. Thus we continue to develop featured financial products to satisfy customers’ diversified needs for automotive financial services. We continue to promote the comprehensive upgrading of the risk and decision-making systems, and actively optimize operation procedures and product models. We continuously improve product service quality based on customers’ needs and plan to launch more high quality financial products and services in future.

1. Consumer Protection

The Company attaches great importance to consumer rights protection and has formulated ten rules and regulations, including the “Consumer Rights Protection Management Guidelines”, which standardize product and service review, management, complaint handling, financial knowledge publicity and education, and clearly define the responsible departments and related duties of consumer rights protection.

2. Customer complaint channels and complaint handling mechanism

We fully implement the service philosophy of “Customer First”, attach great importance to customer needs and opinions, and are committed to improving customer satisfaction, loyalty, as well as brand awareness and influence. In terms of regulations and systems, we have formulated the “Customer Complaint Management Implementation Rules” and “Customer Service Management System” based on laws and regulations such as the “Regulations on Automobile Loan Management” and the “Regulations on Automobile Finance Companies” to protect customer rights.

We established the following sound and rapid response mechanism for handling customer enquiries:

- ✓ Manned hotline service available from 08:45 to 17:45 on every working day
- ✓ Customers’ enquiries are immediately handled or handled after confirmation
- ✓ Responses to customers’ complaints within two to five working days under normal circumstances
- ✓ For complex complaints or enquiries that cannot be resolved immediately, the department heads or managers will designate specific staff to handle and pro-actively communicate with customers

In the customer service process, we have established a front-end, middle-end, and back-end linkage mechanism to solve customer problems around the protection of consumer rights. In 2022, in response to the busy hotline caused by the sudden outbreak of the pandemic, we have launched a 24-hour customer service voice system to reasonably divert customers and improve the phone connection rate. When the customer finishes the contract and fully settles the account, the system automatically triggers a prompt message to inform the customer of the subsequent charge-release matters in order to calm the customer's emotions in advance, improve customer experience, and avoid customer complaints.

We have also strengthened the performance assessment of customer service and consumer protection staff, and implemented management responsibilities at all levels. Regarding complaint and report cases forwarded by regulators, we trace back the handling of customer complaints and, if we find inadequate or negligent handling, they shall be reflected in appraisals. Those with serious circumstances will be held accountable in a timely manner.

During the Reporting Period, the Company received a total of 6 complaints. All of which have been resolved with no repeated complaints from customers. Both the individual customer satisfaction and the Company's customer satisfaction have reached 100%.

3. *Privacy and intellectual property protection*

The Company collects a large amount of personal information from customers in the course of our business. Thus, we place special emphasis on protecting customer privacy. We conscientiously implement the "Guiding Opinions of the General Office of the State Council on Strengthening the Protection of Financial Consumer Rights and Interests," and conscientiously protect the basic rights of financial consumers such as information security and property security.

Regarding the operation of our business systems and database management, our company has strict authority management and approval processes. We utilize firewalls and host defense systems to prevent external attacks, and perform regular vulnerability scans on our systems. Additionally, we use de-identified data for all model research and business analysis.

Through training programs, we have established clear rules for the collection, storage, and use of customer information, which are strictly enforced in business operations. Employees are strictly prohibited from disclosing customer information to anyone or any organization without authorization. We strictly regulate the operation process for accessing personal credit reports, and obtaining the prior written authorization of the individual loan applicant and related parties is mandatory for accessing their personal credit reports. Similarly, obtaining prior written authorization from the individuals themselves is also mandatory for providing information on the borrower and related parties to the People's Bank of China's financial information database, and this information must be included in the borrower's contract.

At the same time, we also attach great importance to protecting intellectual property rights. In the operation process, the Company firmly supports genuine products and uses software and information with legitimate licences. We refuse to provide or use any products or services that violate copyright or intellectual property rights.

During the Reporting Period, the Company did not violate any laws and regulations related to product liability, data privacy and intellectual property rights. As the Company's automotive finance products belong to the service industry, the guidelines on ESG reporting regarding product recalls do not apply.

4. Popularization of financial knowledge

During the Reporting Period, Dongzheng AFC continued to promote financial literacy and actively participated in anti-fraud campaigns. While protecting the legitimate rights and interests of consumers, we also convey the concept of rational consumption to financial consumers and contribute to the improvement of the social credit system.



B.7 Anti-corruption

Dongzheng AFC believes upholding integrity in business operation is corporate social responsibility, which is also the cornerstone for maintaining corporate competitive advantage and sustainable operation. The Company strictly abides by the laws and regulations related to anti-corruption and anti-bribery in China, and adopts a zero-tolerance attitude towards any form of corruption. The Company has formulated measures on “Accountability Management Policy” and “Employee Code of Conduct” which stipulate that all employees of the Company must comply with the provisions of laws and regulations and various Company’s rules and regulations, abide by professional ethics, and fulfill their duties with due diligence, integrity and self-discipline. The Company requires employees to sign a commitment to integrity and self-discipline in accordance with the relevant requirements stipulated by the Company’s regulations on integrity and self-discipline, strictly adhere to relevant regulations, refuse to accept any form of illegal benefits from customers, and strictly prohibit acts such as embezzlement, misappropriation of public funds, bribery, corruption and other misconduct through carrying out their duties. The Company’s system also clearly stipulates that employees should enhance their awareness of integrity and compliance, create a clean and upright working atmosphere, and should not engage in any behavior that violates the spirit of the eight-point regulations. Once illegal or irregular behavior is discovered, it should be promptly stopped and dealt with seriously. Employees who violate the law shall be handed over to judicial organs for legal processing without any tolerance.

The Company organizes anti-corruption and anti-bribery related trainings for employees and strives to create clean business atmosphere. It also enhances employees’ self-discipline to avoid any violations of the regulations. During the Reporting Period, the Company arranged 20 hours of trainings to the staff and directors in relation to anti-corruption.

The Company encourages reporting of misconduct from the employees and stakeholders. Whistleblowers may report any suspected misconducts to the Board through the designated reporting email-box anonymously or in real names.

During the Reporting Period, the Company did not receive any corruption lawsuits against the Company or its employees. Meanwhile, the Company and its employees were not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering.

B.8 Community Investment

As a member of community, Dongzheng AFC actively fulfills its social responsibilities, attaches great importance to participating in community construction, and is committed to using its own resources to contribute to society and actively participate in building a cohesive and caring harmonious society. During the Reporting Period, we continued to deepen our inclusive finance work, sorted out the entire process of financial services, and provided more favorable policies for the loan business of used cars and new energy vehicles. At the same time, we also paid high attention to post-pandemic resumption of work and production related work, provided loan services for small and micro enterprises, and carried out targeted assistance work etc to contribute our own strength to building a sustainable development society.

Inclusive Finance

The Company continues to focus on the development plan of inclusive finance. In terms of regulations, the Company has formulated the “Management Measures for Inclusive Finance Work of Shanghai Dongzheng Automotive Finance Co., Ltd.” based on the updates of relevant regulations on inclusive finance by regulatory authorities, the “Management Guidelines for Consumer Rights Protection Work” of the Company and the actual situation of the Company. The Product Department is responsible for leading, coordinating, supervising and guiding all departments to carry out inclusive finance work, while the Compliance Department, Strategy Planning Department, Technology Center, Risk Management Department and Operation Department actively cooperate and coordinate. The measures have clearly defined the responsibilities and work contents of each department participating in inclusive finance, effectively promoting the orderly development of inclusive finance work.

In terms of product design, in 2022, we sorted out the entire financial services process, revised the product management system, adjusted the product logic, enriched the product line, and achieved full coverage of channel business, laying a solid foundation for future business growth.

Product	Introduction
Individual business	Individuals can apply for a business license or company license upon registering as a business entity, and business transaction records can be accepted as supporting materials for credibility.
Farmers	Using channel service providers to reach rural areas, we can accept applications from individuals without credit records and provide inclusive financial services to rural households.
New residents	Those residing for six months are considered residents, and have the same application criteria as original residents. For those residing less than six months, the Company supports buying and registering cars in different locations and provides high-quality services for new residents.
Commercial loan (logistics)	All models of micro vans, pickups, light trucks and medium-duty trucks of 18 tons or less are covered. Vehicles can be registered under personal plates, commercial plates, or under the name of a third-party company, to meet the actual business needs of customers.

The Company is actively expanding its cooperation with automobile manufacturers at headquarter level for new energy vehicles while continuously meeting market demands. In addition to the existing equal principal and interest products, the Company has also introduced new products such as Bailu (suitable for young elites), equal principal, and small new energy products. The coverage of new energy vehicle products has kept pace with traditional fuel vehicles, covering both passenger and commercial vehicles. Some products have better policies than traditional fuel vehicles.

In addition, to better support green finance, the Company has launched equal principal repayment products and Bailu products based on customer needs. It has provided more favorable down payment and final payment policies for new energy vehicle loan products, providing sufficient financial support for car buyers.

Support pandemic situation and resumption of work and production

1. Financial services for small and micro enterprises

Small and micro enterprises are the basic units of the national economy, and supporting them is crucial for promoting consumption recovery. As an automotive finance company, we actively obtain third-party data to conduct credit checks on small and micro enterprises and approve loans for those who meet the approval policies. We have also developed a series of approval policies and preferential conditions for small and micro enterprises to provide them with good financial services. For small and micro enterprises temporarily facing difficulties in liquidity due to the pandemic, we also promptly respond and provide relief measures such as loan extensions and reduced loan interest rates to relieve their burden.

During the Reporting Period, the Company did not engage in any illegal fees or forced bundling and sales to be small and micro enterprises, nor did we charge them default fee regarding prepayment or delayed payment.

2. Targeted Assistance

In order to thoroughly implement the decision and deployment of the Party Central Committee, implement the relevant work requirements of the CBIRC and the China Banking Association, constantly consolidate and expand the results of poverty alleviation, and firmly hold the bottom line of no large-scale return to poverty, the Company, in accordance with the requirements of the Notice of the Automotive Finance Professional Committee of the China Banking Association on Doing a Good Job of Targeted Assistance in 2022, established a targeted assistance working group which is chaired by the general manager and led by the Human Resources and Administration Department to actively organize the procurement of agricultural products in designated counties under targeted assistance.



In 2022, the Company purchased RMB26,000 worth of agricultural products as the Company's employees benefits.

The activity increased the understanding and enthusiasm of the Company's employees regarding the targeted assistance projects. In the future, the Company will continue to consolidate and deepen the achievements of poverty alleviation and continue to contribute to the strength of the auto finance company on the road to building a socialist modern country.

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