



中關村科技租賃股份有限公司

ZHONGGUANCUN SCIENCE-TECH LEASING CO., LTD.

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

Stock Code: 1601

2019 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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SCOPE AND REPORTING PERIOD

This is the first environmental, social and governance (“**ESG**”) report of Zhongguancun Science-Tech Leasing Co., Ltd. (the “**Company**”, “**we**” or “**us**”) highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The principal activities of the Company are offering efficient finance lease solutions and a variety of advisory services to satisfy technology and new economy companies’ needs for financial services at different stages of their growth. This report covers the Company’s overall environmental and social performances and selected key performance indicators (“**KPI**”) for the period from January 1, 2019 to December 31, 2019 (the “**Reporting Period**”), unless otherwise stated.

This report was prepared in both Chinese and English versions, where there is a discrepancy between the Chinese and English versions, the English version shall prevail.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Company and report it in this report, the Company regularly collects views and discusses ESG matters with stakeholders through a variety of channels, such as routine meetings and annual general meeting. During the Reporting Period, the Company has specifically engaged its directors, shareholders, senior management and frontline staff to gain further insights on ESG material aspects and challenges, and have identified the following top 5 material aspects:

1. Development and Training;
2. Product and Service Quality;
3. Labour Standards;
4. Occupational Health and Safety; and
5. Customer Service.

The Company aims to keep close communication with its stakeholders for the identified aspects and continues to improve its ESG performance and management on ESG-related risks for future business development. The demand in finance lease service continues to increase and market competition is fierce, the Company will put further effort on cultivating talents, increasing business capacity and continuously improving its own risk management mechanism.

STAKEHOLDERS' FEEDBACK

The Company welcomes stakeholders' feedback on our ESG approach and performance. Please give your suggestions or share your views with us via email at ir@zgclease.com.

A. ENVIRONMENTAL

A1. Emissions

With the nature of the business, the Company's operations were office based, all business and management were in compliance with the requirements of Environmental Protection Law of the People's Republic of China ("PRC") (《中華人民共和國環境保護法》) and its related environmental impact was very minimal. Since the H Shares of the Company were just listed on the Main Board of the Stock Exchange on January 21, 2020, the Company needs time to be more familiar with the relevant rules, and the Company's daily operation rarely affect the environment, the Company has not established any policy and did not notice any incident of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations.

A1.1. Emissions

Greenhouse gas emissions are also generated from electricity consumption from the Company's office operation. The Company aims to reduce electricity consumption in daily operation as the amount of indirect greenhouse gas emissions depend on the units of electricity consumed.

During the Reporting Period, employees of the Company attended business trips by plane, which generated an aggregate of 44.15 tons of carbon dioxide emissions.



A1.2. Greenhouse Gas Emissions

The greenhouse gas emissions in various scopes of the Company mainly come from fuel oil used by office vehicles (Scope 1), indirect emissions caused by purchased electricity (Scope 2) and employee business trips by plane (Scope 3).

Greenhouse gas	Emission amount in 2019	Emission density in 2019
Carbon dioxide (CO ₂) emission (Scope 1)	21.42 tons	0.20 tons per person
Carbon dioxide (CO ₂) emission (Scope 2)	66.70 tons	0.61 tons per person
Carbon dioxide (CO ₂) emission (Scope 3)	44.15 tons	0.40 tons per person
Total carbon dioxide (CO ₂) emission equivalent	132.27 tons	1.20 tons per person

Note: Emission factors were made with reference to Appendix 27 of the Listing Rules and their referred documentation as set out therein, unless stated otherwise.

During the Reporting Period, air pollutants mainly came from exhaust emissions of office vehicles by the Company.

Air pollutants	The amount generated in 2019	The density generated in 2019
Nitrogen oxide (NO _x)	57,363.05 grams	521.48 grams per person
Sulfur oxide (SO _x)	133.40 grams	1.21 grams per person
Particulates (PM)	5,496.48 grams	49.97 grams per person



A1.3. Hazardous Waste

The major hazardous waste mainly includes waste ink cartridges and waste batteries, which are regularly recycled and properly disposed of by third parties.

Hazardous waste	The amount generated in 2019	The density generated in 2019
Waste batteries	15.35 kilograms	0.14 kilograms per person
Waste ink cartridges	90 pieces	0.82 pieces per person

A1.4. Non-hazardous Waste

The main non-hazardous waste generated during our daily operation is paper waste, which was shredded by employees themselves. In this case, it is not feasible for the Company to provide paper waste data. Employees are reminded to practice save paper.

A1.5. Measures to Mitigate Emissions

The Company's operations resulted in insignificant emissions.

We complied with Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染物防治法》), strictly requiring our drivers to comply with our business vehicle policy, controlled the vehicle purchase and standard for rational use of business vehicles, and reduced individual use of vehicles.

As a measure to mitigate emission and to increase productivity, business phone calls are encouraged for internal and external communications to reduce the need of business air trips. During the Reporting Period, we were not subject to any punishments and legal proceedings resulting from violating environmental issues.

A1.6. Waste Handling and Reduction Initiatives

Non-hazardous waste from office is mainly paper being used for daily office operations such as documents printing and deliverables packaging. In order to protect the privacy of customers, the waste paper must be shredded before recycling.

Waste reduction initiatives are encouraged among employees, such as adopting double-sided paper printing, and reusing single-side used printed paper. The Company shall review existing waste management at the work environment to promote better waste sorting and reduction practices.

A2. Use of Resources

During the Reporting Period, our resources usage mainly included water, electricity, gasoline for office vehicles and office paper. According to the policy on the effective use of resources made by office building property management office, the Company reminds the staff to utilize resources responsibly and promote the awareness of energy conservation in the office.

A2.1. Energy Consumption

Resources usage	Consumption in 2019	Per capita consumption in 2019
Total electricity consumption	68,895.44 kWh	626.32 kWhs per person
Gasoline consumption	9,074.38 liters	82.49 liters per person
Office paper	2.96 tons	0.03 tons per person

A2.2. Water Consumption

The Company's business is operated in commercial buildings where water supply is solely controlled by the property management company. In this case, it is not feasible for the Company to provide water consumption data as there is no sub-meter to record the data.

A2.3. Energy Use Efficiency Initiatives

We have made corresponding regulations on office electricity consumption and other aspects, including:

- Only switch on computers, printers, fax machines, photocopiers and other equipments when we use or set in the automatic energy-saving mode, in order to reduce the time of standby or prevent them from being in standby mode for a long time. After work, we shut down the power of all kinds of electric appliances.
- Set appropriate temperature of air-conditioners. Set the indoor temperature of air-conditioners at not lower than 26℃ during summer and not higher than 20℃ during winter. Make sure that the air-conditioner remains turn-off when no one is around; the windows and doors are closed when the air-conditioner is on; turn off the air conditioning system after work. The fan coil, filter and other devices of air-conditioner systems were cleaned regularly in order to improve the energy efficiency.

The Company tried to implement a paperless office. Drafting, revising and circulating documents and materials should be done through office softwares, e-mail and other means, in order to prevent printing out papers and using faxes as much as possible. In terms of issuing hard-copy documents and materials, we strictly limit the number of copies issued to avoid overprinting and encourage double-sided printing.

A2.4. Water Use Efficiency Initiatives

Water was supplied by the office's building management company and there was no issue in sourcing water that is fit for purpose. Employees are reminded to save water.

A2.5. Packaging Materials

The Company's operations did not generate any packaging materials. Deliverables packaging used in daily office operations was insignificant.

A3. The Environment and Natural Resources

The Company is committed to conducting its business responsibly, ensuring that its business does not contribute significant adverse impact to the environment and society while bringing sustainable growth and profit. As the Company's business does not generate significant adverse impact on the environment and natural resources, no policy on minimizing the Company's significant impact on the environment and natural resources have been established. Nevertheless, employees are reminded to include potential environmental impacts as a consideration for projects' approval.

A3.1. Significant Impacts of Activities on the Environment and Natural Resources

Although the Company's business does not generate significant adverse impact on the environment and natural resources as compared with businesses in other sectors, the Company is committed to reduce greenhouse gas emissions and preserve natural resources by promoting a culture of save energy where paper waste and non-crucial business travel are not encouraged.



B. SOCIAL

1. Employment and Labor Practices

B1. Employment

The Company follows the principle of equality, voluntariness and consensus, strictly complies with Labor Law of the PRC (《中華人民共和國勞動法》) (hereinafter referred to as the “**Labor Law**”), Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and other relevant laws and regulations, concludes legal and effective labor contracts with employees. The Company made Management Measures for Employee Recruitment (《員工招聘錄用管理辦法》) and Management Measures for Probation Period (《試用期管理辦法》) to carry out recruitment work. We have strict control in the formulation of the recruitment plan, the determination of recruitment standards, written examination, interview, employment, probation management and assessment, to ensure fair procedures and precise operation.

In accordance with the Labor Law and Labor Dispute Mediation and Arbitration Law of the PRC (《中華人民共和國勞動爭議調解仲裁法》), the Company made Regulations on Management of Resignation (《離職管理規定》), which standardized the response process of various types of resignation and the interest protection measures of relevant parties.

The Company did not notice any incident of material non-compliance in relation to employment, relating to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal, opportunity, diversity, anti-discrimination, and other benefits and welfare, during the Reporting Period.

The Company had a total number of 110 employees as at December 31, 2019, all of which were from the PRC and located in Beijing.



Workforce	Unit	2019
<i>By Employment Type</i>		
Full-time	Person	110
Part-time	Person	0
<i>By Gender</i>		
Female	Person	49
Male	Person	61
<i>By Employee Category</i>		
Senior Management	Person	7
Middle Management	Person	24
Frontline and Other Employees	Person	79
<i>By Age Group</i>		
35 or under	Person	73
36-54	Person	37
55 or above	Person	0
<i>By Academic Qualification</i>		
Master or above	Person	65
Bachelor	Person	44
Junior college graduate or below	Person	1

A total of 4 employees left the Company during the Reporting Period (turnover rate: 3.6%) who were all full-time employees in the PRC.



Turnover	Unit	2019
<i>By Gender</i>		
Female	Percentage	6
Male	Percentage	2
<i>By Employee Category</i>		
Senior Management	Percentage	0
Middle Management	Percentage	0
Frontline and Other Employees	Percentage	5
<i>By Age Group</i>		
35 or under	Percentage	4
36-54	Percentage	3
55 or above	Percentage	0
<i>By Academic Qualification</i>		
Master or above	Percentage	5
Bachelor	Percentage	1
Junior college graduate or below	Percentage	0

We place great emphasis on and protect the legitimate rights of employees, and strictly comply with the Labor Law and relevant laws and regulations in determining wages of employees. During the Reporting Period, the salaries payment and other operations of the Company complied with the requirements of systems and procedures. The Company formulates Administrative Measures for Employees Attendance (《考勤與休假管理辦法》) in compliance with the Labor Law and relevant local requirements and taking into account practical situation, to make sure employees' lawful rights of rest and annual leave are safeguarded, employees are also entitled to statutory leave, annual leave, maternity leave and marriage leave.

In addition, the Company pays social insurances and housing provident fund for all types of employees in strict compliance with Payment of Wages Tentative Provisions (《工資支付暫行規定》), Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and relevant laws and regulations. Apart from statutory benefits, the Company continues to implement middle- and long-term plans for talent incentive mechanism, and improves supplementary pension insurance scheme for the employees, and additional medical insurance scheme for the staff. The Company values employees' wellbeing by offering team building activities, annual medical check, daily meal and birthday allowances.

The Company strictly complies with the Labor Law and provides equal opportunities for employees in terms of recruitment, training and development, career progression, compensation, benefits and termination of contract. Employees are not discriminated against or deprived of opportunities on the basis of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, physical conditions, pregnancy, political connection, sexual orientation or any other discrimination prohibited by applicable laws of the PRC.

B2. Health and Safety

The Company attaches great importance to humanistic care by caring for our staff's physical and mental health and striving to provide staff with comprehensive welfare benefit programs. Based on the statutory welfare benefits and according to Social Security Law of the PRC (《中華人民共和國社會保障法》), the Company established a welfare benefit system with multiple dimensions and levels, covering supplementary medical insurance, supplementary pension, personal accident insurance, diversified group insurance, health checks and health lectures, to ease the physical and mental pressure of staff, alleviate their concerns, and enhance their sense of belongings and happiness. During the Reporting Period, there was no case of work-related injury or fatalities occurred.

The Company takes the work of helping and delivering warmth to employees in sudden difficulties as the focus of caring for employees, and carries out specific work around helping employees in difficulty, workers' home, staff reading corner, maternal and child care room, trade union benefits, birthday greetings, etc.



The Company continues to strengthen the construction of corporate culture and actively carry out rich and colorful cultural and sports activities. To fully respond to the needs of employees, the theme activity of Welcome the Women's Day to Create a Perfect New Look (喜迎三八女神節打造完美新妝容), special lectures on mental health, National Day soliciting articles, 70km team running activities of financial institutions in Chaoyang District (朝陽區金融機構70KM團隊跑活動), and healthy walking in autumn were held to guide employees to shape their professional and fine appearance.



B3. Development and Training

The Company has established a training system providing equal opportunities for all employees in terms of training and career development. In order to strengthen the management of employee education and training, the Company has formulated Measures for Employee Training (《員工培訓管理辦法》) and Implementation Rules for Measures for Employee Training (《員工培訓管理辦法實施細則》). The Company adheres to the principle of “People-oriented and Talents Come First”, and always pays attention to the career development and personal growth of our employees.

The Company provided face-to-face lectures, corporate retreat, and online training platform for employees from different levels and types, thereby boosting employees’ growth and assisting them in working out short, medium and long-term targets and directions by focusing on the job career planning and talent pool management of employees.



In order to enhance the talent pool for the Company, and to cultivate advanced talents for the development of finance lease service, the Company has developed a various levels of employee training on, among others, business capability and management skills. At the same time, we invited industrial experts to give dedicated trainings on various topics.



During the Reporting Period, a total of 3,385 training hours was completed by 110 employees.

Development and Training	Unit	2019
<i>Percentage of Employees Trained by Employee Category</i>		
Senior Management	Percentage	100%
Middle Management	Percentage	100%
Frontline and Other Employees	Percentage	100%
<i>Percentage of Employees Trained by Gender</i>		
Female	Percentage	100%
Male	Percentage	100%
<i>Average Training Hours Completed per Employee by Employee Category</i>		
Senior Management	Hour	22
Middle Management	Hour	26
Frontline and Other Employees	Hour	33
<i>Average Training Hours Completed per Employee by Gender</i>		
Female	Hour	31
Male	Hour	30

B4. Labor Standards

The Company strictly complies with the Labour Laws. There was no employment of child labor or forced labor in the Company's operation during the Reporting Period. Personal identification documents, relevant certificates and past working experience of job candidates must be checked and reviewed by the Company during recruitment process to avoid recruitment of child labor.



2. Operating Practices

B5. Supply Chain Management

Suppliers related to financial services were engaged during the Reporting Period and they are mainly based in Beijing. The Company has always adhered to the supply chain management policy of “laying equal stress on quality and efficiency” and standardized the management of supplier selection to ensure that the purchased materials meet quality standards. We formulated the Procurement Management Measures of Zhongguancun Science-Tech Leasing Co., Ltd. (《中關村科技租賃股份有限公司採購管理辦法》), which stipulates open and transparent procurement process, equal treatment to all suppliers and strict confidentiality of sensitive and classified information involved in the procurement process. Following the selection of suppliers, we will oversee the performance of suppliers on an ongoing basis. If there are issues concerning the quality, environment and social responsibility, we will consider to terminate cooperation with them. There were no major changes in practices in relation to supply chain management during the Reporting Period.

B6. Product Responsibility

During the Reporting Period, the Company did not notice any incident of material non-compliance regarding health and safety, advertising, labeling and privacy matters relating to products and services provided as required by related laws and regulations. There were no recalls or complaints received related to products and service provided.

The Company has established a policy for leasing business, so as to standardize the operating procedures, minimize operational risk, improve product and service quality and consistency, and to identify responsibility, rights and interests involved throughout the business.

The Company attaches great importance to the protection of intellectual property, such as registered trademarks and company website. There was no infringement of intellectual property rights during the Reporting Period. Only licensed software is allowed to be used at work.

Moreover, the Company handles significant amount of personal data and credit information of customers. The Company has established an independent information system department to take responsibility for the network security and information maintenance of daily business operations. During the Reporting Period, the Company did not receive any complaints on the violation of customer privacy from external or regulatory institutions.

B7. Anti-corruption

In terms of the integrity related risk, the Company strictly abides by the Company Law of the PRC (《中華人民共和國公司法》), the Anti-money laundering Law of the PRC (《中華人民共和國公司法》), the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and other laws and regulations on anti-bribery, blackmail and money-laundering.

We have internally formulated the Management Rules on Anti-bribery (《反賄賂管理制度》), Management Rules on Anti-Fraud (《反舞弊制度》), Management Rules on Anti-money Laundering (《反洗錢管理制度》) and Management Rules on Internal Supervision and Reporting (《內部監督舉報管理辦法》), etc., with focus on crucial areas and stages, so as to promote the strengthening the integrity related risk prevention and control mechanism of the Company.

We have set up a special mailbox and e-mail for complaints and reporting to provide the public with various reporting channels. There was no concluded legal case regarding corruption practices brought against the Group or its employees during the Reporting Period.

Anti-Corruption education activities in 2019:

- Different types of seminars
- Reminding text messages on important holidays
- Democratic life meeting
- Visit Beijing Warning Education Base of Strict Governance of the Party
- Watch the warning educational film

B8. Community Investment

As a socially responsible company, the Company actively involves in community development and charity activities, and encourages and leads its employees to participate in volunteer services, with real love to help people in need.

The Company participated in the activity of Ten Thousand Enterprises Helping Ten Thousand Villages (萬企幫萬村), helping Yaojiazhuang Village, Gaoqiang Township, Yangyuan County, Zhangjiakou City, Hebei Province. During the Reporting Period, the Company encouraged employees to buy agricultural products from poor villages, contributing to the development of local industries.

