



CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED

中國永達汽車服務控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 03669

# 2019

## Environmental, Social and Governance Report





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019

## INTRODUCTION

China Yongda Automobiles Services Holdings Limited and its subsidiaries (hereinafter, the “Group” or “We”) is a leading passenger vehicle retailer and comprehensive service provider in China that specializes in luxury and super-luxury brands. By way of distribution agreements, the Group operates 4S dealership stores for a number of luxury and super-luxury automobile brands. The Group is engaged in a variety of businesses, among which, its principal businesses include new passenger vehicle sales, repair and maintenance services, extended automobile products and services, automobile finance and insurance agency services, pre-owned vehicle business, automobile rental business, financial leasing and micro-loan services.

This environmental, social and governance report (collectively, “ESG Report”) detailedly sets out the Group’s policies, measures and performance in the environmental, social and governance (collectively, “ESG”) aspects during the period from January 1, 2019 to December 31, 2019 (hereinafter, the “Reporting Period”). Representing this ESG Report to the stakeholders enables the Group to disclose its measures and performance over sustainable development issues in a transparent and open manner. It is our belief that giving an overview and disclosure of the Group’s performance to the stakeholders can increase our transparency and further enhance our sustainability performance.

## REPORTING SCOPE

This report covers the overall business performance of the Group during the Reporting Period, which includes our businesses in new passenger vehicle sales, after-sales services for passenger vehicles, pre-owned vehicles, automobile finance, automobile rental services, and new energy vehicles. To increase the transparency of the Group and respond to the earnest expectations of stakeholders, we have expanded the reporting scope of the environmental and social key performance indicators to our five typical 4S stores (namely, Shanghai Baozen Shenjiang Automobile Sales and Service Co., Ltd., Shanghai Yongda Hongjie Automobile Sales and Services Co., Ltd., Shanghai Yongda Beiwo Automobile Sales and Service Co., Ltd., Shanghai Yongda Infiniti Qibao Automobile Sales and Services Co., Ltd. and Shanghai Yongda Qiming Automobile Sales and Services Co., Ltd.) in China this year, in addition to our existing headquarters office in Shanghai. In the future, we hope to continue to modify and improve our internal coordination in data collection so as to cover more aspects of disclosure.

## SUMMARY OF GOVERNANCE

Accordingly, the board of directors of the Company (the “Board”) is committed to contributing to the sustainable development of the society and the environment. In addition to upholding this objective, the Board is also responsible for assessing and determining the Group’s environmental, social and governance risks. By identifying and adjusting relevant risks, the Board is able to develop a clear vision and key strategies, and to oversee the management team to make sure environmental, social and governance measures and policies are properly implemented.

The Board takes the responsibility to assess and manage the strategies for the sustainable development issue and to identify, analyze and manage ESG risks and opportunities. The decision-making of these involves the management of operations team, business development and planning, occupational health and safety, finance, risk management and investor relations, in which other business functions such as representatives from various business units (such as law and policy, innovation, safety, health and environment, and human resources) were involved as well. Meanwhile, the Board also initiates or creates strategic sustainable development projects and conducts strategic discussions on new opportunities and challenges.

## REPORTING PRINCIPLES

This report is compiled and prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities (the “Guide”) on the Stock Exchange of Hong Kong Limited (“The Stock Exchange of Hong Kong”):

1. **Materiality:** Environmental, social and governance matters that have significant impacts on investors and other stakeholders have to be reported in this report.
2. **Quantitative:** If there are key performance indicators, the indicators should be quantitative and be compared effectively where appropriate. The indicators must also state their purposes and impacts.
3. **Balance:** This report impartially presents the Group’s environmental, social and governance performance and avoids selections, omissions or presentation formats that inappropriately mislead the report readers’ decision or judgement.
4. **Consistency:** This report uses consistent methods of statistic disclosure so that meaningful comparisons of data may be made in the future. Any future changes in methodologies will be indicated in the report.

This report has complied with the “Comply or Explain” clauses of the Guide.

## STAKEHOLDERS ENGAGEMENT

The opinions of stakeholders always serve as the best reference for improving our business performance and promoting our business development. By engaging with stakeholders (investors, shareholders, employees, suppliers and customers, etc.) in various ways, we are able to collect opinions from different aspects and angles in a comprehensive way, which contributes to the overall improvement of the Group.

### (a) Shareholders

All shareholders are able to put forward their opinions to the Board or company secretary by email or other means, which will be reviewed and discussed by the Board on a regular basis. They are also able to make enquiries about these opinions and discuss them with the Board at annual general meetings.

### (b) Investors

We believe proactive engagement with investors is essential to the long-term development of the Group. To enable investors to get acquainted with the latest performance and moves of the Group, our executive directors and chief financial officer hold briefings and results presentations on a regular basis. In addition to handling emails and incoming call enquiries, the management members also attend various investor forums, conferences, interviews and roadshows so as to reply to and elaborate on the Group’s development strategies for institutional and international investors in person. Suggestions and feedback from our investors are very valuable for us to lead the Company to grow on the right track.

### (c) Employees

We always encourage our employees to express their opinions to the management members because this helps the Group improve the work environment and operational standards. The management members will take their opinions seriously as a basis for creating a more friendly and efficient work environment.



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## AWARDS AND MEMBERSHIPS

During the Reporting Period, the Group received a number of awards and achievements from various organizations and associations in recognition of its governance practices in the social and environmental aspects. The Group will continue to work diligently, with an aim to becoming the most respected automobile service brand.

Award/Achievement Titles	Awarded by
Dealership Group with the Best Comprehensive Performance	Volvo Cars
2019 Core Competitive Enterprise in China's Automobile Dealers Industry	China Automobile Dealers Association
Enterprise Reaching the Standards for Harmonious Labor Relations in Shanghai	Shanghai Municipal Human Resources and Social Security Bureau and Shanghai Trade Union Federation
2019 Chinese Enterprise Digital Transformation and Innovation Award	Digital Industry Innovation Research Center
No. 4 of Top 100 Automobile Dealers in China	China Automobile Dealers Association
No. 24 of Top 100 Service Companies in the Yangtze River Delta in 2019	Enterprise Management Association of Shanghai and Shanghai Entrepreneur Association
No. 25 of Top 100 Shanghai Enterprises	Enterprise Management Association of Shanghai and Shanghai Entrepreneur Association
No. 263 of Top 500 Chinese Enterprises	China Enterprise Confederation and China Enterprise Directors Association

Table 1 – The Group Received a Number of Awards and Achievements During the Reporting Period

## A. ENVIRONMENT

The Group carries out its business primarily in offices and 4S stores. The Group creates an impact on the environment to a limited extent because its business is not an energy-intensive business. However, the Group believes it is equally important for us to undertake this responsibility against the background of environmental protection. The Group is required to comply with all applicable local environmental laws and regulations. Moreover, the Group will continue to work diligently to increase energy efficiency and reduce carbon emissions at the workplace. The following are some of the initiatives related to environmental protection.

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## 1. Emissions of greenhouse gas and exhaust gas

The Group regards greenhouse gas (GHG) and exhaust gas management as part of our operation and actively takes effective measures to reduce emissions of GHG and exhaust gas. As the Group is principally engaged in business activities in automobile sales services, automobile finance and automobile rental, we do not have significant air emissions and discharges into water or land, such as nitrogen oxides, sulphur oxides and respiratory suspended particles. The Group will continue to monitor the amount of air emissions.

The major emissions of the Group are the GHG emissions and solid non-hazardous waste generated from our office operations, including fuel consumed by the Group's vehicles and purchased electricity used in offices and daily operations.

The total GHG generated by the Group during the Reporting Period was approximately 1,650 tonnes (2018: 190 tonnes) CO<sub>2</sub>e, with an intensity of 2 tonnes (2018: 0.8 tonne) CO<sub>2</sub>e per employee, mainly from our electricity and fuel consumptions. Compared with the previous reporting year, the increase in the total amount of GHG and emission intensity in this reporting year was due to the expansion of the reporting scope.

Scope of GHG Emission	Emission Source	Emission (in tonnes of CO <sub>2</sub> e)		Intensity (emission/employee)		Total Emission (in percentage)	
		2019	2018	2019	2018	2019	2018
Scope 1							
Direct Emission	Fuel consumed by the Group's vehicles	116.35	17.11	0.15	0.07	7.04	8.80
Scope 2							
Indirect Emission	Purchased Electricity	1,520.88	177.49	1.96	0.72	92.00	91.20
Scope 3							
Indirect Emission	Paper waste	15.94	N/A	0.02	N/A	0.96	N/A
Total		1,653.17	194.60	2.13	0.79	100.00	100.00

Table 2 – Total GHG Emissions in the Reporting Period

The Group takes more effective measures to reduce emissions of exhaust gas. The Group's automobile maintenance enterprises are equipped with exhaust gas purification devices in their drying rooms, and the exhaust gas emissions from these drying rooms have also passed third-party testing and met the relevant national requirements.



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### **(a) Waste Management**

The Group upholds the principles of waste management and is committed to reducing the adverse impacts of wastes from our business activities on the environment. By entering into an agreement on domestic waste treatment with the local environmental protection department, we undertake to cooperate with the relevant departments on waste storage, cleaning, transportation and processing, as well as keeping the environment clean and hygienic. For damaged and wasted furniture, we encourage the return to the factories for fixing and recycling to reduce the generation of solid waste. We have also entered into cartridge recycling agreements with the suppliers of photocopiers and printing machines to encourage recycling.

During the Reporting Period, the Group did not generate a significant amount of hazardous waste, while the major non-hazardous waste generated was paper waste, with a weight of approximately 3,320 kg (2018: 366 kg), which was entirely recycled. Compared with the previous reporting year, the increase in the total amount of non-hazardous waste in this reporting year was due to the expansion of the reporting scope.

### **(b) Actively exploring new energy vehicles**

The Group is constantly improving its energy efficiency and reducing energy consumption and carbon emissions from its operations. During the Reporting Period, we paid more attention to researching the development trend of new energy vehicles and actively responded to the impact of various policy changes such as government subsidies, double scoring system and emission standards. We intensified the marketing of new energy vehicles of various authorized brands in major cities, and new energy vehicles of major authorized brands achieved different growth rates. Throughout the year, our sales of new energy vehicles reached 9,023 units, representing a year-on-year increase of 33.7%, and the proportion in overall sales of new vehicles further increased to 4.6% from 3.8% in 2018. For details, please refer to the Group's published 2019 Annual Report.

The Group acts in strict compliance with the laws and regulations which are related to the emission of exhaust gas and GHG, the discharges to water and land as well as the generation of hazardous and non-hazardous wastes, and which have a significant impact on the Group, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Promoting Clean Production, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Pollution to the Environment by Solid Wastes, the Energy Conservation Law of the People's Republic of China and Renewable Energy Law of the People's Republic of China. During the Reporting Period, the Group did not violate any laws and regulations related to the emission of exhaust gas and GHG, the discharges to water and land, as well as the generation of hazardous and non-hazardous waste.

## 2. Use of resources

The Group is committed to implementing environmental protection policy to reduce and to make good use of resources, including saving energy and reducing waste. Through promoting 4R culture, namely “Reduce, Reuse, Recover and Recycle”, throughout the Company, the Group and its employees work together to reduce the environmental impact of the Group’s business. To pursue our environmental commitment, we have implemented multiple measures in enhancing energy efficiency, minimizing the use of papers, reducing water consumption, encouraging replacing business travels with video conferences, and driving behavioral changes of employees. Through active monitoring and managing the use of resources, we aim to reduce our operating costs as well as our carbon footprints. Our business does not involve packaging materials. Details of energy and water consumptions will be discussed in the following sections.

### (a) Resources

During the Reporting Period, the resources we consumed directly for our operations are as follows:

Resources	Unit	Consumption Quantity		Intensity (Consumption/employee)	
		2019	2018	2019	2018
Electricity	kWh	1,890,233.00	22,600.00	2,435.87	900.41
Fuel	L	50,564.00	7,525.00	65.16	30.71
Water	m <sup>3</sup>	15,182.00	40.69	19.56	0.17

Table 3 – Total Resources Consumption in the Reporting Period

Compared with the previous reporting year, the increase in resource consumptions in this reporting year was due to the expansion of the reporting scope.

As a leading automobile retailer and comprehensive service provider in China, the Group aspires to improve the efficiency of the traditional supply chain with technology, and to promote green business awareness as its responsibility. The Group’s principal businesses are automobile sales services, automobile finance, automobile rental, etc., therefore, its environmental impacts during its operation are relatively insignificant. Lighting and air conditioning in various kinds of industrial outlets and offices are the Group’s biggest source of power consumption. In light of this, the Group introduced a number of energy-saving measures, which can be roughly divided into the following areas:



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## *Power conservation*

- Giving priority to products with better energy-efficiency when replacing electrical equipment;
- Specifying the running hours and temperature of air conditioning in winter and summer, and putting up conspicuous signs by the switches of air conditioners;
- Reminding employees to close the doors and windows when turning on the air conditioners;
- Cleaning the air conditioners twice a year to improve operational efficiency;
- Using natural light as much as possible during daytime to reduce the use of lighting;
- Partnering with a landscaping company which places plants at each office area to purify the working environment since 2002;
- Designating personnel to check and inspect to ensure that all non-use or unnecessary equipment is powered off; and
- Encouraging employees to walk more and use less elevators.

## *Energy conservation*

- Implementing a policy of phasing out fuel-powered business vehicles, including a car and a public minibus, and encouraging staff to use public transportation; and
- Continuing to review and optimize energy consumption and improving consumption of energy and other resources constantly.

## *Paper conservation*

- Making full use of the Internet resources and striving to be a paperless office; and
- Advocating double-side printing, recycling and reuse of office supplies and paper.

## *Environmental protection and waste reduction*

- Recycling and reusing printing and copying consumables;
- Separating waste and delivering it to environmental departments for handling;
- Establishing separate hazardous waste storage to store hazardous waste generated during vehicle maintenance;
- Entering into cooperation agreements with local collectors qualified to collect hazardous waste to handle hazardous waste; and
- Equipping every lacquer room with exhaust gas purification devices and having exhaust gas tested by relevant agencies to ensure that it meets the relevant national requirements.

### **(b) Water consumption**

We understand the importance of precious water sources to the earth and the environment. Due to the Group's business nature, we do not use or discharge a significant amount of water. The Group actively promotes water-saving practices. For instance, we have entered into a water conservation agreement with the water supply company and undertaken to treasure water and enhance employees' awareness of conservation. During the Reporting Period, the Group achieved results regarding water conservation: the monthly water consumption was controlled at below 70% of the rated consumption specified by the water supply company, thereby effectively lowering the total annual water consumption.

### **3. Environment and natural resources**

Given our business nature and activities, the impact of the Group on the environment and natural resources is limited. Consumption of energy mainly stemmed from the general use of electricity in the office. During the Reporting Period, we stipulated a number of measures to reduce the use of resources and disposal of waste (see the section headed "Use of Resources" above).

Although the Group's operation model does not involve high energy consumption activities, we are still committed to maintaining a balance between industry and ecological environment, and pursuing long-term and sustainable developments. While reviewing our business strategy and planning for future industrial development, we would take into account the importance of protecting the environment and cherishing natural resources. We will also promote the Group's overall awareness of environmental protection and the awareness of our customers' through education, training and awareness advocacy, thereby shouldering our corporate social responsibility.

In addition, we will continue to assess the environmental risks of our business, review the environmental practices and adopt preventive measures as necessary to reduce the risks and ensure the compliance with relevant laws and regulations that applies to the Group's emissions and the use of resources.

### **4. Climate change**

The business scope of the Group covers the business operations in China. Accordingly, the Group has identified and assessed the risks of climate change and drawn up measures to safeguard the safety of its employees, including the strict compliance with the relevant extreme weather guidelines issued by the government. The Group has worked out emergency guidelines and measures to reduce damage from disaster attacks in the future. The Group will review its policies for climate change on a regular basis, striving to make sure these policies are effective.

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## B. SOCIAL

### 1. Employment and labor practice

The Group's business is built on the efforts of its employees. Therefore, we strive to create a safe and healthy, fair and just, non-discriminatory working environment, enabling employees to unleash their full potential. We are also committed to maintaining the harmonious labor relations and pooling the wisdom of our employees to promote the long-term and sustainable development of the Group's industries.

#### (a) **Anti-discrimination policy**

The Group actively promotes fair competition to ensure no discrimination or dismissal of employees based on their race, gender, age, marital status or religion etc.. In view of this, the Group has formulated the "Anti-discrimination Policy" and "Recruiting Procedures" to regulate the Group's principles of equal opportunity, diversity and anti-discrimination. The equality principles of the Group include recruitment, dismissal, probation period, working hours, holidays, equal opportunity, career development, promotion of employees and other remuneration packages and benefits systems, etc., all of which will be conducted in accordance with established fair procedures and objective criteria, so as to ensure that all employees and job applicants receive fair treatment.

#### (b) **Compensation system**

The Group attaches great importance to talents, adheres to the philosophy of being people-oriented, and abides by the personnel management principles of fairness, openness and justness. In order to attract and retain excellent talents, the Group adopts competitive salary and welfare treatment in the industry, insists on performance-based reward and internal fair treatment, and provides employees with on-the-job training and equal and long-term development opportunities.

In terms of the compensation system, we pay attention to external competitiveness and internal fairness. Each year, we offer room for salary-increase to employees with outstanding performance so that the efforts they have contributed would be duly rewarded. In addition, the Group has formulated the performance evaluation system. For employees who fail to meet the job requirements of the Group, the Group follows the survival of the fittest employment strategy. We will fully communicate with the dismissed employees and report to the Group for approval to avoid forced or illegal termination of employment relations. Our termination process is in full compliance with the provisions of the Labor Contract Law.

#### (c) **Proactively recruiting and retaining talents**

In terms of recruiting and retaining talents, apart from implementing a series of anti-discrimination policies, the Group also posts recruitment information internally and externally based on the job requirements of the open positions, and carries out relevant recruitment-related work in strict accordance with personnel selection criteria and the recruitment and employment process. Promotion for employees at each position shall be primarily based on the assessment results of employees' basic job qualifications, performance, and capabilities. The Group has specifically built a robust system of position hierarchy comprising five career development paths: senior management, management, specialist, sales and technical.

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Breakdown of employees by gender, age group and employee category as at the end of the Reporting Period:

	Number of employees		Percentage of total	
	Average number of employees per month in 2019*	As at December 31, 2018	Average number of employees per month in 2019*	As at December 31, 2018
<b>By gender</b>				
Male	496	114	63.92	46.53
Female	280	131	36.08	53.47
Total	776	245	100.00	100.00
<b>By age group</b>				
below 25	134	21	17.27	8.57
25-34	342	99	44.07	40.41
35-44	230	96	29.64	39.18
45-54	57	22	7.34	8.98
55-64	13	7	1.68	2.86
Total	776	245	100.00	100.00
<b>By employee category</b>				
Senior management	19	16	2.45	6.53
Middle management	51	23	6.57	9.39
Supervisor	102	52	13.14	21.22
General employee	604	154	77.84	62.86
Total	776	245	100.00	100.00

Table 4 – Breakdown of Employees by Gender, Age Group and Employee Category

\* During the Reporting Period, the Group has updated the calculation method for the number of employees.



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Breakdown of turnover rate by gender and age group during the Reporting Period:

	Number of employees		Percentage of total	
	2019	2018	2019	2018
<b>By gender</b>				
Male	74	11	64.91	57.89
Female	40	8	35.09	42.11
Total	114	19	100.00	100.00
<b>By age group</b>				
below 25	29	0	25.44	0.00
25-34	59	16	51.75	84.21
35-44	23	2	20.18	10.53
45-54	1	1	0.88	5.26
55-64	2	0	1.75	0.00
Total	114	19	100.00	100.00

Table 5 – Breakdown of Employees Turnover Rate by Gender and Age Group

The Group acts in strict compliance with the laws and regulations which are related to equal employment opportunities as well as child labor and forced labor, and which have a significant impact on the Group, including but not limited to the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. During the Reporting Period, the Group did not have any cases in violation of relevant employment laws and regulations, or any complaints related to recruitment.

## 2. Occupational health and safety

On March 11, 2020, the World Health Organization (WHO) announced the outbreak of novel coronavirus (COVID-19) a global pandemic. Because of this, the safety of our customers and employees as well as other stakeholders became a top priority. Amid the pandemic, we are implementing measures in accordance with the guidelines of government authorities to help prevent the spread of COVID-19 infections. Our measures included the provision of protective equipment (e.g. provision of free face masks and hand sanitizers, etc.) to our employees and customers, the stringent tracking of each employee who returned to work, the formulation of effective medical quarantine measures, and the offer of necessary assistance to those employees in difficulty.

To provide a healthy and safe work environment for our employees, the Group acts in compliance with the laws, regulations and standards of the state on safe production, thus laying a foundation for safe operation. In establishing safety guidelines, the Group assesses risk points with safety hazards and takes corresponding control measures based on the characteristics of the risk.

In order to enhance employees' fire safety awareness and standardize the Group's fire safety management, the Group holds four sessions of fire safety training each year, and especially invites personnel from the fire safety department to give lectures to provide employees with trainings on fire safety. Moreover, we organize fire drills participated by all employees and we perform scheduled inspection and maintenance twice a year on the condition of the fire-fighting equipment.

The Group uses the "Yongda Newspaper", "Corporate Safety Culture Wall" and other propaganda positions to conduct education on workplace safety, promote the knowledge of the corresponding laws and regulations, safety tips and good practices, and foster an atmosphere and culture of workplace safety in the Group.

The Group acts in strict compliance with the laws and regulations which are related to occupational health and safety, and which have a significant impact on the Group, including but not limited to the Safe Production Law of the People's Republic of China and the Labor Law of People's Republic of China. During the Reporting Period, the Group did not identify any violation of laws and regulations related to occupational safety and health, or any complaints about work conditions, and there were no cases of death due to work.

### 3. Development and training

In the ever-changing business environment, we strive to equip our employees with the latest knowledge and skills to enable them to stay competitive in the industry. Following the principles of "Recruiting people with vision, Cultivating people with talents and Appointing people with competence", the Group assists its staff in developing their potential while meeting the Group's goals.

#### (a) Management personnel training program

The Group has formulated a management trainee program, with the aim of looking for talents that are devoted to managerial positions and retaining those with strong learning capability, innovation consciousness and development potential from the outstanding graduates of well-known institutions in China. We provide them with the required training to join the management team of the Group in the future. This shall cultivate them to devote to the future development of the Group.

#### (b) Attracting young talents

In addition to the management trainee program, we launched a future young leaders program for young talents of the post-1985 and post-1990 generations that meet the criteria of "Virtue", "Talents", "Development Potential", "Development Willingness" and "Stability", and provided them with a comprehensive training program to cultivate a capable working team.

#### (c) Diversified employee training

The Group is committed to promoting continuous excellence and improvement in the professional and personal development of all employees. Meanwhile, the Group will continue to review the training and development needs of its employees, provide new recruits with orientation training, set career development plans for existing employees, encourage and support employees to pursue advanced education, and provide them with training opportunities in management, sales and maintenance.

During the Reporting Period, a total of 776 employees (2018: 245 employees) of the Group completed various training, representing 35,358 training hours (2018: 7,765 training hours).

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Training rates of employees during the Reporting Period by gender and employee category are as follows:

	Number of employees		Percentage of total	
	2019	2018	2019	2018
<b>By gender</b>				
Male	496	114	63.92	46.53
Female	280	131	36.08	53.47
Total	776	245	100.00	100.00
<b>By employee category</b>				
Senior management	19	16	2.45	6.53
Middle management	51	23	6.57	9.39
Supervisor	102	52	13.14	21.22
General employee	604	154	77.84	62.86
Total	776	245	100.00	100.00

Table 6 – Training Rates of Employees by Gender and Employee Category

## 4. Labor standard

### (a) Prohibition of the use of child labor and forced labor

During the Reporting Period, the Group has fully complied with laws and regulations related to the prevention of child labor and forced labor. The Group has formulated relevant management regulations for employee recruitment and a rigorous recruitment review process to ensure that all candidates meet the statutory age requirements for employment.

In addition, the Group fully abides by the relevant provisions of the Labor Law, and prevents any threat of violence or unlawful restriction of personal freedom in any operations or services. Labor being forced to work by means of physical punishment, abuse, involuntary servitude, debt bondage or trafficking is strictly forbidden. In addition, we have set up employee suggestion boxes for employees to report child labor and forced labor, so as to prevent illegal employment of child labor or forced labor.

### **(b) Employee welfare activities**

The Group also strictly abides the labour regulations on working hours, rest days and holidays to ensure the physical and mental health of all employees. Accordingly, we advocate efficient working during working hours instead of overtime-working culture and taking work home. We have also organized activities at various levels to enrich the leisure life of our employees and help in relieving their pressure. The following are welfare activities provided by the Group for employees:

- Employee team-building activities;
- Weekly fitness activities;
- Regularly inviting experienced traditional Chinese doctors to provide medical benefits for employees; and
- Food allowance.

In addition to providing basic welfare for employees in compliance with statutory requirements, the Group has also offered additional benefits such as paid leave on birthday and paid leave for female employees on Women's Day, so that the employees could more effectively manage their work and life.

The Group always places emphasis on and acts in strict compliance with applicable national laws and local regulations, including but not limited to the Decision of the Standing Committee of the National People's Congress on the Approval of the Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor, the Criminal Law of the People's Republic of China, the Labor Law of the People's Republic of China, the Law for the Protection of Minors, the Provisions for the Prohibition of the Use of Child Labor, the Labor Contract Law of the People's Republic of China, the Provisions of the State Council on the Working Hours of Employees, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, the Provisions on the Labor Protection of Female Employees and the Implementation Measures on the Labor Protection of Female Employees.

During the Reporting Period, the Group did not identify any non-compliance with laws and regulations on labor standards.





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### 5. Supply chain management

The Group believes that building a sustainable supply chain can create values for our employees, suppliers, service providers, communities and our clients. The Group applies the principles of openness, fairness and transparency to selected suppliers and service providers, and establishes a supplier evaluation system to evaluate their prices, quality, costs and after-sales services.

A suppliers' meeting was held in March 2019, and a work communication meeting was held subsequently for some of our suppliers every quarter to enable us to monitor the quality of our suppliers and review their performance on an ongoing basis. Moreover, our suppliers are evaluated on a regular basis. They are also required to conduct self-evaluation, and are managed based on the principle of survival of the fittest. For those suppliers which fail to meet the quality standards, we will communicate with them first and allow them to improve. If they still do not meet the requirements, we will cease the cooperation with them.

As for tendering, the Group conducts open tendering for a substantial amount of decorations, and the discipline inspection commission and relevant business units of the Group jointly carry out bid opening and deliberation works to ensure that the entire process is fair and just. For tendering of other projects, the Group will appoint dedicated personnel to participate in the tendering work and limit the bidders' information to a small group of people. We have entered into the "Cooperation Agreement" and the "Yongda Group Supplier Anti-Bribery Agreement" with all partner suppliers.

### 6. Product responsibility

The Group is committed to providing top-quality services that respond to customer demands and improving the brand's reputation, focuses on the interests of customers and the good reputation of the Group, and devotes utmost efforts to make our brand the most preferred choice of the consumers through proper brand positioning and internal resources allocation.

The Group has undertaken to provide a complete package of after-sales services for all newly-sold vehicles and vehicles repaired and maintained by the Group, including repair, replacement and return services, to protect the lawful rights and interests of consumers and the health and safety in using the products. For vehicle products that have not met the quality, safety and reliability standards, the Group would provide feedback to the automobile manufacturers for our customers to help solving their problems.

#### (a) Respecting intellectual property rights

With respect to intellectual property rights, the Group has strictly complied with the intellectual property rights of the automobile manufacturers of different brands, including the requirements on trademark, logo and store name. The promotion materials and advertisements used by the Group in marketing and product highlights have all been strictly examined. They would only contain correct information about our products and services, and no false, exaggerated or misleading information would be included, so as to safeguard the rights and interests of our customers.

### **(b) Customer information protection and privacy policy**

The Group regards customer information as the guarantee of safe corporate operation and healthy development of customer relations. Accordingly, the Group has developed a sound customer information confidentiality management system, established a graded customer management system, a mandatory mechanism with tiered authorization, and built a safe customer information database to ensure that the collection, holding, use and processing of customer information are protected. Moreover, the Group has strict ranking requirements for access to customer information and imposes functional restrictions on roles in the system so that each employee can only access information of customers for whom he/she is responsible for. Only a few of the senior management members have authorities to access the information of all customers but the contents of information they can access are also limited. As the Group is required to collect and use the personal data of customers or consumers in conducting its business, we would clearly explain the aim and purpose of such collection to our customers before collecting the information.

In addition, upon entering into cooperation agreements with its suppliers, the Group also requires its suppliers to simultaneously sign the “Data Confidentiality Agreement”. All personnel involved in customers’ information must also sign the “Confidentiality Agreement” with the Group. In addition, when completing the entry formality, every new recruit is required to sign the “Company Confidential Agreement”, which clearly defines the scope, usage, and security of the Group’s data. Upon entering into cooperation agreements with suppliers, the Group also requires suppliers to simultaneously sign the “Data Confidentiality Agreement”. The Group has taken precautionary measures to prevent the disclosure, abuse or misuse of information.

### **(c) Taking service quality towards another level**

The Group has in place a dedicated internal inspection mechanism for service quality where a survey group will be dispatched to member companies. Each month, on-site examination and evaluation will be carried out according to the “Channel Service Standards”, focusing on service process and quality as per predetermined evaluation items.

In addition, the Group has specially developed the “Channel Service Standards” which is updated and improved on an annual basis. We will organize all employees to study the “Channel Service Standards” and arrange for examination thereon after class. The Group will engage third-party agencies quarterly to carry out mystery shopper’s secret investigation on the service quality of the member companies using criteria based on the latest “Channel Service Standards” for the year. For poorly performing employees, we will require and supervise them to undergo rectification.

During the year, the “96818” call center set up by the Group conducted monthly sampling inspections on the purchase of vehicles by corporate customers so as to know more about customers’ satisfaction with the services provided by our staff, and about customers’ purchase experiences. For those customers with low satisfaction evaluation, we will pay a return visit, follow up and obtain more details on that day. For those companies with low comprehensive assessment scores for customer satisfaction, we will also notify and penalize the operators of these companies accordingly.

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The Group's Shanghai Yongda Hongjie Automobile Sales and Service Co., Ltd. has obtained ISO 9001 quality management system certification and applied the "planning, execution, inspection, and action" model to the quality management of the continuously improving procurement process. The Company will continue to strive to make sure products and services meet regulatory requirements and customer expectations.

### **(d) Customer complaint**

The Group has drawn up a set of procedures governing customer complaints. For reasonable complaints and requests from customers, we will address customers' needs as our top priority. The Group has a dedicated 24-hour customer service hotline, a 24-hour online customer service WeChat platform and a complaint email address on the Group's official website for customers to file their complaints effectively. Upon receipt of a customer complaint, the relevant enterprise or staff are required to follow up and handle the complaint within 24 hours to try to help the customer solve the problem as soon as possible. They should give feedback to the Group on how they handled it within 3 working days. They are also required to report it to the relevant department of the Group for the record in a timely manner.

The Group acts in strict compliance with applicable national laws and local regulations, including but not limited to the Product Quality Law of the People's Republic of China, the Standardization Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Provisions of the State Council on Pursuing the Administrative Liability for Extraordinarily Serious Safety-related Accidents, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Law of the People's Republic of China on Electronic Signatures.

During the Reporting Period, the Group did not identify any violation of laws and regulations regarding the Group's provision and use of products/services.

## **7. Maintaining integrity**

The Group advocates business integrity and fair competition and requires its employees to observe the code of professional ethics at all times. We expect all our employees to adhere to the highest ethical, personal, and professional behavior and standards. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations. The Group encourages its employees to reflect any potential integrity issues, including blackmail, fraud and money-laundering.

### **(a) Anti-corruption measures**

The Group is committed to building and promoting a good corporate culture. During the Reporting Period, the Group has organised a number of activities to promote anti-corruption culture. At the staff level, we have organised staff integrity knowledge competition and various training activities to educate staff on integrity; at the supplier level, we held supplier management conferences, and used WeChat platform to remind suppliers of integrity regularly so as to keep the business environment uncorrupted constantly.

Meanwhile, the Group has developed a code of practice, including disciplines and regulations on financial management, operation management, procurement of goods, hand-in of gifts and personnel management, and cautioned the employees to deal with potential misconduct with prudence.

The Group prohibits its employees from seeking personal gains with their power or accepting any benefit from customers, suppliers or other business associates by exploiting their power. In any case, employees must not seek to affect any person or company with bribery or remuneration to gain business or interest. All employees in the Group must sign the “No-bribery agreement”, and commit to jointly stopping commercial bribery to safeguard the interests of the Group and the brand image of the Group. At the same time, we would not tolerate, assist or support money-laundering activities.

### **(b) Whistle-blowing policy**

The Group has set up anonymous email and telephone whistle-blowing channels. Should any employee discover any suspicious incidents, they may report to the Group any alleged misconduct which are corrupt, dishonest or fraudulent activities. The Group has also set up an internal audit department to conduct internal audit on the development and operation management of the Group’s businesses and to resolutely investigate and deal with violations of laws and regulations found in the audit process. In addition, we have established a managerial personnel integrity management inspection group which organizes and conducts integrity inspections to promptly identify and handle integrity issues.

The Group acts in strict compliance with applicable national laws and local regulations, including but not limited to the Interpretation by the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in Handling Criminal Cases of Corruption and Bribery, the Criminal Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China and the Anti-Money Laundering Law of the People’s Republic of China.

During the Reporting Period, the Group did not identify any corruption incidents or any violation of relevant laws and regulations.

## **8. Community engagement**

The Group does realize the importance of making positive contributions to the communities in which we operate, and hence it considers the interests of the communities as one of its social responsibilities. We believe an enterprise and a community are an indivisible whole because the enterprise cannot grow without the support and assistance of the community. To fulfill its social responsibilities in a more comprehensive manner, we dedicate ourselves to engaging with community activities and undertake the responsibility of a good corporate citizen to contribute to the community by encouraging its employees to engage with charitable and social services.





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### **(a) Yongda Foundation**

During the reporting year, we continued to carry out charitable activities such as poverty alleviation, financial aids to the poor and the needy, elderly support, study subsidy, as well as disaster relief and rescue through Yongda Foundation. This included a donation of RMB3 million to setting up “Yongda Lights Up the Sunset” (「永達公益·點亮夕陽」), a project for the eye health of elderly people, used to help impoverished elderly people with eye health problems such as cataracts and ocular fundus diseases. Moreover, Yongda Foundation contributed RMB660,000 to a poverty alleviation project carried out in Xijia Village of Heqing Town. It also offered medical training for doctors in impoverished districts and counties during the year to help medical personnel raise their technical and medical standards there. The Foundation’s doctoral service team also provided voluntary consultation services in Urumqi and Kashgar in Xinjiang by delivering medicines to the residents in the local communities, villages, towns, and pasturing areas so as to facilitate the exchange of traditional Chinese medicine between Shanghai and Xinjiang.

Yongda Foundation held a charity auction dinner in November 2019, from which all the proceeds raised would be used for charitable activities.

### **(b) Students and university education**

To provide students with better education opportunities, the Group has spared no effort in developing educational projects. During the Reporting Period, the Group donated RMB2 million to Yiliang County, Yunnan, a state-level poverty-stricken county, for the construction of a hydropower primary school in Niushui Town and new school buildings for the children in the poor mountainous areas. Moreover, Yongda Special Fund was established in Heqing Town of Pudong, Shanghai University of Traditional Chinese Medicine, Shanghai Normal University, Shanghai Communications Polytechnic, Gyangze County of Tibet, etc. with a contribution of RMB2.45 million in total for delivering study gift packages to 175 elementary school students, providing financial aids to 25 most needy students and 101 poverty-stricken college students, and selecting 25 outstanding teachers.

### **(c) Caring community**

During the Reporting Period, 56 events were organized and more than 5,000 seniors were benefited from the Group’s “Love will be there for you” activity launched by Yongda Foundation. Moreover, the first “A Heart for Charitable Events, Dedication to Work” (「心系公益·愛崗敬業」), a youth talent volunteer event, was rolled out during the reporting year, in which Yongda Volunteer Service Team formed by 35 management trainees born after 1990 and TCM doctoral students attended elderly people in an intimate and interactive way, and provided them with Chinese medicine consultation services at a nursing home for the elderly in Heqing.

The Group also offered donations to finance the collective relocation of impoverished households in Heila Village, Yiliang County, Yunnan Province, to improve the quality of life of local villagers, and donations to the Government of Heqing Town to support local elderly people of no family, patients with severe illnesses, impoverished families, etc. to help them overcome difficulties.

The Group will continue to regularly review the goals and direction of community investment, and supervise community investment, sponsorship and donation activities and approval policies. We will review annually whether the social performance of the Group meets the goals of community investment policies and community activities, supervise and optimize team capabilities, and ensure that community investment policies are implemented in all departments.

Donation in 2019



¥8,000,000

## PROSPECTS

The Group believes the current environmental protection and social responsibility measures in place are adequate to the compliance with the relevant laws and listing rules, but we will continue to make necessary reviews and amendments from time to time in line with the requirements of various laws, listing rules and internal management. Moreover, the Group will continue to implement more favorable environmental, social and governance measures in its operations in future as a reflection of its commitment to the environment and the society.