



# VCREDIT Holdings Limited 維信金科控股有限公司

(registered by way of continuation in the Cayman Islands with limited liability)

Stock Code: 2003

US\$85 million 11.0% Senior Notes due 2022

Stock Code: 40498

## Environmental, Social and Governance Report 2021



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# **1 OVERVIEW OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT**

## **1.1 ABOUT THE ESG REPORT**

This ESG Report describes the environmental, social and governance performance of VCREDIT Holdings Limited (the “Company” or “VCREDIT”, and together with its subsidiaries, the “Group”). This ESG Report illustrates the principles of the Group in fulfilling its corporate social responsibility (“CSR”), and also illustrates the Group’s vision and commitments in respect of its CSR.

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

The key performance indicators in this ESG Report are compiled with reference to the relevant calculation standards and methods provided in the “ESG Guide” under Appendix 27 to the Listing Rules. The calculation methods used to determine the key performance indicators in this ESG Report are consistent with those used in the Group’s previous ESG Report. To provide an unbiased picture of VCREDIT’s ESG performance, VCREDIT has avoided selections, omissions and presentation format that may inappropriately influence a decision or judgment by the reader.

This ESG Report covers the period commencing on 1 January, 2021 and ending on 31 December, 2021 (“Year of 2021”). The contents of this ESG Report mainly focuses on the core businesses of the Group and its practices in sustainable development and overall performance in fulfilling its CSR.

## **1.2 MAIN BUSINESSES AND MISSION OF THE GROUP**

### **1.2.1 Main Businesses**

The Company is an investment holding company. The Group is a technology-driven consumer finance provider in the People's Republic of China ("China" or the "PRC"). The Group primarily offers two credit products through our pure online loan origination processes: (1) credit card balance transfer products, and (2) consumption credit products, both of which are installment-based. During the Year of 2021, the Group has continuously focused on accessibility and inclusivity. We strive to provide unrivalled user experience to underserved borrowers through our cutting-edge technology and proven risk management capabilities. Positioned at the customer interface of the consumer finance value chain, we are committed to cultivating a responsible and compliance-centric consumer finance universe, while providing customized and accessible smart financial services to users across the country.

### **1.2.2 Our ESG Mission**

With the continuous expansion of China's consumer finance market, the demand for consumer credit products by individual borrowers in the market is growing as well. The Group's mission is to bring "Financial Services at Your Fingertips", and the Group offers tailored consumer finance products to prime and near-prime borrowers who are underserved by traditional financial institutions by offering consumer finance products and facilitating consumer finance transactions between borrowers and financial institutional funding partners. The board of directors of the Group (the "Board") recognises the significance of implementing effective ESG measures at the Group's operational level. In seeking to achieve its business objectives, the Board attaches importance to balancing the needs of business development and fulfilling the Group's ESG responsibilities. The Board supervises the Group in fulfilling its ESG responsibilities.

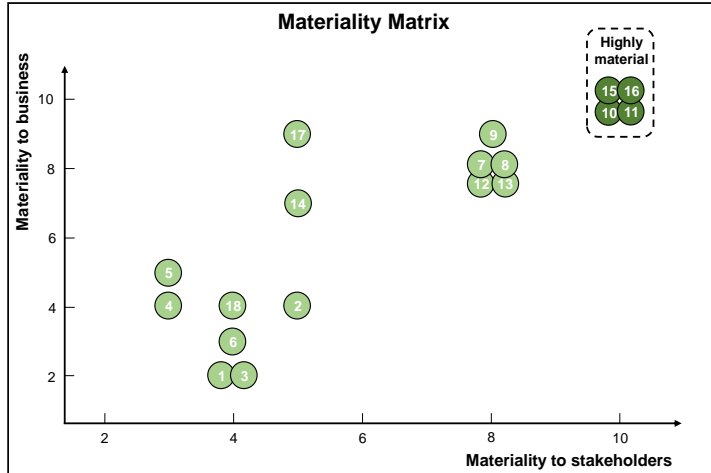
## **1.3 STAKEHOLDER PARTICIPATION**

The Group strives to offer long-term benefits to all of its stakeholders through responsible operations, which not only considers business development goals but also values a sustainable development concept. The Board believes that an understanding of the interests and opinions of its stakeholders helps towards building a solid foundation for the Group's long-term growth and success. The Group has an extensive network of stakeholders that includes employees, customers, suppliers and business partners, investors, governments, and community groups. The Group endeavors to establish meaningful communication with its stakeholders to understand their views and include their interests, so as to guarantee the long-term development of the Group and maintain sustainable relationships with all stakeholders.

| <b>Stakeholder Group</b>                        | <b>Engagement Channels</b>  | <b>Matters of Concern</b>  |
|---|---|--|
| <b>Investors</b>                                | <ul style="list-style-type: none"> <li>➤ Shareholders meetings</li> <li>➤ Regular company publications</li> <li>➤ Annual reports</li> <li>➤ Circulars and announcements</li> <li>➤ Results conference calls</li> <li>➤ Investor meetings</li> </ul> | <ul style="list-style-type: none"> <li>➤ Business strategy and business sustainability</li> <li>➤ Financial performance</li> <li>➤ Corporate governance</li> <li>➤ Risk and compliance management</li> </ul>   |
| <b>Clients</b>                                  | <ul style="list-style-type: none"> <li>➤ Hotline</li> <li>➤ WeChat online customer service</li> </ul>   | <ul style="list-style-type: none"> <li>➤ Product reliability</li> <li>➤ Cost transparency</li> <li>➤ Fund security</li> <li>➤ Service quality and reliability</li> <li>➤ Customer material security</li> </ul> |
| <b>Employees</b>                                | <ul style="list-style-type: none"> <li>➤ Staff communication meetings</li> <li>➤ Internal announcement columns</li> <li>➤ Hotline and email</li> </ul>  | <ul style="list-style-type: none"> <li>➤ Training and development</li> <li>➤ Employee compensation</li> <li>➤ Rights and benefits</li> <li>➤ Employees' health and safety</li> </ul>                           |
| <b>Suppliers and business partners</b>          | <ul style="list-style-type: none"> <li>➤ Official company website</li> <li>➤ WeChat official account</li> <li>➤ Weibo official account</li> <li>➤ Procurement activities</li> </ul>   | <ul style="list-style-type: none"> <li>➤ Fair competition</li> <li>➤ Industry cooperation and development</li> <li>➤ Supply chain management</li> </ul>  |
| <b>Government and other regulatory agencies</b> | <ul style="list-style-type: none"> <li>➤ Licensed institutions reports on regulatory data</li> <li>➤ Field visits from government leaders</li> </ul>  | <ul style="list-style-type: none"> <li>➤ Compliance with laws and regulations</li> <li>➤ Response to inquiries / visits</li> </ul>   |
| <b>Community groups</b>                         | <ul style="list-style-type: none"> <li>➤ Regular meetings of government party committees and trade unions</li> <li>➤ Communication / donation by relevant charitable social groups</li> </ul>   | <ul style="list-style-type: none"> <li>➤ Environmental protection</li> <li>➤ Community responsibility</li> </ul>   |

## 1.4 MATERIALITY ASSESSMENT

Based on the environmental and social dimensions listed in the ESG Guide, the information collected from stakeholders and the assessment of materiality, the Group has established the following materiality matrix to show the dimensions that are critical to the Group's business and stakeholders.



| #  | Dimensions   |
|----|--|
| 15 | Product/service quality and client satisfaction    |
| 16 | Client privacy protection                          |
| 10 | Equal opportunity for employees                    |
| 11 | Employment safety and working environment security |

These dimensions will become the primary focus for the Group's environmental, social, and governance strategies. We believe that it will make a significant contribution to the long-term sustainable development of the Group. The Group will strive to align its overall development strategy with the goal of sustainable development and seek to incorporate these concepts into its operations.



## **2 RIGHTS AND INTERESTS OF CLIENTS AND INVESTORS**

### **2.1 CORPORATE SOCIAL RESPONSIBILITY AND INNOVATIVE DEVELOPMENT**





#### **2.1.1 Corporate Social Responsibility**

The Group has always placed corporate social responsibility in an important position, continuously paid attention to the possible impact on the environment and society from the operations of the Group, and is committed to actively improving the Group's social responsibility from different dimensions through continuous adjustment and innovation. As a socially responsible corporate citizen, VCREDIT looks to utilise resources more effectively and reduce energy consumption in its business operations through the establishment of an efficient operating model. At the same time, the Group continues to pay great attention to the rights and interests of users, investors, and employees, to promote practices that are related to sustainable development and environmental governance, and to give back to society. The Group strives to comprehensively enhance its overall social performance.

#### **2.1.2 Innovative Development**

As one of the innovative explorers in the field of financial technology, VCREDIT has been continuously improving the technological core capabilities of its products on the basis of adhering to the regulatory compliance. The Group strives to promote high-quality sustainable development in terms of serving the public, inclusive finance, and technological innovation while enhancing consumer financial service experience. VCREDIT is committed to product and service innovation. Having built an intelligent risk control system based on more than ten years of practical experience, and through flexible and effective means such as model iteration and algorithm optimization, the Group has kept its main indicators in a reasonable range and improved continuously. The Group maintains its overall asset quality at a healthy level, and its various businesses are under stable operation. At the same time, the Group is committed to standardizing intellectual property management and improving technological innovation management. During the Year of 2021, VCREDIT's various services and products have won a number of awards and honors, reflecting the Group's outstanding status and recognition in the industry.

During the Year of 2021, VCREDIT received the following awards:

|  |   |
|--|---|
|   |   |
| <p>2021 Snowball Finance Annual Gold List<br/><i>Snowball Finance</i></p>  | <p>The 6<sup>th</sup> Golden Tangerine Awards of Time Finance - Socially Responsible Financial Institution Award<br/><i>The Time Weekly</i></p> |
|    |    |
| <p>2021 11<sup>th</sup> China Listed Company Reputation List - 2021 Overseas Listed Company with the Highest Growth Potential<br/><i>National Business Daily</i></p> | <p>2021 Beijing Financial Forum - Green Finance Practice Award<br/><i>Beijing Business Today</i></p>  |



2021 Fintech Pioneer - Inclusive Financial Service Provider of the Year  
Sichuan Association of Fintech



2021 Excellent Finance Award - Product Service Award - Leading Consumer Financial Services of the Year  
Shanghai United Media Group | Jiemian News



Golden Hong Kong Stocks - Best New Economy Company  
Zhitong Finance & Tonghuashun Finance



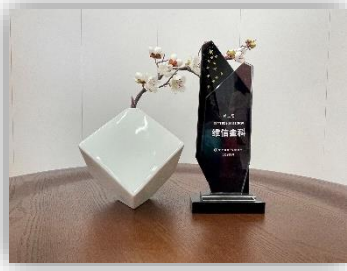
2021 Financial Institutions of Competitiveness of Excellence - 2021 Socially Responsible Company with Excellence of Competitiveness  
China Business Journal



21st Century Financial Competitiveness Selection - 2021 Fintech Service Institution of the year  
21st Century Business Herald



2021 TOP20 Intelligent Risk Control Pioneer Institutions  
01 Caijing



**TOP50 Digital Technology Weapons Spectrum**  
*01 Caijing – 01 Think Tank*



**2021 TOP30 Banking Technology Service Provider**  
*01 Caijing*



**Best Microservice Award & Management Innovation Award**  
*Chengdu Association of Microcredit*



**2021 "Guarding the Net" Hongkou District Cybersecurity Offensive and Defence Exercise - Excellent Defence Team**  
*Network Security Detachment of Shanghai Public Security Bureau Hongkou Branch*

## **2.2 HANDLING COMPLAINTS FROM CUSTOMERS AND SOLUTIONS TO COMPLAINTS**

### **2.2.1 Complaints from Customers**

The Group highly values the rights and perspectives of its customers, and actively seeks to develop its business through listening carefully to customer suggestions and resolving complaints and disputes in a timely manner. In 2021, the Group's customer complaint handling rate was 100%, and no complaint was escalated into lawsuits due to improper resolution. Most complaints concern repayment terms and fee amounts. Since the main business of VCREDIT is to provide consumer finance products, the Group hasn't faced product recall for health and safety reasons.

### **2.2.2 Solutions to Complaints**

Most customers' complaints are resolved after explanations and communications from the customer service department. In the event that customer complaints are not resolved by the Group's frontline customer service specialists, they are escalated and handled by related supervisors or complaint handling specialists. If there is risk of customer litigation, complaints are reported to the internal control compliance department which will take measures to handle any litigation.

## **2.3 INTELLECTUAL PROPERTY MANAGEMENT**

In order to standardize the use of intellectual property and strengthen the management of intellectual property, the Group released the "Intellectual Property Management Measures" in 2018, which details the regulations relating to responsibilities of the intellectual property management department, applications of patent, protection of patent and use of patent, etc. This system plays a role in protecting the intangible assets of the Group and maintaining the reputation of the Group, and further strengthening the Group's intellectual property management system. The intellectual property that the Group is committed to respecting and protecting include patent rights, trademarks and copyrights, trade secrets, and scientific and technological achievements rights entrusted by other companies to the Group for scientific research tasks and confidentiality obligations, etc. The Group places the protection of intellectual property in an important position, stipulates that the use of intellectual property rights must be in accordance with applicable laws and regulations, and strictly prohibits any form of infringement of intellectual property.

## 2.4 INFORMATION SECURITY

The Group attaches great importance to information security. At present, the Group has formulated and implemented a series of internal policies aimed at increasing and maintaining the security of information, such as the Information Security Management Strategy and the Information Asset Classification and Security Management Rules. Meanwhile, the Group updated the *User Privacy Policy* in the Year of 2021. In the updated *User Privacy Policy*, a detailed explanation is given on how the Group collects and uses customers' personal information, how the Group stores and protects customers' personal information, and customer rights in the use of specific products, etc. The Group strictly protects data including, but not limited to, customer information and materials and corporate information. Specific measures include classification and sensitivity grading of information type in the management system, and establishing corresponding security management regulations for different information types.

In addition, the systems, policies, and rules and regulations of various departments of the Group (such as the *Customer Service Compliance Manual* and *Quality Inspection Management Rules*) clearly define the operational requirements for customer information security management.

## 2.5 INFORMATION ASSETS SECURITY

The Group has established strict rules and procedures to protect the security of customer information. To safeguard customer information, the Group first confirms that the use of customer information and materials have been authorized by the customers in written form, and clarifies the terms of customer information protection and reasonable use of information in its customer agreements. After obtaining the customer information and authorization, the Group strictly follows the agreement terms and uses customer information as needed to conduct business within the permitted scope. In its use and storage of customer information, the Group adopts a strict confidentiality policy for customer information with measures including protection from access by non-essential employees, de-sensitization of customer information and restrictions on rights to bulk acquisition or download. The Group places the protection of customers' information assets in an important position, and ensures the synchronization of products and relevant protection policies by updating and upgrading the Group's corresponding regulations in a timely manner.

## 2.6 INVESTOR RELATIONSHIP MANAGEMENT

Investor relations is one of the most important tasks for the Group to develop in its corporate governance management. The Group attaches great importance to investor relations management, and seeks to maintain a positive interaction with investors.

In order to promote interaction and communication with investors, on July 12, 2021, the Group and Snowball Finance jointly held the event of "Snowball Finance Research Group Visiting VCREDIT". The event invited individuals with certain influence on Snowball Finance to communicate face-to-face with the Group executives, and discussed topics such as VCREDIT 's mid-term report performance and mid-term development. The activity effectively promoted the interaction between the Group and investors through the Snowball Finance platform.



## 2.7 SUPPLY CHAIN MANAGEMENT

During the Year of 2021, the Group collaborated with 577 suppliers, of which 61.3% are based in East China. The Group complied with the Administrative Procurement Management Rules, which clarify the regulations and standards for the selection of all suppliers. According to the Administrative Procurement Management Rules, the Group classifies suppliers according to the purchase amount and purchase categories, and ensures that there are no fewer than three qualified suppliers of each product category. Each supplier is required to submit basic business materials such as corporate and tax registration certificates. If a certain purchase category requires suppliers to have special qualifications, the qualifications of the suppliers must be verified before they can be included in the supplier database. The Group regularly (on a yearly basis) evaluates the service qualifications and usage of each supplier, and may remove those suppliers who are unsatisfactory. The Group regularly makes inquiries about the violations of suppliers through enterprise information inquiry platforms, which further strengthens the review and management of suppliers. The Group responds and tracks customers' feedback on suppliers in a timely manner, conducts inspections on and may remove suppliers that do not meet customer needs, conducts market research on a regular basis, and collects information on and tracks the service quality of suppliers by consulting other companies in the industry. The Group invites suppliers to participate in bidding meetings before purchasing, and selects the most suitable supplier according to the business needs, the service plans and project prices provided by the suppliers.

The Group's procurement team is responsible for identifying environmental and social risks at all stages of the Group's supply chain through the supplier review process. During the review process, the procurement team of the Group will evaluate suppliers based on the ESG risks that may be involved in different procurement materials. The specific evaluation contents include their working conditions, environmental impact, labor standards, etc. The Group will not use suppliers who cannot provide required materials or suppliers who cannot provide materials that demonstrate good ESG risk management and control measures. Meanwhile, in order to further strengthen the management and control of environmental and social risks in all aspects of the supply chain, the Group has introduced ESG audits in the annual assessment of suppliers in accordance with the relevant guidance and recommendations of professional institutions. The Group has identified potential environmental and social risks and divided the risks into grades. For the high-risk level problems of suppliers, the Group requires suppliers to make immediate rectification; for the low- and medium-risk level problems of suppliers, the Group requires suppliers to complete the rectification within a specified time limit.



In order to encourage suppliers to adopt environmentally friendly products and services, the Group prefers to cooperate with suppliers who pay attention to environmental protection and have relevant environmental protection qualifications. During the supplier selection stage, the Group further ensures the environmental protection of suppliers by requiring suppliers to provide relevant qualification certificates, and further enhances the environmental protection awareness of suppliers through a strict qualification review process. At the same time, the Group incorporates the performance of suppliers in terms of environmental and social responsibility into the supplier performance assessment indicators. For suppliers with excellent performance, the Group will consider increasing cooperation with them; for suppliers that cannot meet expectations in important indicators, the Group will also consider terminating the cooperation with them. The geographical distribution of suppliers of VCREDIT in the Year of 2021 is shown as follows:

| <b>Total number of suppliers</b> | <b>People</b> | <b>577</b> |
|----------------------------------|---------------|------------|
| <b>By region</b>                 |               |            |
| East China                       | %             | 61.3%      |
| North China                      | %             | 15.1%      |
| South China                      | %             | 8.5%       |
| South-west China                 | %             | 7.6%       |
| Central China                    | %             | 4.7%       |
| Other regions*                   | %             | 2.8%       |

\*Note: Other regions include North-east China, North-west China, Hong Kong, Macau and Taiwan

## 2.8 MEASURES ABOUT ANTI-BRIBERY AND ANTI-FRAUD

During the Year of 2021, the Group complied with the *Anti-Fraud Management Rules*. Their main purpose is to regulate the professional behavior of the Group's middle and senior management teams and all other employees. The management teams and all other employees of the Group must strictly abide by relevant laws and regulations as well as the *Anti-Fraud Management Rules*, and must not engage in corrupt or fraudulent acts that may harm the interests of the Group and its shareholders. The *Anti-Fraud Management Rules* clearly state the definition, supervision department, reporting mechanism, verification, follow-up remediation and penalties of fraudulent or corrupt practices, which effectively helps reduce the likelihood of the occurrence of corrupt or fraudulent practices within the Group. During the Year of 2021, there were no legal cases regarding corrupt or fraudulent practices brought against the Group or its employers. In addition, the Group launched the internal training platform "VCREDIT Online Academy" in 2021 to provide anti-fraud courses for all employees of the Group. The Group further strengthens employee awareness of fraud and the Group's control over fraud by including the course as part of the orientation training that new employees must complete.

During the Year of 2021, the Group complied with the *Staff Anti-Fraud Codes*, which sets strict rules, restrictions, and penalties to prevent corruption and fraud by employees and specifies requirements for reporting such acts.

## 2.9 MEASURES ABOUT ANTI- MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING

During the Year of 2021, the Group has strictly abided by applicable laws and regulations related to anti-money laundering and anti-terrorist financing and complied with the *Anti-Money Laundering and Counter-Terrorist Financing Management Measures* released by the Group. The Group has established a special agency responsible for anti-money laundering and anti-terrorism financing, and implements preventive management measures for anti-money laundering and anti-terrorism financing within the Group. Specific measures include customer identification, suspicious transaction identification, and internal audit of anti-money laundering and anti-terrorism financing.

In addition, these management measures clarify the job responsibilities and management scope of each department in the internal control system, and effectively raises awareness of anti-money laundering and anti-terrorism financing of various departments within the Group. The Group requires all departments to properly keep customer identity information and transaction records, and monitor and analyze all transactions. The Group regards the anti-money laundering and anti-terrorist financing as a social responsibility that the Group must undertake to carry on business, and strictly requires the Group's anti-money laundering and anti-terrorist financing internal control management to follow the principles of soundness, rationality, checks and balances, and independence to ensure the effectiveness of anti-money laundering and anti-terrorist financing measures.

## **3 PROTECTION OF EMPLOYEE RIGHTS**

### **3.1 EQUAL EMPLOYMENT AND EMPLOYMENT STATUS**

#### **3.1.1 Principles of Equal Employment**

VCREDIT strictly abides by applicable labour laws and regulations and has established comprehensive employment rules and regulations that clearly define the rights and obligations of employees.

During the recruitment process, the Group adheres to the principles of fairness and justice to recruit qualified candidates and to avoid any discriminatory behavior. The Group is committed to building a diverse and inclusive work environment and strives to provide equal opportunities to employees.

### 3.1.2 Employment Status

As of 31 December, 2021, the employment status of VCREDIT is shown as follows:

| <b>Total employment</b>                   | <b>People</b> | <b>677</b> |
|---|---------------|------------|
| <b>By gender</b>                          |               |            |
| Male                                      | %             | 50.4%      |
| Female                                    | %             | 49.6%      |
| <b>By education background</b>            |               |            |
| Bachelor's degree and above               | %             | 76.0%      |
| Junior college degree                     | %             | 20.2%      |
| Vocational school and high school degrees | %             | 3.1%       |
| Junior high school and below              | %             | 0.7%       |
| <b>By age</b>                             |               |            |
| 30 and below                              | %             | 53.8%      |
| 31-40                                     | %             | 39.4%      |
| 41 and above                              | %             | 6.8%       |
| <b>By employment type</b>                 |               |            |
| Full-time                                 | %             | 100.0%     |
| Part-time                                 | %             | 0.0%       |
| <b>By region</b>                          |               |            |
| Shanghai                                  | %             | 73.4%      |
| Other regions*                            | %             | 26.6%      |

\*Note: other regions include Suzhou, Hangzhou, Chengdu, and Hefei

As of 31 December, 2021, the total number of employees of VCREDIT was 677. Perceived by gender, the overall gender ratio of the Group's in-service employees was nearly 1:1, while the proportion of male was slightly higher. Perceived by age group, there were many young employees, and most of the employees were under 30 years old, which reflected the Group's overall staff vitality and ability to better adapt to the development of the Internet financial industry. Perceived by employment type, 100.0% of the employees of VCREDIT were full-time workers, and perceived by region, most of the employees of the Group worked in Shanghai as of 31 December, 2021.

### 3.1.3 Employee Turnover

The employment turnover of VCREDIT in the Year of 2021 is shown as follows:

|  |          |              |
|--|----------|--------------|
| <b>Total employment turnover rate*</b> | <b>%</b> | <b>49.2%</b> |
| <b>By gender</b>                       |          |              |
| Male                                   | %        | 57.8%        |
| Female                                 | %        | 40.5%        |
| <b>By age</b>                          |          |              |
| 30 and below                           | %        | 63.5%        |
| 31-40                                  | %        | 34.8%        |
| 41 and above                           | %        | 19.6%        |
| <b>By region</b>                       |          |              |
| Shanghai                               | %        | 39.4%        |
| Other regions**                        | %        | 76.1%        |

\*Note: *Employment turnover rate = Employees in the specified category leaving employment / Number of employees in the specified category*

\*\*Note: *Other regions include Suzhou, Hangzhou, Chengdu, and Hefei*

In the Year of 2021, the total employee turnover was 333 and the total turnover rate was 49.2%. The Group's employee turnover in the Year of 2021 mainly came from the customer service and collection department. From the perspective of age group and region, the turnover rates of employees below 30 years old and employees working in other regions were relatively higher.

### **3.1.4 Employee Promotion**

Under the Group's performance management scheme, the performance of employees is assessed on a regular basis by management. The assessment measures the completion of targeted performance, evaluation of work results, and other relevant factors. The outcomes of the assessment will determine the promotion opportunities for employees.

#### **- Performance Management**

The Group implements comprehensive performance management mechanism, providing employees with the opportunity to establish long-term and effective work performance communication with their leaders. The content of performance management includes setting mutually recognized performance goals, communicating the progress of goal completion, adjusting goals in a timely manner according to possible and actual situations, and setting expectations for employees' next goals. The Group's performance management mechanism provides employees with the opportunity to jointly set up specific personal development plans with leaders, creates channels for employees to receive work feedback in a timely manner, and effectively helps employees accelerate their promotion within the Group.

### **3.1.5 Working Hours and Rest Periods**

The working hours of the Group's employees are specified in the employee handbook. An employee's official working hours is eight hours per day from Monday to Friday, and its duration depends on the actual division in which an employee is stationed and which of the three working hour systems apply: standard working hours, synthetic working hours and unscheduled working hours.

Employees are entitled to a one-hour lunch break each working day. The lunch break is not included in the calculation of working hours.

## 3.2 EMPLOYEE COMPENSATION AND WELFARE

To attract, motivate and retain talent, VCREDIT provides a comprehensive and competitive compensation scheme for its employees.

As part of an employee's compensation and welfare package, VCREDIT pays social insurance and housing provident fund for employees in accordance with applicable laws and regulations. Social insurance includes pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance. At the same time, employees are also legally entitled to remuneration, welfare, and holidays that are prescribed by applicable laws and regulations.

Employee welfare provided by VCREDIT includes:

- **Annual leave**

VCREDIT provides employees with annual leave. Employees are entitled to individual annual leave, and the specific annual leave entitlement is determined by reference to the number of cumulative working years.

- **Sick leave**

Employees are entitled to sick leave, during which employees are eligible to receive salaries in accordance with applicable laws and regulations.

- **Personal leave**

Employees are entitled to personal leave benefits, and employees can apply for personal leave during their employment in accordance with the Group's regulations.

- **Other leave**

Employees of VCREDIT are also entitled to other kinds of leave benefits. For example, VCREDIT provides entitled employees with marriage leave, bereavement leave, antenatal check leave, maternity leave, paternity leave and breastfeeding leave. These and other entitlements are specified in the Employee Handbook.



### 3.3 EMPLOYEE HEALTH AND SAFETY

VCREDIT pays great attention to the health and safety of its employees, and strictly complies with relevant laws and regulations such as *the Prevention and Control of Occupational Diseases Law of the People's Republic of China*, *Supervision and Administration Regulations on Occupational Health in the Workplace* and *Regulations on Industrial and Commercial Insurance*. In addition, the Group has set security posts in the workplace and has hired professional security guards to ensure safety in the workplace. The Group strives to create a safe working environment for employees.

All employees are entitled to an annual health check, and employees are encouraged to adopt lifestyles that prevent disease in advance. The Group also regulates the employee's work behavior and smoking guidelines in the Employee Handbook. During the COVID-19 pandemic, in order to ensure the workplace safety, the Group sanitized the workplace in a timely manner according to the requirements of relevant government departments, and distributed epidemic prevention supplies to its employees.

No employee of the Group died from work-related injury in any of the past three years from 2019 to 2021, and there was no lost day due to work injury.

## 3.4 EMPLOYEE DEVELOPMENT AND TRAINING

### 3.4.1 Overview of Employee Development and Training

VCREDIT places great emphasis on promoting employee development and has established an effective system for employee development and training. The Group periodically provides various types of training activities for employees to help them achieve overall improvement. In the Year of 2021, the Group provided 35 training activities for its employees, which involved a total of 726 employees, and lasted for a total of 360 hours. The training topics included orientation training for new employees, management training, employee leadership training, employee stress and emotion management, and employee financial education, etc.

### 3.4.2 Trained Employee Status

The trained employee status of VCREDIT in the Year of 2021 is shown as follows:

| <b>Total number of trained employees</b> | <b>Attendance</b> | <b>726</b> |
|--|-------------------|------------|
| <b>By gender</b>                         |                   |            |
| Male                                     | %                 | 53.7%      |
| Female                                   | %                 | 46.3%      |
| <b>By employee position</b>              |                   |            |
| Senior management                        | %                 | 12.3%      |
| Middle-level management                  | %                 | 14.3%      |
| General employees                        | %                 | 73.4%      |

In the Year of 2021, 726 employees attended the training organized by VCREDIT. Based on gender, male employees accounted for 53.7% of the total trained employees. Based on employee position, the general employees were the major group that received training.

### 3.4.3 The Average Training Hours Completed Per Employee

The average training hours completed per employee of VCREDIT in the Year of 2021 is shown as follows:

|  |             |            |
|--|-------------|------------|
| <b>The average training hours completed per employee</b> | <b>Hour</b> | <b>8.6</b> |
| <b>By gender</b>   |             |            |
| Male   | Hour        | 8.6        |
| Female   | Hour        | 8.6        |
| <b>By employee position</b>                              |             |            |
| Senior management  | Hour        | 14.1       |
| Middle-level management                                  | Hour        | 15.4       |
| General employees  | Hour        | 6.3        |

In the Year of 2021, each employee received an average of 8.6 hours of training. The average training hours completed per male employee and per female employee both reached 8.6 hours. Based on employee position, the average training hours completed per general employee reached 6.3 hours, while the average training hours completed by middle-level management and senior management reached 15.4 hours and 14.1 hours, respectively.

### 3.5 EMPLOYEE ACTIVITIES

To enrich employees' activities and enhance internal cohesion within the Group, VCREDIT organizes various employee activities on a regular basis. During the Year of 2021, VCREDIT organized a number of such events including:

- **VCREDIT Happy Hour**

In order to improve employee satisfaction, VCREDIT regularly prepares a variety of employee interaction and sharing events. The themes of such events extend from coffee, wine, makeup to legal knowledge sharing. These themed events provide opportunities for employees to relax, learn and communicate during work time. The Group also effectively enhances the cohesion of employees and adds new vitality to the Group through the organization of these themed events.



- **Staff Monthly Meeting Activity**

Staff monthly meeting activity: the human resources department of VCREDIT organized staff monthly meetings each month. These events gave employees opportunities to learn from the management about their career experience and latest industry trends, and to gather together to celebrate birthdays for those born in that month. These interactions have shortened the formal distance between colleagues, inspired greater ideas, and also made everyone feel surrounded by a familial atmosphere. The monthly meeting activity has effectively promoted the communication and interaction among employees, and made employees realize the Group's care and attention to everyone.



- **VCREDIT College Monthly Book Sharing Activity**

In order to provide more diversified training and learning, the Training Department of VCREDIT launched a series of learning activities called "Mobile VCREDIT College". Each month, VCREDIT organizes learning activities with different themes, such as film watching and sharing, book sharing, and book store visiting. By participating in the activities, employees from different departments and levels are grouped together, which has also greatly promoted communication among employees. These sharing activities effectively build a platform for personal learning and development for employees and provide employees with opportunities to expand their personal knowledge boundaries, whilst at the same time justifies VCREDIT's faith in building a learning organization.



### **3.6 GUIDELINES AND MEASURES TO PREVENT CHILD LABOUR OR FORCED LABOUR**

VCREDIT strictly abides by relevant laws and regulations including the *National Law on the Protection of Minors* and the *Prohibition of the Use of Child Labour*, and avoids any use of child labour or forced labour in its business operations, and insists on zero tolerance to any form of child labour and forced labour. The Group collects and verifies the personal information of candidates during the recruitment process in order to select suitable candidates. All employees must attain the legal age for work and hold identification documents when onboarding. The human resources department of VCREDIT ensures the abovementioned documents are carefully collected and checked. If any suspected violations are found, the Group insists on zero tolerance policy and encourages reporting to the management of the Group.

## 4 ENVIRONMENTAL PERFORMANCE ANALYSIS

### 4.1 CORPORATE WASTE ANALYSIS

#### 4.1.1 Overview of Relevant Environmental Protection Policies

Set out below are summaries of the environmental protection policies and regulations adopted or followed by the Group.

| Policies and Regulations   | Date of Issuance and Issuer   | Main Content   |
|--|---|--|
| <b>Opinions on Deepening the Efforts to Win the Battle of Preventing and Controlling Environmental Pollution</b> (《中共中央國務院關於深入打好污染防治攻堅戰的意見》) | Promulgated on 2 November, 2021, the State Council  | Strengthen the law enforcement and supervision of enterprises in the prevention and control of air pollution, water pollution, and soil pollution.   |
| <b>Guiding Opinions on Building a Modern Environment Governance System</b> (《關於構建現代環境治理體系的指導意見》)   | Promulgated on 3 March, 2020, the State Council   | To improve citizens' awareness in environmental protection, guiding citizens to consciously fulfill their environmental protection responsibilities, gradually change outdated living habits, actively carrying out garbage classification, practice green lifestyles, and promote green travel and green consumption.   |
| <b>Environmental Impact Assessment Law of the PRC</b> (《中華人民共和國環境影響評價法》)   | Promulgated on 29 December, 2018, the State Council, Standing Committee of the National People's Congress | Aim to implement sustainable development strategies, prevent the adverse impact on the environment due to the implementation of planning and construction projects, and promote the coordinated development of the economy, society and the environment.   |
| <b>Law of the PRC on the Prevention and Control of Atmospheric Pollution (2018 Amendment)</b> (《中華人民共和國大氣污染防治法》, 2018年修訂)                    | Amended on 26 October, 2018, Standing Committee of the National People's Congress                         | Aimed at protecting and improving the environment, preventing and controlling atmospheric pollution, safeguarding public health, promoting the construction of ecological civilization, and promoting sustainable economic and social development.   |
| <b>Three-Year Action Plan for Winning the Battle for a Blue Sky</b> (《打贏藍天保衛戰三年計畫》)  | Promulgated on 27 June, 2018, the State Council   | Aim to dramatically reduce the total emissions of major atmospheric pollutants, lower the greenhouse gas emissions in a coordinated manner, further see a marked drop in the density of PM2.5, and significantly decrease the number of seriously polluted days, through best endeavors in the forthcoming three years, in turn to significantly improve the air quality and |

|  |   |  |
|--|---|--|
|  |   | obviously strengthen the happiness of citizens to a blue sky.  |
| <b>Shanghai Three-Year Action Plan for Environmental Protection and Construction 2018-2020</b><br>(《上海市2018-2020年環境保護和建設三年行動計畫》) | Promulgated on 29 March, 2018, General Office of the Shanghai Municipal People's Government | By 2020, Shanghai's ecological environment quality, ecological space scale, and resource utilization efficiency will be significantly improved, environmental risks will be effectively prevented and controlled, green production and green living standards will be significantly improved, and major progress will be made in modernizing the ecological environment governance system and governance capabilities. |
| <b>13th Five-Year Plan for National Environmental Protection Standards</b><br>(《國家環境保護標準“十三五”發展規劃》)                              | Promulgated on 10 April, 2017, Ministry of Environmental Protection                         | This plan will fully promote the development and revision of about 900 environmental protection standards, and will also release about 800 environmental protection standards, including about 100 quality standards and pollutant emission (control) standards, about 400 environmental monitoring standards, and 300 items of basic environmental standards and management norms.                                    |



## 4.1.2 Relevant Indicator Analysis of Corporate Waste

### Total Emissions and Emission Density of Exhaust Gas

The exhaust gas generated by VCREDIT is mainly caused by fossil fuel combustion of automobiles, and major pollutants include nitrogen oxides (NO<sub>x</sub>), sulfur oxides (SO<sub>x</sub>), and suspended particulate matter (PM). In the Year of 2021, the total exhaust gas emissions and the exhaust emission density of VCREDIT were 219.6 kilograms and 6.4 kilograms/RMB 100 million, respectively.

The total emissions and emission density of VCREDIT in the Year of 2021 are shown in the following table:

| <b>Exhaust Gas Type</b>            | <b>Exhaust Emissions (kg)</b> | <b>Exhaust Emission Density<br/>(kg/100 million)</b> |
|------------------------------------|-------------------------------|--|
| Nitrogen Oxides (NO <sub>x</sub> ) | 199.9                         | 5.8  |
| Sulfur Oxides (SO <sub>x</sub> )   | 0.5                           | 0.0  |
| Suspended Particulates<br>(PM)     | 19.2                          | 0.6  |
| <b>Total</b>                       | <b>219.6</b>                  | <b>6.4</b>   |

## Total Emissions and Emission Density of Greenhouse Gas (GHG)

The various business segments of VCREDIT have caused direct and indirect emissions of greenhouse gases due to the fossil fuel consumption of automobiles and the electricity consumption of daily office works. In the Year of 2021, the greenhouse gases emitted by VCREDIT reached a total of 1,099.0 tonnes of CO<sub>2</sub> equivalent, and the emission density was 31.8 tonnes of CO<sub>2</sub> equivalent/RMB100 million. Among them, direct emissions of greenhouse gases caused by fossil fuel combustion amounted to about 93.6 tonnes of CO<sub>2</sub> equivalent, and indirect emissions of greenhouse gases caused by electricity use was about 1,005.4 tonnes of CO<sub>2</sub> equivalent.

The total amount of the Group's emissions calculated in terms of various dimensions in the Year of 2021 are shown in the following table:

| <b>Greenhouse Gas Emissions</b>   |   |  |
|-----------------------------------|---|--|
| <b>Greenhouse Gases Type</b>      | <b>Direct Emission<br/>(tonne of CO<sub>2</sub>e)<br/>(from the fossil fuel<br/>consumption of<br/>automobiles)</b> | <b>Indirect Emission<br/>(tonne of CO<sub>2</sub>e)<br/>(from the electricity<br/>consumption of daily office<br/>works)</b> |
| Carbon Dioxide (CO <sub>2</sub> ) | 81.6  | 1,000.5  |
| Methane (CH <sub>4</sub> )        | 0.2   | 0.2  |
| Nitrous Oxide (N <sub>2</sub> O)  | 11.8  | 4.7  |
| <b>Total</b>                      | <b>93.6</b>   | <b>1,005.4</b>   |

The GHG emission densities calculated by each dimension in the Year of 2021 are shown in the following table:

| <b>Greenhouse Gas Emissions Density</b> |   |  |
|---|---|--|
| <b>Greenhouse Gases Type</b>            | <b>Direct Emission Density<br/>(kg of CO<sub>2</sub>e/RMB100 million)<br/>(from the fossil fuel<br/>consumption of automobiles)</b> | <b>Indirect Emission Density<br/>(kg of CO<sub>2</sub>e/RMB100 million)<br/>(from the electricity<br/>consumption of daily office<br/>works)</b> |
| Carbon Dioxide (CO <sub>2</sub> )       | 2,359.6   | 28,928.5   |
| Methane (CH <sub>4</sub> )              | 5.8   | 6.6  |
| Nitrous Oxide (N <sub>2</sub> O)        | 341.2   | 137.0  |
| <b>Total</b>                            | <b>2,706.6</b>  | <b>29,072.1</b>  |

## Total Amount and Density of Hazardous and Non-Hazardous Waste Disposed by the Group

The total waste disposed by VCREDIT from daily office works in the Year of 2021 are shown in the following table:

| Waste Type                           | Unit           |         |
|--------------------------------------|----------------|---------|
| <b>Liquid Waste</b>                  |                |         |
| Wastewater                           | m <sup>3</sup> | 0       |
| <b>Non-Hazardous Solid Waste</b>     |                |         |
| Paper consumption                    | piece          | 231,857 |
| <b>Hazardous Solid Waste</b>         |                |         |
| Waste lead acid batteries            | piece          | 20      |
| Others (e.g. waste organic solution) | kg             | 0       |

The waste discharged by VCREDIT in the Year of 2021 mainly includes paper, other non-hazardous solid waste, and waste lead-acid batteries. All waste discharged in the above table were properly disposed of in accordance with relevant national environmental protection policies and regulations. At the same time, the Group actively promoted paper saving, and decided to reduce the original tow printers per floor to one per floor by counting the frequency of use of printers in the office area, and set the default double-sided printing to save paper. The above measures have achieved remarkable results in 2021, with paper consumption falling by 7.3% compared with 2020. Furthermore, in 2021, the festive decorations and office furnishing supplies also used the items purchased last year, reducing the use of disposable materials, of which festive decoration supplies were saved by 100%. In addition, the Group strengthened the collection and processing of waste batteries, end-of-life computers, telephones and other electronic consumable to further reduce the environmental impact through recycling.

### Measures to Reduce Emissions and the Achievements

#### - Encouraging telephone and video conferencing to replace business travel

On 25 December, 2017, the Group issued the *VCREDIT Headquarter Business Travel Management Rules* which the Group strictly complied with in 2021. It encourages employees to use telephone and video conferencing to replace business travel. If business travel is necessary, employees are required to carefully plan the route and choose the most economical and reasonable transportation methods in order to reduce their carbon footprint and emission of related pollutants.

## 4.2 USE OF RESOURCES

### 4.2.1 Major Energy Consumption Structure

The consumption of various resources by VCREDIT in the Year of 2021 are shown in the following table:

| Resources Type | Source of Consumption | Unit   | 2021        |
|----------------|-----------------------|--------|-------------|
| Gasoline       | Automobiles           | l      | 34,568.0    |
| Electricity    | Daily office works    | kwh    | 1,275,594.0 |
| Natural water  | Daily office works    | tonnes | 6,442.0     |

The consumption density of various resources by VCREDIT in the Year of 2021 are shown in the following table:

| Resources Type | Source of Consumption | Unit                | 2021  |
|----------------|-----------------------|---------------------|-------|
| Gasoline       | Automobiles           | l/RMB1 million      | 10.0  |
| Electricity    | Daily office works    | kwh/RMB1 million    | 368.9 |
| Natural water  | Daily office works    | tonnes/RMB1 million | 1.9   |

In the Year of 2021, the overall energy consumption of VCREDIT was 552.5 tonnes of standard coal in total. About 7% of VCREDIT's energy consumption came from gasoline, and the remaining 93% came from electricity. In the Year of 2021, VCREDIT's great efforts on water saving initiatives has resulted in a decrease of 22.8% in water consumption density compared to 2020. At the same time, under the effective implementation of the Group's electricity-saving measures in 2021, the electricity consumption density decreased by 25.5% compared to 2020.

## **4.2.2 Measures to Promote Effective Usage of Energy and Resources**

### **- The Group promotes and urges the effective usage of energy and resources**

VCREDIT attaches great importance to the efficient usage of energy and resources. The employee handbook clearly states that staff shall ensure that all doors and windows are shut and all taps, lights, and air-conditioners are turned off after work. The Group also carries out themed training on environmental protection for employees and guides them to cultivate habits of energy-saving. The Group has arranged for the administration department to conduct office inspections and turn off lights and TVs in idle rooms in a timely manner. In addition, VCREDIT has implemented a series of water saving measures within the Group, such as reducing the supply of bottled water for reception.

## **4.2.3 Results of Obtaining Suitable Water Source and Enhancing Efficient Usage of Water**

VCREDIT obtained a suitable water source in accordance with the relevant national environmental protection policies and regulations, and there was no issue in sourcing water.

In the Year of 2021, VCREDIT consumed a total of 6,442.0 tonnes of water from daily office works and the consumption density was 1.9 tonnes/RMB1 million. The water consumption density of VCREDIT in the Year of 2021 decreased by 22.8% compared to 2020. While the Group's business maintained stable growth, the Group also greatly improved water use efficiency, achieving improved water conservation and efficient water use.

## **4.2.4 The Total Amount of Packaging Materials Used in the Finished Products and the Amount of Each Production Unit**

The main business of VCREDIT is the provision of consumer finance products in the form of credit card balance transfer products and consumption credit products. Therefore, the Group's business uses no packaging material for its credit products.

## **4.3 ENVIRONMENT AND NATURAL RESOURCES ANALYSIS**

### **4.3.1 Analysis of the Significant Impacts of Corporate Business Activities on the Environment and Natural Resources and Related Measures**

VCREDIT conducts business operations in accordance with relevant environmental protection and emission laws and regulations. The major sources of waste emissions and disposals of VCREDIT include automobiles and daily office works, which all meet the requirements raised by relevant national environmental protection regulations and emission regulations, and have caused no significant impact on the environment or natural resources.

## **4.4 RELATED ANALYSIS ON COMPANIES' RESPONSE TO CLIMATE CHANGE**

For VCREDIT, major natural disasters such as floods, fires, and earthquakes caused by climate change may have an impact on corporate operations. In order to prevent major losses from the abovementioned disasters, the Group regularly organizes fire drills.

## 5 GIVING BACK TO THE SOCIETY

### 5.1 COMMUNITY INVESTMENT

As a public company listed on the main board of the Hong Kong Stock Exchange with inclusive finance as its development concept, VCREDIT has always attached great importance to corporate social responsibility. VCREDIT has turned responsibility into action and has made continuous contributions to social welfare throughout its history. In order to promote community development, the Group is committed to community investment activities in various fields such as health, elderly care, environment, employee benefits, and epidemic prevention and control.

In order to cooperate with the epidemic prevention and control policy, in the year of 2021, VCREDIT mainly made its contribution to community investment in the form of donations. The following are the main achievements of the Group in community investment in the year of 2021:

- **Aid to Henan to Fight the Floods**

Since July 2021, Henan has experienced extremely heavy rainfall and floods have occurred in multiple places, and this natural disaster has caught the attention of the whole China. As a fintech company with a strong sense of social responsibility, VCREDIT has been paying close attention to the situation in the affected regions. In order to help Henan overcome the impact of the rainstorm and help the affected people recover from the floods, VCREDIT immediately contacted major non-profit organizations in China to carry out charity work.

VCREDIT donated RMB500 thousand to the disaster area in Henan through the Hangzhou High-tech Development Zone (Binjiang) Charity Federation. The funds were used to ensure the safety of local people, purchase emergency relief supplies and assist in post-disaster reconstruction. VCREDIT continues to pay close attention to the situation in the affected regions and will continue efforts to help people in Henan fight the floods.

- **Long-term Care and Donation to Children with Cerebral Palsy**

Since 2010, VCREDIT has formed a long-term collaborative relationship with Zhikang Wellness Center for Children in Xuhui District of Shanghai to provide constant care and assistance to children with cerebral palsy during their treatment processes. In 2021, the Group donated RMB60,000 to Zhikang Wellness Center for Children to further help children with cerebral palsy maintain their physical health during the pandemic. With the attention and support of the leaders of the Group, VCREDIT will be committed to further providing children in Zhikang Wellness Center for Children with care and love and devotion in helping them improve their qualities of lives.

- **New York University Shanghai Scholarship Endowment**

In 2019, in order to subsidize New York University Shanghai undergraduate students with outstanding academic performance and financial difficulties, the Group and New York University Shanghai jointly established the "VCREDIT Global Scholarship Fund". In 2021, in order to help more students solve their financial difficulties, the Group donated RMB 3,450,000 to New York University Shanghai. The Group hopes that through this donation, more students will have the opportunity to gain knowledge and experience at New York University Shanghai, and grow into global citizens with international vision, cross-cultural communication skills and creativity. The Group has always placed corporate social responsibility in an important position, and is committed to making contributions within its capabilities in different public welfare fields. The Group will continue to devote itself to public welfare, strive to create a positive and far-reaching social influence through practical actions, and contribute to the social development.