



潤東汽車

CHINA RUNDONG AUTO GROUP LIMITED
中國潤東汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 1365

2018

Environmental, Social and
Governance Report
環境、社會及管治報告





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ABOUT THIS REPORT

SCOPE OF THE REPORT

This report is the third environmental, social and governance (“ESG”) report issued by China Rundong Auto Group Limited. It focuses on the disclosure of relevant information on the Group’s economic, social, and environmental performance for the period from 1 January 2018 to 31 December 2018 (the “Reporting Period”).

The policies, statements, data and information in this report cover China Rundong Auto Group Limited and its subsidiaries.

PREPARATION BASIS

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

The content of this report is determined according to a set of systematic procedures, which include identifying and ranking key stakeholders and material ESG issues, setting the scope of the ESG report, collecting relevant information and data, preparing reports based on the data, and reviewing the information in the report.

ABBREVIATIONS

For convenience, the “Group”, “Rundong” and “we/us” in this report all refer to China Rundong Auto Group Limited and its subsidiaries.

CONFIRMATION AND APPROVAL

This report was approved by the board on 24 July 2019 upon confirmation of the management.

ACCESS AND RESPONSE TO THE REPORT

This report is prepared in both Chinese and English. The electronic version is available under the “Financial Statements/ESG Information” category of Rundong Auto on the website of the Stock Exchange and the Company’s website.

In case of any query and advice concerning this report, please contact us through the following means:

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MESSAGE FROM THE CHAIRMAN



The year of 2018 is a year of opportunities and challenges for Rundong. As a leading luxury auto dealer, Rundong actively promotes business transformation and explores new development models based on market condition and market rules, as well as the overall trend of the industry and the Company's existing resources and operating condition. Rundong firmly believes that good corporate governance, sound management structure and processes are the foundation for sustainable development of the Company, and it is necessary to continuously improve its performance in economic, environmental, social and governance aspects.

In 2018, Rundong developed and implemented a more prudent operational strategy, continuously optimized the internal management system, slowed down the pace of procurement, adjusted the brand structure, and responded to the demands of various stakeholders with practical actions. Rundong regards customers as the most valuable core value, advocating the corporate philosophy of "customer-oriented and letting cars serve people", adhering to the service concept of "respect, altruism, happiness (尊重、利他、快樂)". In order to build a "customer-centric, vehicle-based" mutual ecosystem that covers the diverse needs of customers, Rundong provides customers with worry-free service and enjoyable value. Rundong vigorously develops after-sales service while optimizing its brand structure, focusing on building auto finance and insurance agency businesses, transforming profit structure, improving operational efficiency, and strengthening risk management and control.

Rundong deems employees as family members. We always take the corporate culture as its goal for development, actively create the spiritual home of all employees, and inspire Rundong people to continuously innovate and seek further development through a comprehensive corporate culture. Rundong cares about the physical and mental health of employees, values the balance between life and work, and provides employees with stronger health protection. With the mission of "making the social environment of auto more ideal", Rundong is committed to continuously improving the energy conservation and emission reduction capacity of the business operation process, improving the internal green operation management of the Group and reducing the possible environmental impacts. In 2018, Rundong adhered to environmental protection investment, and continued to improve the Group's sustainable development capabilities and contribute to environmental protection with green operations and green office standards.

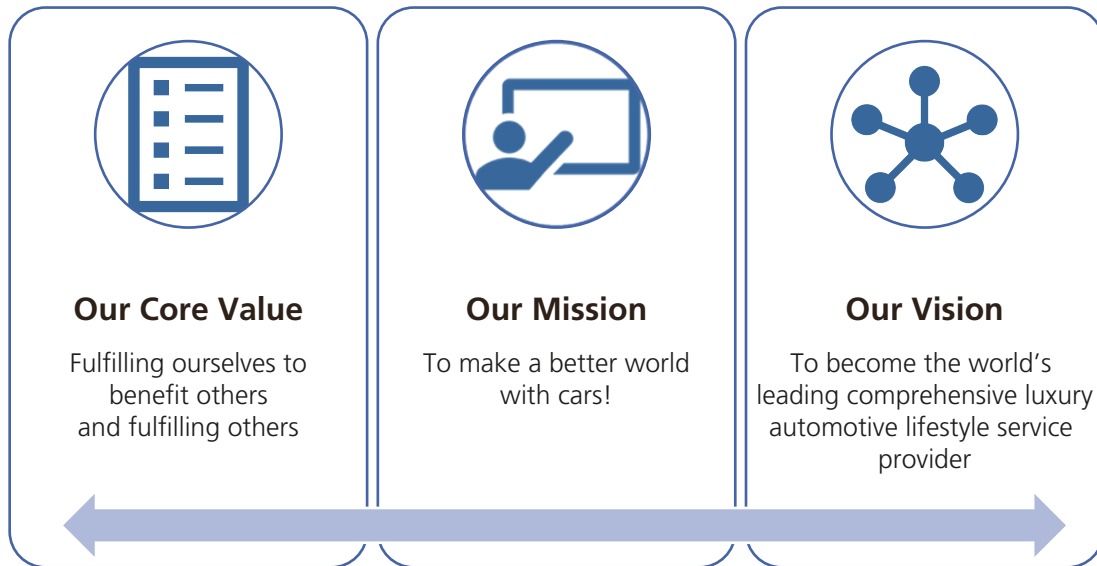
On behalf of Rundong, I would like to express my heartfelt thanks to shareholders, customers, business partners and all the staff who have always given us support and help. We will look to the future and move forward to actively grasp and respond to the opportunities and challenges brought by the market and industry. At the same time, we continue to strengthen our management, optimize service quality, improve environmental management capabilities, and bring more value and return to shareholders, customers and stakeholders while developing and progressing with employees.

Chairman
Yang Peng

1. MAKING THE DEVELOPMENT MORE SUSTAINABLE

1.1 COMPANY PROFILE

Established in 1998 and headquartered in Shanghai, China Rundong Auto Group Limited is a national leading comprehensive auto service provider focusing on luxury and ultra-luxury automotive brands. Since its establishment, Rundong has always taken corporate culture as the Group's goal of development and actively created the spiritual home of all employees of Rundong. The all-round corporate culture inspires Rundong people to continuously innovate and seek further development.

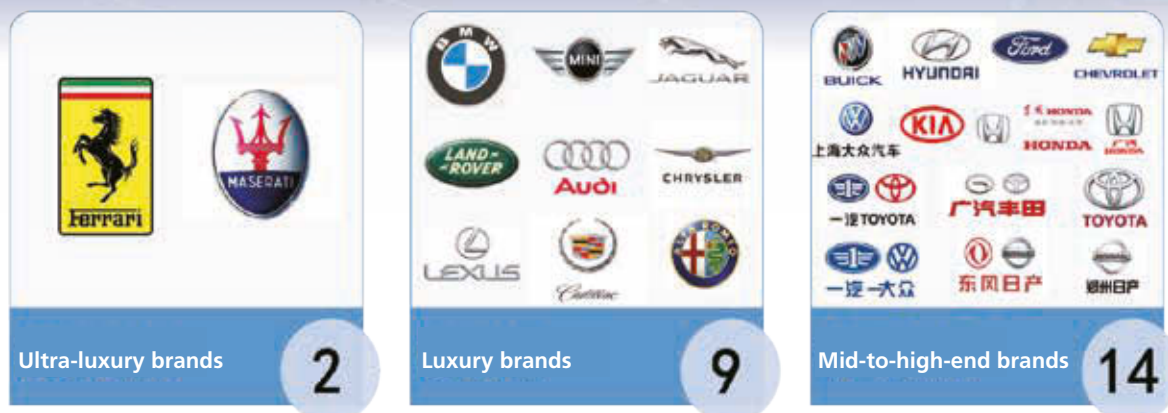


Brand and Network Layout

Coping with the market rules, based on the analysis and judgment on the overall trend and development potential of the industry, as well as the existing resources and operating condition, the Group promotes business transformation, explores new models, and vigorously develops after-sales service business while optimizing brand structure, focusing on creating auto finance and insurance agency businesses and transforming profit structure, to improve operational efficiency and strengthen risk management and control.

During the Reporting Period, the Group continued to optimize its brand structure. As of 31 December 2018, the Group's automotive brand portfolio includes 2 ultra-luxury brands, 9 luxury brands, 14 mid-to-high-end brands, and operates a total of 85 stores, of which 62 are located in Jiangsu Province, 14 are located in Shandong Province, 6 are located in Shanghai, one is located in Zhejiang Province, one is located in Anhui Province and one is located in Liaoning Province.

1. MAKING THE DEVELOPMENT MORE SUSTAINABLE



Social Recognition

In the process of management and operation, Rundong adheres to the principle of honest management, commits to service innovation and reformation, and actively assumes social responsibility. It has become a industrial leading and socially recognized model brand in respect of comprehensive performances such as industry competitiveness and brand reputation.

In 2018, some of the industry-recognized awards the Group received were as follows:

No.	Honors and Awards
1	2017-2018 Top 50 Jiangsu Auto Sales Service Provider
2	2017-2018 Jiangsu Auto Sales Market Leader
3	Outstanding Contribution Award of the Second Council of CADCC
4	Top Ten Automobile Marketing Group
5	Excellent Private Entrepreneurs in Xuzhou City

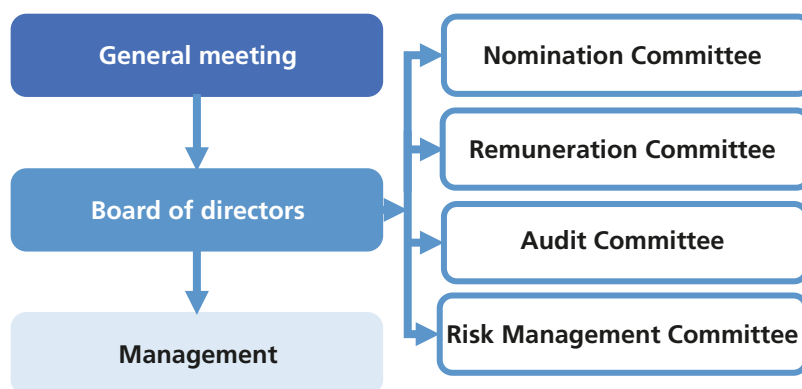
1.2 CORPORATE GOVERNANCE

The Group firmly believes that good corporate governance, sound management structure and processes are the foundation for sustainable development. In order to continuously improve its performance in the economic, environmental, social and governance aspects, the Group continuously optimizes its internal management system and responds to the demands of various stakeholders with practical actions. At the same time, the Group guarantees the compliance and legal operation by strictly complying with the Audit Law of the People's Republic of China (《中華人民共和國審計法》) and other laws and regulations and formulated and complied with the internal management methods and procedures such as the Standard Operation Manual for the Audit Department of the Group (《集團審計部業務標準操作手冊》) and the Administrative Measures for Internal Control Personnel Delegation (《內控人員委派管理制度》) in combination with the development and operation of the company.

1. MAKING THE DEVELOPMENT MORE SUSTAINABLE

Corporate Governance Structure

The Group believes that high standards of corporate governance are the key to the Group's protection of shareholders' interests, enhancement of corporate value, formulation of business strategies and policies, and transparency and accountability improvement. The company strictly follows the requirements of relevant laws and regulations such as the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and requirements of the regulatory documents of regulatory authorities, to build an efficient corporate governance structure, optimize the governance process, and maintain high standard corporate governance practices.



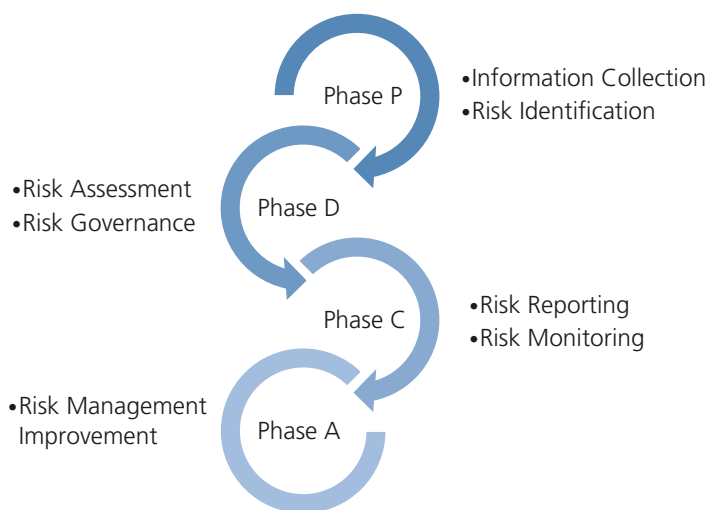
Corporate Governance Structure

Please refer to the section headed "Corporate Governance Report" in the annual report for the year of 2018 for more details of corporate governance.

1. MAKING THE DEVELOPMENT MORE SUSTAINABLE

Risk Management

To strengthen corporate risk management, the Group has established an organizational structure with clear responsibilities and reporting procedures, and established a risk management committee to assist the Board in monitoring risk exposure and designing and enhancing the effectiveness of risk management. The risk management process of the Group adopts PDCA (plan, do, check and act) cycling mode to identify problems from the Group's business development and daily work, propose and supervise measures for solving the major risk points, and fully implement risk management into all work.



Through top-down management and bottom-up feedback, the Group identifies potential risks associated with the Group's business in a timely manner and develops appropriate response measures. At the same time, in order to effectively control the ESG risk, the Group has established an effective ESG risk management and control structure. The Board of Directors shoulders all the responsibilities of the Group's ESG strategy and reporting, and is responsible for assessing the company's ESG risk and ensuring that the company develops effective ESG risk management and internal control system and urges all levels of the company to implement ESG work.

Anti-corruption

The Group strictly abides by the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and relevant laws and regulations, and strengthens internal integrity management and improves risk prevention awareness of management personnel at all levels and employees through formulating internal policies such as the Handling Measures for Non-Compliance and Misconduct of Employees of the Group (《集團內部職務違規違法行為處理辦法》) and Ten Rules for Integrity and Self-discipline (《廉潔自律十項規定》). At the same time, the Group collects whistleblowing information by opening telephone whistleblowing and ethics complaint mailbox to internal employees and the public. The handling of the whistleblowing is the sole responsibility of the head of the audit and supervision department of the Group. In addition, the Group arranges designated personnel to formulate an audit investigation plan and conduct investigation and evidence collection by means of inquiry, observation, inspection and analysis to ensure the effectiveness of the Group's integrity construction. During the Reporting Period, the Group did not have any corruption lawsuits.

1. MAKING THE DEVELOPMENT MORE SUSTAINABLE

In addition, the Group is committed to protecting the privacy of whistle-blowers and clarifying disciplinary action and termination of employment for any retaliation. If a crime is involved, the Group will transfer it to the judicial authorities for legal action and pursue its legal responsibility. For those who report crime and help the Group recover major economic losses, the Group will grant corresponding rewards according to relevant regulations.

1.3 ESG MANAGEMENT

In order to fully integrate ESG management into the Group's strategic decision-making process and effectively control ESG risks, Rundong further clarifies the implementation of ESG management and objectives, regularly reviews, evaluates and improves our work, and coordinates and plans the ESG management requirements for next year in full consideration of the Group's ESG governance status, applicable laws and regulations, opinions of stakeholders and corporate culture and based on the establishment of an ESG management structure led by the Board of Directors.

The Board of Rundong

Consisting of the members of the Board, being responsible for:

1. evaluating and determining ESG-related risks
2. ensuring the development of an appropriate and effective ESG-related risk management and internal control system
3. approving ESG-related policies
4. approving ESG reports

ESG supervision and management group

Under the leadership the risk management committee and consisting of the management, being responsible for:

1. the implementation of the risk management and internal control of environment and governance
2. supervising and managing the work of the ESG task force
3. providing guidance on ESG-related policies
4. determining the accuracy of each performance indicator data in ESG reports

ESG Task Force

Consisting of the ESG officers at the regional branches and respective functional departments, being responsible for:

1. arranging designated personnel to collect ESG-related data and prepare reports
2. reporting regularly to the management of the company to help assess and determine whether the Group's ESG-related risk management and internal control systems are appropriate and effective

ESG Governance Structure

1. MAKING THE DEVELOPMENT MORE SUSTAINABLE

Communication with stakeholders

Rundong attaches great importance to communication with stakeholders, which will be deemed as an important reference for evaluating its performance and formulating future development strategies. Through the establishment of a long-term and effective communication mechanism with various stakeholders, Rundong can timely understand the core needs of all stakeholders, thereby adjusting the ESG plan and implementation of the Group to meet their expectations on Rundong. The following table lists the main topics of concern of stakeholders during the year.

Type of stakeholders	Major communication channels	Frequency/ number of times	Focus Issues
Employees	Employee mailbox Employee Interviews Employee meetings Employee performance evaluation interview Internal publications	Annual (for employee performance evaluation interview) Irregular for others	Employee care Compensation, benefits and promotion channel Employee safety and health
Shareholders/ investors	General meeting of Shareholders Company announcements Official website Public reports Financial reports	Annual general meeting of Shareholders Irregular for others	Business development Operating in compliance with laws and regulations Product and service quality
Customers	Customer satisfaction survey Customer service hotline Customer return visit Official media platform	Irregular	Product and service quality Customer communication and complaint resolution Confidentiality of customer information
Auto manufacturers	Mystery customer survey Training and conference Audit and assessment	Irregular	Product and service quality Customer communication and complaint resolution Operating in compliance with laws and regulations
Suppliers	Supplier conference Online opinion survey Audit and assessment Bidding activities	Annual (for audit and assessment) Irregular for others	Product and service quality Supply chain management Operating in compliance with laws and regulations
Community	Visits and investigations Community activity Press release/announcement	Irregular	Community development Charity Discharge in compliance with regulations

1. MAKING THE DEVELOPMENT MORE SUSTAINABLE

Materiality Assessment

The Group conducted an assessment on material ESG issues involved in our operation combining the opinions and expectations of stakeholders with its own governance and development needs. In order to determine material issues of Rundong and the main content of ESG report this year, we conducted an assessment on material issues through a rigorous and effective process, which was mainly implemented in four phases.

Identify potential material issues

After a detailed review of media analysis, peer-to-peer analysis and other relevant documents, potential material issues that may reflect the economic, environmental and social impacts of the Group's business or affect assessment and decision-making of stakeholders on the Group are identified.

Review

Check whether the content of the report provides a reasonable description of the impact and sustainability performance of the Group, and whether the process of preparing the report reflects the intent of the reporting principles and invites stakeholders to provide input.

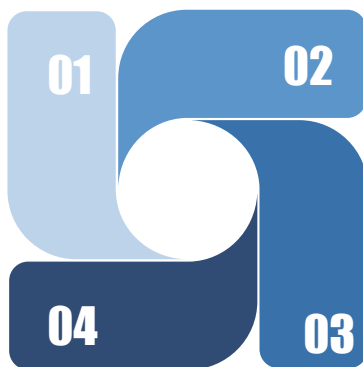
Sort potential important issues

An interest communication plan is developed to conduct in-depth interviews and on-the-spot investigations, and understand the priority issues of stakeholders, and finally a materiality matrix is obtained to identify the truly material issues by matrix analysis.

Management verification results

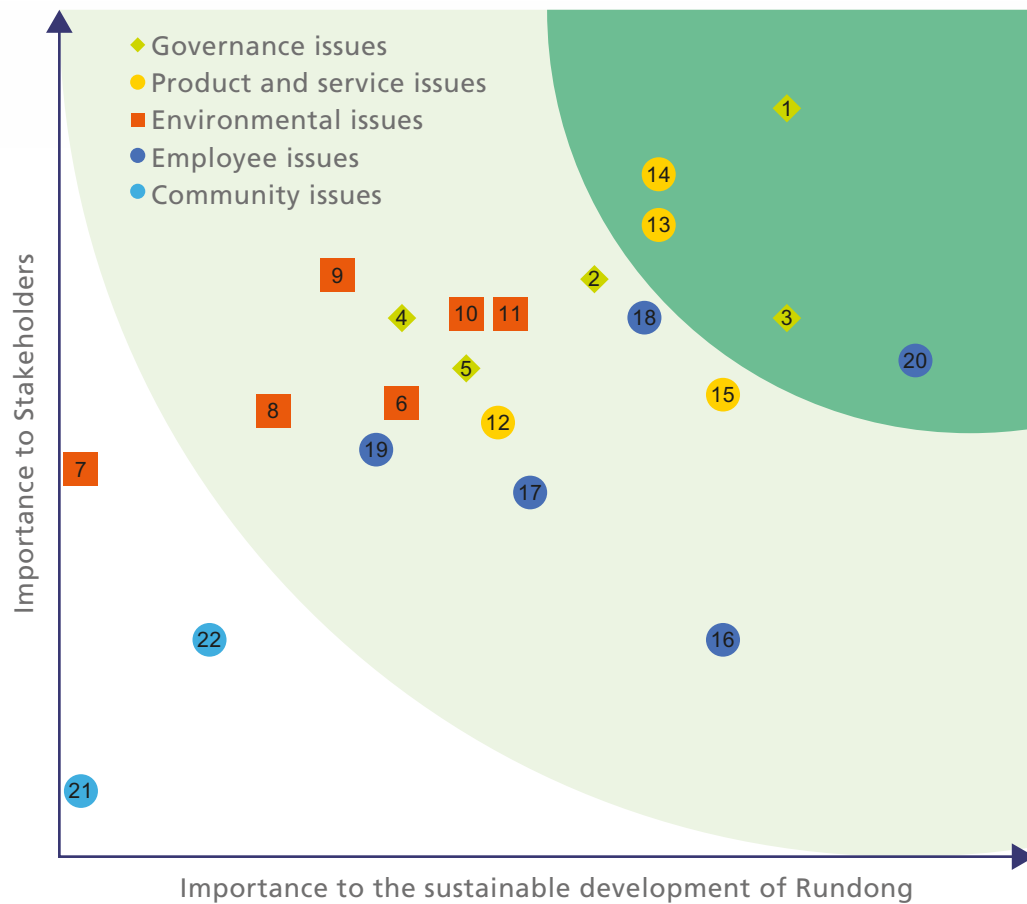
The results of the materiality matrix is submitted to the management to confirm the materiality of the identified issues and their impact. We will faithfully reflect the performance of the Group on related issues in the report.

During the Reporting Period, we conducted in-depth interviews with stakeholders to learn about their opinions and expectations on Rundong's response to and disclosure of environmental, social and governance issues. We understand that compared to 2017, stakeholders' attention to "employee care" has increased. At the same time, we refined social issues, which are divided into product and service issues, employee issues and community issues. According to the results of the survey on stakeholders, we analysed and summarized the material ESG issues of Rundong in 2018. This report will disclose the details of the matrix results.



1. MAKING THE DEVELOPMENT MORE SUSTAINABLE

ESG Materiality Matrix of Rundong Auto in 2018



Governance issues

- 1 **Operating in compliance with laws and regulations**
- 2 Anti-corruption
- 3 **Corporate governance**
- 4 Information disclosure mechanism
- 5 ESG governance

Environmental issues

- 6 Waste gas and wastewater discharge
- 7 Greenhouse gas emission
- 8 Waste disposal
- 9 Energy consumption
- 10 Water consumption
- 11 The impact of business operation on natural resources

Product and service issues

- 12 Supply chain management
- 13 **Product and service quality**
- 14 **Customer communication and complaint resolution**
- 15 Confidentiality of customer information

Employee issues

- 16 Compensation, benefits and promotion channels
- 17 Employee safety and health
- 18 Employee care
- 19 Employee training
- 20 **Employment in compliance with laws and regulations**

1. MAKING THE DEVELOPMENT MORE SUSTAINABLE

Community issues

- 21 Charity
- 22 Community development

Note: Issues in bold are issues of high materiality.

2. MAKING THE SERVICE MORE INTIMATE

As a leading luxury car dealership group, we strive to build a “customer-centric, vehicle-based” mutual ecosystem that covers the diverse needs of customers, provides customers with worry-free service and pleasant experience. We dedicate to improving service quality, satisfying customers’ different needs, and pursuing customer value enhancement and perfecting consumer experience. We strive to earn the respect and trust from our customers by bringing returns exceeding their expectations and become a respected commercial brand.

2.1 QUALITY CUSTOMER SERVICE

Based on the corporate culture of customer-oriented and letting cars serve people and adhering to the service philosophy of “respect, altruism, happiness (尊重、利他、快樂)”, the Group always considers customers as the most valuable core value. On the basis of continuously optimizing customer communication and service, we actively explore new service models, carry out various forms of customer interaction, actively engage customers, enhance customer’s pleasant experience, and make the life with “human-car connection and things-connection” more exciting.



Quality System Certification

In order to enhance the trust of our customers and meet their needs and expectations, we continuously improve our service quality and ensure high-quality services through the establishment of management systems. As of 31 December 2018, A few stores of the Group obtained the ISO 9001 quality control system certifications, which included the sales of vehicles and car parts, vehicle maintenance services and related management activities.



Linyi Jinhua Automobile Sales & Service Co., Ltd.*
(臨沂金華汽車銷售服務有限公司)



Zaozhuang Aowei Automobile Sales & Service Co., Ltd.*
(棗莊奧威汽車銷售服務有限公司)

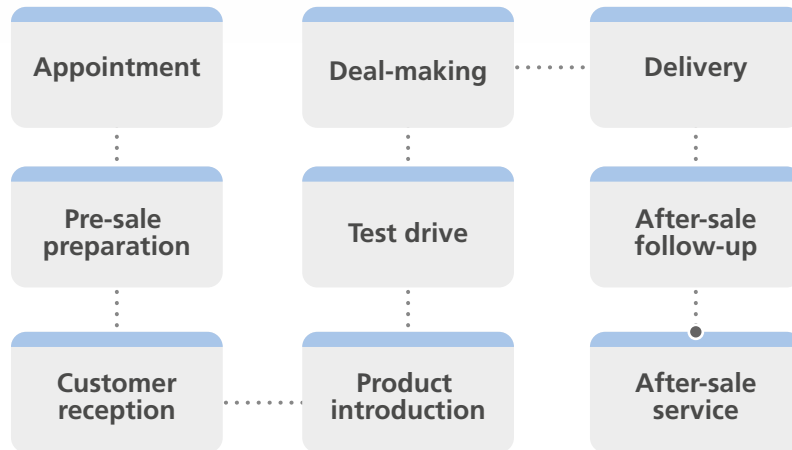


Xuzhou Weichen Shenlan Automobile Sales & Service Co., Ltd.
(徐州維辰深藍汽車銷售服務有限公司)

2. MAKING THE SERVICE MORE INTIMATE

Worry-free Whole-process Service

The Group strives to provide customers with worry-free service throughout the entire service process, continue to improve service process that covers the needs of customers at each stage, and achieve customer lifetime value including pre-sales period, welcome period, trial period and repurchase period.



How to improve the pleasure of customers' car purchase process is an issue we constantly think about and continue to explore. During the Reporting Period, we continued to promote the "Touching Point" project, reflecting our care for customers in details. We explored the emotional needs of our customers according to their differentiations and carried out activities with different priorities and different themes in batches to enhance customer experience and establish a long-term, stable, mutual trust and close relationship with customers. During the Reporting Period, we held a number of activities including delivery ceremony, seminars for car owners and trainings on reception etiquettes for employees, allowing customers to have a pleasant and perfect experience in the whole service process.

2. MAKING THE SERVICE MORE INTIMATE

Holding automobile seminars for car owners regularly to improve customer trust

The Group holds new automobile seminars for car owners regularly to share vehicle driving training and maintenance knowledge, and ask car owners to join the Group's official WeChat account to understand related maintenance information and activities. In addition, we offered customers emergency call, the hotline for accident rescue and customer services on site. We are committed to improving customer satisfaction and allowing customers to enjoy pure driving pleasure.



Customer Activities

During the Reporting Period, Rundong carried out a number of customer activities. We did not only invite individual customers to experience driving pleasure together, but also carried out brand activities together with major corporate customers, further enhancing customers' sense of belonging while expanding brand influence.



Huzhou Moganshan "Pathfinding tiger-seeing family camp (尋路探虎親子營)" to create a one-of-a-kind family challenge camp for Land Rover customers

"Pathfinding tiger-seeing family camp (尋路探虎親子營)". The coach led the participants to explore the extreme base of Huzhou Experience Center and demonstrated the wilderness survival skills during the adventure.



2. MAKING THE SERVICE MORE INTIMATE

Along with the dreamers, Shanghai Baojing joined hands with key customer Coca-Cola for a special show

The Group is fully committed to the needs of its customers and has reached a strategic partnership with Coca-Cola. In June 2018, Shanghai Baojing Auto Sales & Service Co., Ltd.* (上海寶景汽車銷售服務有限公司) (hereinafter referred to as "Shanghai Baojing"), a subsidiary of the Group, and Coca-Cola Shanghai Branch jointly held a special event for major client companies. We have tailor-made a number of services to employees of key customers to provide a more diverse service while meeting the needs of buyers.

- One-on-one car exclusive consulting service
- Coca-Cola special brand interactive auto show (Fuel-saving Challenge, support efficient power sustainable development of BMW)
- Coca-Cola Family Day-Children's Golf Zone Activity

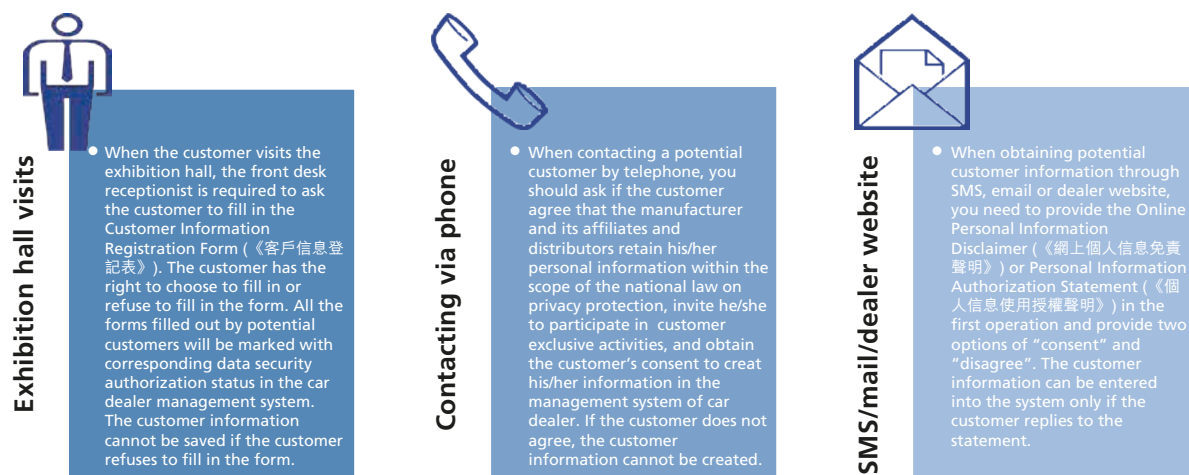
The response was overwhelming. Everyone gained knowledge and happiness while gaining a deeper understanding of the importance of sustainable development.



2. MAKING THE SERVICE MORE INTIMATE

Protection of Customer Privacy

Rundong regards customer information as a valuable asset and attaches great importance to the protection of customer privacy as well as rights and interests. We strictly abides by laws and regulations such as the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), and has formulated such internal management systems as the Customer Privacy and Confidentiality Agreement and Model (《客戶隱私保密協定及範本》). We adhere to the principle of "0" disclosure of customer information, and penetrate customer privacy protection into every service link through various measures.



In addition, we reduce the risk of customer information leakage by distinguishing the rights. A specially-assigned person is responsible for importing the customer information, and only the relevant business personnel may adjust the relevant individual customer information, limit the rights of exporting information in batches, and export the information in a semi-public manner, excluding customer's phone number. If there is a need to inquiry information across the store, relevant personnel is required to apply to the Group for approval.

2.2 LISTENING TO CUSTOMERS' OPINIONS

The establishment of communication channels is the key to ensuring that Rundong can get customer feedback in a timely manner. Customers' feedback allows us to appropriately adjust the way of service, improve service quality and perfect service processes.



2. MAKING THE SERVICE MORE INTIMATE

Customer Complaint Settlement

Rundong has established a transparent and efficient customer feedback closed-loop processing mechanism, and strictly handles relevant complaints in strict accordance with the Complaint Handling Process and Standards (《投訴處理流程及規範》) to ensure that customer opinions and complaints can be properly handled. After receiving complaints from customers, our stores or the manufacturer will immediately initiate complaint handling procedures, promptly contact relevant departments and personnel, formulate corresponding plans for different situations, and require completion of processing within 48 hours.

Complaint receipt

- Record the complaint accurately and take immediate action
- Designate the complaint to the manager of relevant department

Complaint confirmed

- Verify if the complaint is true
- If yes, prepare solutions , contact and discuss with the customer

Reach an agreement

- Implement solutions
- Reach agreement with the customer
- Collect satisfaction survey results and follow-up

Complaint evaluations

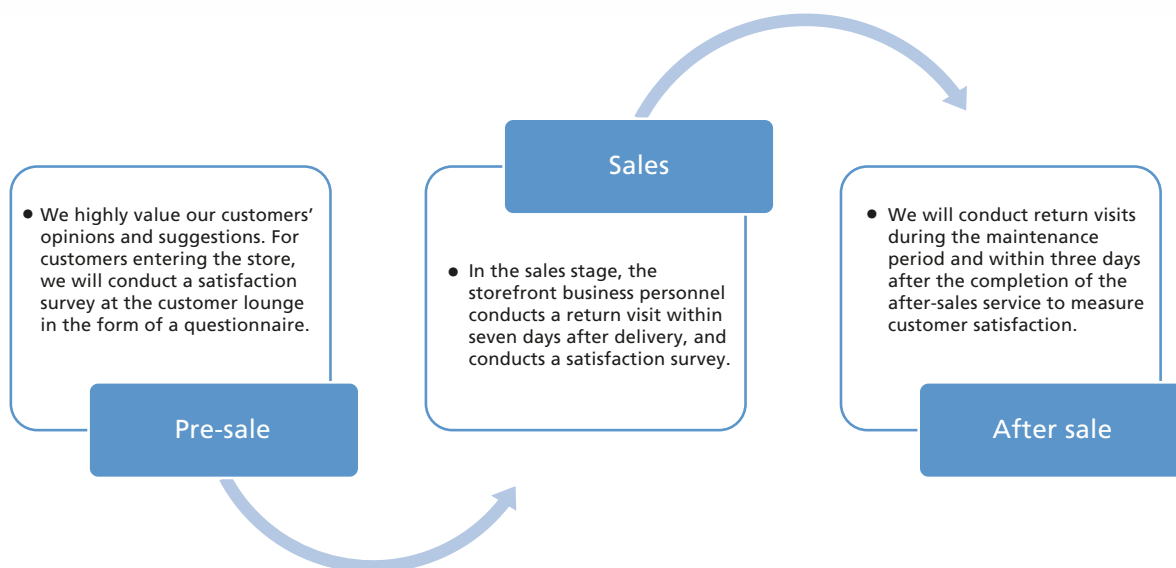
- Evaluate issues based on records, advise and notify employees to implement corresponding measures

In the process of handling complaints and feedback from customers, we always maintain good communication with our customers, let customers know the progress in real time, and seek customer's satisfaction for the results of complaints upon completion of the processing.

2. MAKING THE SERVICE MORE INTIMATE

Satisfaction Survey

We identify customer needs and improve service quality by conducting customer satisfaction surveys throughout the service. Our satisfaction survey covers a wide range of dimensions, including hardware configuration, environmental climate, accessory quality and service expertise, to understand our customers' appraisals and recommendations in all round.



We will conduct an in-depth analysis of the collected satisfaction results and conduct long-term return visits to customers. The stores will also assist automakers in conducting targeted satisfaction surveys, which will be used as an important indicator of performance appraisal. Through unremitting efforts, the Group recorded 9.74 points (out of 10 points) in terms of customer satisfaction in 2018, which was further improved from 2017.

Invite customers to participate in management meetings to discuss ways to improve satisfaction

During the Reporting Period, the Group invited customer representatives to participate in the management meeting to discuss the inadequacies of the customer service process of our stores and formulate improvement plans. In addition, the Group has repeatedly invited customer representatives to participate in customer activities, collect valuable opinions from them, urged our stores to further improve customer service, directly communicated with the general manager on issues discovered by customers during the follow-up supervision process, to strengthen customers' sense of belonging. Customers are all very satisfied and have repeatedly referred other customers to our stores.



2. MAKING THE SERVICE MORE INTIMATE

2.3 DEVELOPMENT TOGETHER WITH PARTNERS

As new car sales business and after-sales service business are closely related to the product quality provided by suppliers and the direct experience of customers, the Group regards our suppliers as important partners in the business operation and establishes long-term and close partnerships with suppliers based on the principle of fairness, justice, openness, competition and efficiency and through honest and mutually beneficial cooperation. The Group believes that cooperation with suppliers is an equal two-way choice. The Group has strictly complied with the relevant requirements of the Laws of the People's Republic of China on Tenders and Bids (《中華人民共和國招標投標法》), and has formulated and strictly complied with relevant systematic documents such as the Supplier Evaluation and Management System (《供應商考評管理制度》), the Management Method on Supplier (《供應商管理辦法》), the Management Method on Refunding and Replacement of Goods by Supplier (《供應商退、換貨管理辦法》) and the Management Method on Exit of Supplier (《供應商退出管理辦法》), strictly screening and assessment of suppliers to ensure customer service quality.

Supplier selection

In order to strengthen the Group's procurement management from suppliers, standardize procurement behavior, improve procurement efficiency, reasonably reduce procurement costs and better prevent procurement risks, the Group has formulated the Procurement Management System of China Rundong Auto Group Limited (《潤東汽車集團有限公司採購管理制度》) based on relevant procurement laws and regulations of the PRC, as a basic management system for the Group's procurement suppliers to regulate the Group's procurement activities. Based on the nature of the industry, the Group's procurement products are mainly classified into goods, services and engineering products. The Group conducts procurement through tendering (including open tendering and invitation to tender), competitive negotiation, inquiry procurement, single source procurement and other reasonable methods. Based on the size of the purchase amount, the Group classifies procurement into centralized procurement and decentralized procurement, and selects qualified suppliers through a rigorous supplier screening process.



Supplier selection process

For centralized procurement, the Group has set up a special collection center to be responsible for the centralized and unified procurement of the Group's premium products, maintenance products, oil, paints and consumables, and accessories. On the other hand, the engineering department of the Group unifies the relevant project procurement needs. The procurement is organized by means of open tendering, invitation to tender and negotiation, and the bidding committee is formed to organize specific bidding work. For the decentralized procurement, the Group formulated the Management Measures for External Procurement of China Rundong Auto Group Limited (《潤東汽車集團有限公司產品外採管理辦法》) to regulate the external procurement behavior of our 4S¹ stores, control product quality and reduce the capital risk of our stores.

In addition, we place great emphasis on the performance of our suppliers in environmental, social and governance aspects. In the course of the review, we combined the on-site inspection to fully evaluate the quality system, environmental system and social responsibility management of the candidate suppliers. We will not select candidate suppliers who have violated provisions concerning human rights, labour and environment protection, or do not have good business reputation, have major illegal records, make false statements, attempt to pay bribes and provide other improper benefits to judges and related personnel.

¹ 4S represents vehicle sales, after-sale service, information survey and spare part supply.

2. MAKING THE SERVICE MORE INTIMATE

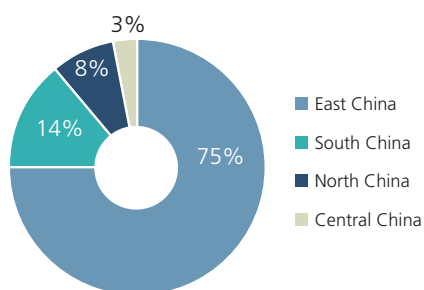
Supplier cooperation

For suppliers that have been selected, the Group conducts a comprehensive assessment on them through annual supplier reviews to ensure the quality of their supply.



Based on the results of our assessment, we classify suppliers and select high-quality suppliers as strategic suppliers, who will be given priority to large-scale procurement. The Group will immediately stop purchasing from selected but unqualified suppliers and phase them out. Considering that the exhaust gas generated by the vehicle during the transportation process will have a negative impact on the global environment, when selecting the supplier, we will select local supplier at the same level to reduce pollution to the atmosphere through local procurement. As of 31 December 2018, the Group had a total of 65 primary suppliers, and the specific distribution is as follows:

Distribution of suppliers in 2018



3. MAKING THE TEAM MORE COHESIVE

The Group always adheres to the people-oriented management philosophy and strives to create a harmonious and warm working environment for its employees. By strictly abide by such laws and regulations as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulation on Labour Security Supervision (《勞動保障監察條例》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), as well as labour-related laws and regulations where the operation is located, the Group protects the legitimate rights and interests of employees in accordance with the law, provides employees with a fair and just growth and promotion platform, and strives to achieve mutual development of employees and the company.

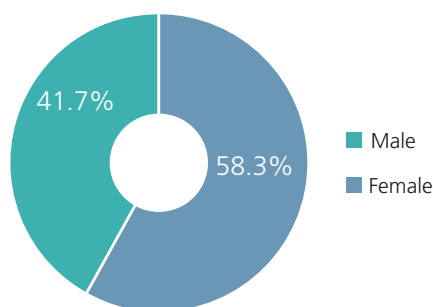
3.1 EMPLOYEE INTERESTS AND CARE

Transparent employment policy

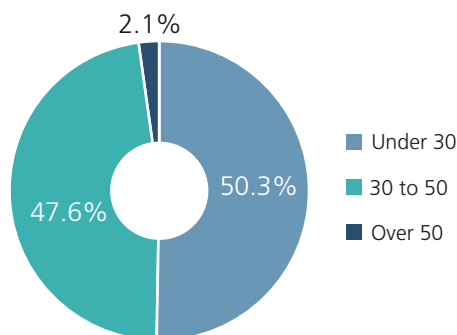
Under the principle of "fairness, equality, competition and selection of the best", the Group updated the Management Measures (Provisional) for Storefront Manager of China Rundong Auto Group Limited (《潤東汽車集團有限公司店面負責人管理辦法(暫行)》) and Management Manual for Recruitment of Rundong Auto Group (《潤東汽車集團招聘管理手冊》) in 2018 to optimize the employment system. The Group does not discriminate against employees due to factors such as race, religion, gender and physical disability, and resolutely opposes child labour and forced labour. The Group undertakes that if any violations of national laws and regulations, such as racial discrimination or child labour, are found in human resources management, the Group will handle the persons involved in accordance with the relevant laws and regulations and the internal human resources management measures of the Group.

In 2018, the Group adjusted its talent introduction system based on market conditions, and adopted external recruitment, internal promotion and campus cooperation in the recruitment of talents to ensure the introduction of quality talents and ensure the common growth of the company and employees. During the Reporting Period, the Group had 5,409 employees in total. The details of employees are as follows:

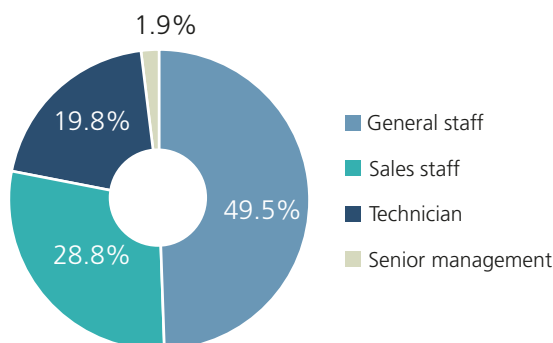
Percentage of employees by gender



Percentage of employees by age



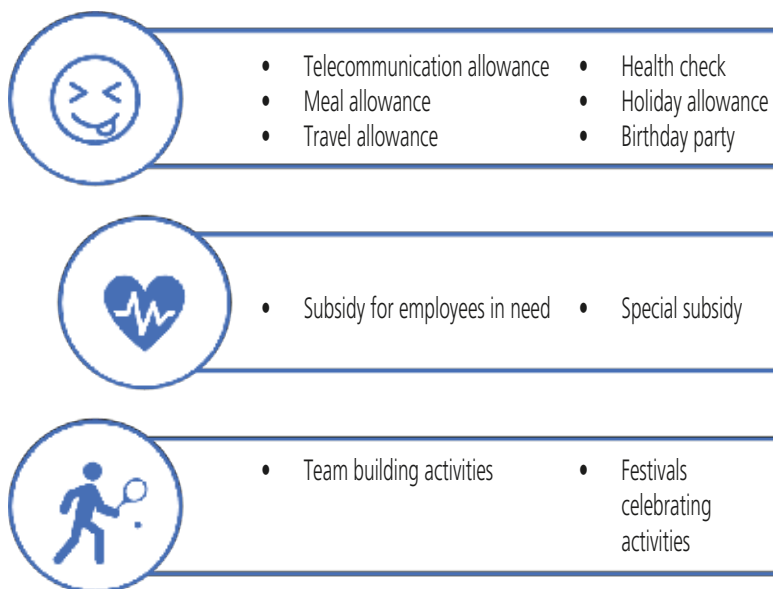
Percentage of employees by category



3. MAKING THE TEAM MORE COHESIVE

Employee care and benefits

The Group regards employees as family members, actively communicates with employees, and understands the needs of employees by thinking from their perspectives. After analyzing and understanding the needs of employees, the Group responds legally, effectively and in a humane manner within the capabilities. The Group has established a relatively complete welfare system, providing employees with annual leave, sick leave, maternity and paternity leave, marriage leave and other holiday benefits in accordance with the national regulations, as well as corresponding holiday gifts on holidays, enabling employees to feel our respect and attention, physically and mentally.



Employee Benefits

In order to create a “humanize” working environment and enhance employees’ recognition of the company, besides national regular welfare, the Group also organized all-round employee care activities such as employee birthday celebrations, new employee induction meetings, holiday group building and subsidy for employees in need during the Reporting Period.

Employee birthday party

In order to enhance the cohesiveness of the employees, and to promote mutual communication and understanding between employees, the Group organised monthly employee birthday parties during the Reporting Period. The celebrations were promoted from the Headquarter of the Group to various stores, and organised and held by colleagues from the Human Resources Department.



3. MAKING THE TEAM MORE COHESIVE

Team-building

In 2018, the Group carried out various team-building activities such as tug-of-war, hiking, basketball matches, and barbecue to enrich employees' spare time experience, improve their physical fitness, and help employees to understand each other and grow together.



Basketball match

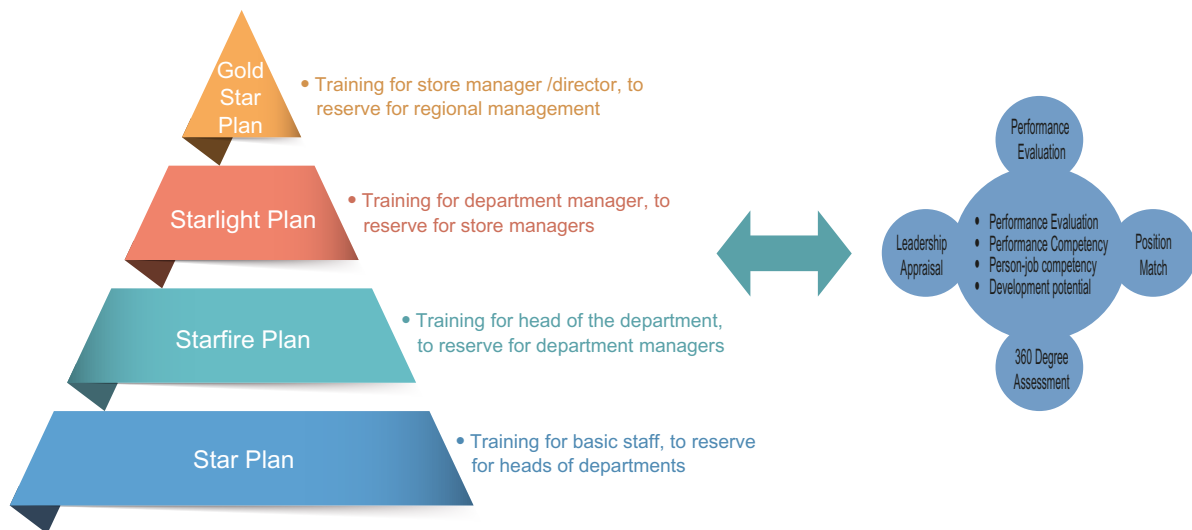


Football match

In addition, each store of the Group conducts satisfaction surveys and face-to-face communication with employees from time to time to understand their opinions or suggestions on daily work and makes improvement in a timely manner. During the Reporting Period, each store of the Group conducted active communication and satisfaction surveys on employees regarding issues they encountered in business operations such as canteen meals and work.

3.2 EMPLOYEE TRAINING AND DEVELOPMENT

The Group understands the importance of the growth and development of its employees for the sustainable development of the company. Therefore, it strives to create an equal learning platform for employees, improve the training and incentive mechanism for talents, and establish an open and transparent career development promotion channel, enabling employees to tap their potential and creativity while growing their business capabilities. In addition, the Group regulates the training, selection and appointment of talents through the Administrative Measures on Employees' Promotion and Change (《員工晉升／異動管理辦法》) and the Measures on Annual Assessment of Employees (《員工年度考核辦法》), and mobilizes enthusiasm of employees to actively learn and keep making progress through a fair, just and open competition mechanism to accelerate the building of talent pool.



3. MAKING THE TEAM MORE COHESIVE

During the Reporting Period, the total number of trained employees of the Group was 1,535 and the total training hours was 13,692.2 hours. In addition, the Group provided customized training for employees at all levels, such as new employee training, comprehensive quality trainings, skills training and etiquette training. The training shall be organised by the units at all levels with reference to the training materials of the Group. The key positions of the stores shall be approved by certified training and assessment of the manufacturer. In addition, according to actual needs, the Group adopted a combination of internal training and external training to provide comprehensive training for employees to ensure first-class business level.

New employee training



New employee training of Lianyungang Zhibao Auto Sales & Service Co., Ltd.

Comprehensive quality training



Comprehensive quality training of Zaozhuang Baojing Auto Sales & Service Co., Ltd.

Skills training



TPI technical discussion of Linyi Aofeng Auto Sales & Service Co., Ltd.

Business training



Sales process training of Linyi Fenghui Auto Sales & Service Co., Ltd.

Internal trainer training



Internal trainer training of Yantai Runzhiyi Auto Sales & Service Co., Ltd.

Rich and diverse staff trainings

By guiding employees to continue learning, the Group strengthens the competitiveness of individuals in our society and ultimately promotes competition of the company in the market. Meanwhile, the Group encourages employees to strengthen their business skills through performance appraisal, so as to promote communication between employees and superiors on the main points of work and help employees improve with the company. In the event of a position vacancy, the Group will prioritize the internal adjustment of personnel based on performance appraisal and position match results.

3. MAKING THE TEAM MORE COHESIVE

3.3 EMPLOYEE HEALTH AND SAFETY

The Group regards safety operation as a top priority and is committed to creating a healthy and safe working environment for its employees. The Group strictly abides by the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), the Safety Production Law of the People's Republic of China (《中華人民共和國安全生產法》), the Provisions on the Supervision and Administration of Occupational Health at Work Sites (《工作場所職業衛生監督管理規定》), and the Regulation on Safety Management (《安全管理規定》) formulated according to actual operation of the Group to regulate daily work of employees and avoid potential safety hazards. In daily work, the Group combines safety training with safety inspections to ensure that daily safety management is monitored and implemented.



Safety Management System

In order to ensure the safety of employees, the Group strictly requires employees to properly wear safety equipment during their work. In addition, the Group conducted a number of safety trainings in 2018 to educate employees on precautionary safety awareness and guide them to use safety equipment properly, and invited professionals to teach correct risk response skills. During the Reporting Period, the Group did not have any work-related injuries or fatality incidents, but there was one traffic accident happened on the way home from work of an employee, resulting in 512 lost work hours. After the accident, the Group adopted the work-related injury procedures and provided social security compensation for the employee, and assisted him in applying for legal arbitration, and finally obtained compensation from the construction unit. In addition, the Group enhances employee safety awareness through publicity and regular meetings in a timely manner, to guard against similar accidents.

3. MAKING THE TEAM MORE COHESIVE

Safety production training

The Group conducts irregular training and promotion on employees from the aspects of safety management system, safety awareness training and disaster emergency response to ensure the safety of the employees of the Group.



Safety Training of Linyi Jinyang Automobile Sales & Service Co., Ltd.* (臨沂金羊汽車銷售服務有限公司)

Fire safety training

The Group regularly updates fire-fighting facilities, strictly abides by fire management requirements, and occasionally invites fire departments to conduct fire-fighting training for employees to ensure fire safety within the scope of business operations.



Shanghai Land Rover Jierun Automobile Sales & Service Co., Ltd.* (上海路虎捷潤汽車銷售服務有限公司)

In order to protect the health of employees, the Group provides medical examinations for all employees to help them understand their physical condition and identify potential health implications in a timely manner. For positions that may have occupational hazards, the Group will conduct pre-employment, post-employment and off-job occupational health examinations for the employees. At the time of recruitment, employees are required to provide medical certificate for occupational disease. We do not hire employees whose physical examinations beyond the standard and are still unable to meet the standard upon re-examination. In addition, the Group provides occupational health examinations for employees of relevant positions annually after they join the company so as to protect their health.

High-end medical examination

In 2018, in order to further protect the health of employees, the Group selected a high-end medical examination institution in Shanghai and the total fee was RMB1,865,000. We selected 352 employees who are dedicated to their daily work among the employees who have been employed for more than one year in the nationwide and provided such employees with high-end medical examinations to remind them to care for the development of physical and mental health while working hard.



4. MAKING THE ENVIRONMENT BETTER

As people's awareness of environmental protection deepens and relevant environmental protection regulatory policies are tightened, the Group is well aware of the impact of development of the auto industry chain on the environment. Based on our own responsibility for the social environment, we always pay attention to environmental policies, environmental trends, and environmental pollution and climate change issues. In order to support the sustainable development of the social environment, the Group always takes the mission of "building a better social environment for automobile use" and is committed to continuously improving the ability of energy saving and emission reduction in the course of business operation by grasping the industry policy and regulatory requirements in a timely manner, so as to improve the Group's internal green operation management, reduce the impact of the entire operation process on the environment and contribute to environmental protection.

4.1 COMPLIANCE GREEN MANAGEMENT

The Group strictly abides by laws and regulations including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and the Regulations on the Safety Management of Dangerous Chemicals (《危險化學品安全管理條例》), and manages environmental related matters within the scope of business operations by formulating the Operation and Management System of Environmental Protection Facility (《環保設施運行及管理制度》) satisfying actual situation of the Group. At the same time, the Group vigorously promoted the concept of energy conservation and environmental protection, and implemented environmental protection into practical operations. Many of the Group's subsidiaries have obtained ISO 14001 environmental management system certification and updated the environmental management system certification in 2018.

4. MAKING THE ENVIRONMENT BETTER

Update Example of Environmental Management System Certification Certificate



Linyi Jinhua Automobile Sales & Service Co., Ltd.*
(臨沂金華汽車銷售服務有限公司)



Zaozhuang Aowei Automobile Sales & Service Co., Ltd.* (棗莊奧威汽車銷售服務有限公司)

The Group adheres to the concept of sustainable development, actively pays attention to environmental, social and governance risks in its own operations, and integrates environmental, social and governance risk management into its comprehensive risk management system, which are identified and responded as legal and compliance risks. The Group manages environmental penalties as major compliance incidents, which enjoy priority emergency response procedures.

In order to integrate green operations into daily operations, the Group and its subsidiaries will renovate the storefront when opening 4S stores or 5S² stores with reference to functions, costs, laws and regulations where the operation is located and potential impacts on the environment, with an aim to ensure minimizing energy consumption and pollutant emissions by virtue of making full use of water resources and reducing energy consumption. For example, when opening a 5S store, the Group will consider the following:

- Reduce energy consumption: glass walls are used in the show rooms, and the windows of the storefront are open as much as possible to reduce the height of the workshop bulbs, saving electricity while transmitting light and air permeability;

² 5S represents vehicle sales, after-sale service, information survey, spare part supply and sustainability.

4. MAKING THE ENVIRONMENT BETTER

- Water resources management: the water circulation system and wastewater tertiary purification device are used for maximizing the recycling of water resources;
- Exhaust emission monitoring: The exhaust gas collection and treatment devices are set in the workshop to reduce the negative impact on the environment during operation.



Qingdao Baojing Auto Sales & Service Co., Ltd.* (青島寶景汽車銷售服務有限公司)

In addition, while adhering to its sustainable development, the Group is actively committed to bringing green concepts to more consumers. After understanding the performance and market evaluation of the new energy vehicles of the manufacturers, we will introduce new energy vehicles that are cost-effective and probably more preferred by consumers. By accelerating the test drive of new energy vehicles during the sales process, consumers will be encouraged to choose more environmentally friendly models to help the sustainable development of the social environment.

4. MAKING THE ENVIRONMENT BETTER

Accelerate new energy test drive





The Group accelerated the test drive of new energy vehicles and upgraded the proportion of new energy vehicles to provide consumers with green travel options. In 2018, the Group added 17 hybrid models and 112 new energy models. The proportion of new energy models increased from 2% to 7%, which is expected to reduce gasoline consumption by approximately 20,000 liters.



4.2 SAVE ENERGY CONSUMPTION

Based on strict adherence to the Interim Measures for Workplace Management (《職場管理暫行辦法》), the Group has helped to, promote conservation in the whole process of business operations and promote sustainable development of the Group's operations through energy-saving renovation and the proposal of "practicing diligence strictly and advocating thrift" to all employees of the Headquarter of the Group. Secondly, the Group has advocated environmental friendly travel to all employees, encouraged the use of public transportation as much as possible during daily commute and city official business. Meanwhile, the Group has actively promoted a paperless office to reduce paper usage through online office system such as the OA system, and fostered environmental awareness of employees to reduce use of resource while contributing to sustainable development.

4. MAKING THE ENVIRONMENT BETTER

	<ul style="list-style-type: none"> • Add new car wash circulation purifier to reduce car wash water consumption; • Collecting rainwater; • When the faucet is dripping or damaged, it should be repaired in time to prevent water dripping and leakage;
	<ul style="list-style-type: none"> • Inductive lights are used in the aisles; • Adjust car showroom lighting according to the weather to reduce unnecessary power consumption; • Adjust the air conditioner temperature according to the temperature, and turn off the air conditioner one hour before leaving; • Replace the original incandescent lamp with LED energy-saving lamp during maintenance; • The last person leaving the office is responsible for checking if all switches are turned off; • The use of high-power-consuming equipment for non-working purpose is forbidden;
	<ul style="list-style-type: none"> • Promote a paperless office and select online communication tools according to work needs; • Call for printing on both sides to make the best use of paper; • Care for office equipment to minimize unnecessary office stationery consumption;
	<ul style="list-style-type: none"> • Call for bus travel to reduce private car use.

During the Reporting Period, the details of use of resource and greenhouse gas emissions of the Group are as follows:

Resources Consumption	Unit	2017	2018
Water consumption	cubic meters	333,307	351,000
Water consumption per RMB10,000 revenue	cubic meters/ RMB10,000	0.17	0.28
Purchased electricity	megawatt hours	23,422	21,890
Unleaded gasoline	liters	875,410	761,440
Direct energy consumption ³	megawatt hours	7,651	6,609
Indirect energy consumption	megawatt hours	23,422	21,890
Total energy consumption	megawatt hours	31,073	28,499
Energy consumption per RMB10,000 revenue	10,000 watt hours/ RMB10,000	1.63	2.24
Greenhouse gas emission	Unit	2017	2018
Greenhouse gas emission within scope 1 ⁴	tCO ₂ e	1,944	1,680
Greenhouse gas emission within scope 2 ⁵	tCO ₂ e	16,477	15,400
Total greenhouse gas emission	tCO ₂ e	18,421	17,079
Greenhouse gas emission per RMB10,000 revenue	tCO ₂ e/RMB10,000	0.01	0.01

³ Direct energy includes unleaded gasoline and indirect energy is mainly electricity;

⁴ Covers direct energy consumed by business owned or controlled by the Group, that is, greenhouse gas emissions directly generated from unleaded gasoline;

⁵ Covers indirect energy consumed (purchased or acquired) internally by the Group, that is, greenhouse gas emissions generated by electricity.

4. MAKING THE ENVIRONMENT BETTER

Proposal on “practicing diligence strictly and advocating thrift”

In 2018, the Group collected effective measures for energy conservation and emission reduction in the office and prepared the proposal on “practicing diligence strictly and advocating thrift” to launch an internal initiative for energy conservation and emission reduction for all employees. At the same time, the Group promoted the Group’s sustainable development through promotions of WeChat group, posting of energy-saving tips and proposals in the office area, and urging for employees to act together.



New car wash water circulation purifier

In order to reduce water resources consumption, the Group introduced five car wash water circulation purifiers in 2018. By purifying and recycling the car wash water, the water consumption per hundred car washes has dropped from 4.5 tons to 3.0 tons, achieving an annual saving of 300 tons of car wash water.



4. MAKING THE ENVIRONMENT BETTER

4.3 REDUCE POLLUTION EMISSIONS

The emissions generated during the Group's business operations were mainly derived from waste gas, car wash wastewater, hazardous and non-hazardous waste generated during vehicle maintenance, and domestic wastewater and waste generated during office work. In order to control and reduce pollutant emissions and reduce potential environmental pollution of the Group's business operations, the Group has developed and implemented management measures for different types of pollutants. During the Reporting Period, the Group's waste discharge was as follows:

Wastewater	Unit	2017	2018
Domestic wastewater	cubic meters	138,809	150,100
Car wash wastewater	cubic meters	147,596	83,000
Hazardous wastes	Unit	2017	2018
Disposed automobile battery	tonne	168	162
Used oil	tonne	903	1,153
Other hazardous wastes (e.g. oily rags, paint buckets, etc.)	tonne	250	222
Total	tonne	1,321	1,537
Total hazardous wastes per RMB10,000 revenue	kg/RMB10,000	0.69	1.21
Non-hazardous wastes	Unit	2017	2018
Non-hazardous wastes	ton	4,393	3,866
Total non-hazardous wastes per RMB10,000 revenue	kg/RMB10,000	2.30	3.04

Wastewater discharge

The Group has adopted targeted treatment measures for domestic wastewater and car wash wastewater: for domestic wastewater, the Group has required relevant department heads and plumbers to check regularly whether domestic wastewater exceeded the standard and eliminate potential hidden hazards in a timely manner; for car wash wastewater, the Group has a car wash wastewater filter and grit chamber ensuring that the wastewater is discharged into the municipal sewage pipe network after reaching the standard. In 2018, the Group promoted the tertiary purification of car wash wastewater to reduce wastewater discharge.





Wastewater tertiary purification tank

The wastewater of the Group mainly came from car wash wastewater, domestic wastewater of mobile workers, and domestic wastewater of employees. Therefore, the types of pollutants in wastewater were relatively simple, mainly the dust and sediment contaminated by the car, the detergent used in car washing, and lubricants, paints and paint residues used in the maintenance process. The Group has removed stones, sand, fat and oil and degrades microorganisms through primary and secondary treatment. In order to further reduce nitrogen, phosphorus and other pollutants in the wastewater, 56 wastewater purification tanks were upgraded in 2018 to achieve a tertiary purification and recycling of wastewater.

4. MAKING THE ENVIRONMENT BETTER

Waste management

The Group classifies and stores hazardous wastes and non-hazardous wastes generated during the business operations of the Group in strict accordance with the laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Hazardous Waste Disposing Forms Regulations (《危險廢物轉移聯單管理辦法》) and Administrative Measures on Hazardous Waste Operation Licenses (《危險廢物經營許可管理辦法》), and invited qualified third-party companies to recycle and dispose of them. At the same time, the Group has strictly regulated the operation of employees, and established a detailed list of waste management accounts, which were jointly undertaken by the Finance Department, the Administration Department and the After-sales Department to ensure that wastes were properly disposed of.

Non-hazardous wastes	
 Cardboard, carton, etc.	<ul style="list-style-type: none"> Collected and stored in a unified manner and recycled by a designated third party;
Hazardous wastes	
 Used oil, waste residue, used paint bucket, etc.	<ul style="list-style-type: none"> Waste residue was isolated with sponge and sponge was replaced regularly; Collected and stored in a unified manner, and recycled by designated third parties;
 Aluminum alloy materials, used parts, etc.	<ul style="list-style-type: none"> Old parts were replaced with new ones and old parts repair and utilization process is implemented; Non-recyclable materials were collected and stored in a unified manner, and recycled by designated third parties;
 Used batteries	<ul style="list-style-type: none"> Collected and stored in a unified manner and recycled by a designated third party.

4. MAKING THE ENVIRONMENT BETTER

Replace old parts with new ones

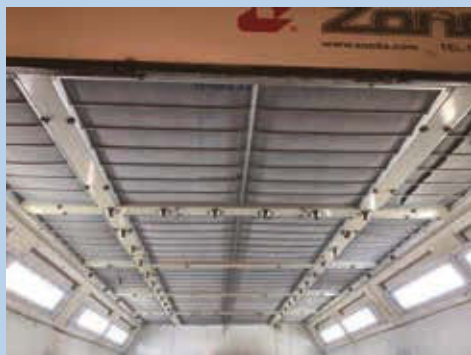
In 2018, the Group strictly implemented the process of replacing old parts with new ones and repairing and reusing the old parts. The accessories with recycling value were uniformly repaired by the maintenance technicians of the store of the Group and external repair resources companies. The Group will store the repaired parts accordingly. The use of repaired parts must be clearly indicated to the customer and approved by the customer. In 2018, the inventory of recycled and repaired parts of the Group were 9,000 pieces, worth about RMB900,000.



Exhaust gas emission

The Group has always regarded reducing emissions as the primary task of energy conservation and emission reduction. In order to protect employees' health and safety and reduce pollution, the Group strives to install a complete exhaust emission collection system in the phase of construction and design of the workshop to uniformly collect the exhaust gas generated by the vehicle during the maintenance process to ensure the safety of the workshop environment. Secondly, the Group started with raw materials, changed the oil paint used in the spray booth to water-based paint, and changed the diesel heating to electric heating to effectively control the exhaust emissions. All the stores of the Group have followed strictly in accordance with environmental protection policies, and reduced the emissions of volatile organic compounds (VOCs) by adding activated carbon and photo-catalyst devices. During the Reporting Period, all the stores of the Group completed the modification of activated carbon, and about 50% of the storefronts were equipped with photo-catalyst purification equipment in the process. In 2018, the Group began to reduce emissions from the business process by upgrading and renovating the fuel paint booth.

Upgrade and renovate the fuel paint booths



In 2018, the Group upgraded 20 sets of old fuel paint booths and upgraded the old fuel paint booths into electric paint booths to reduce carbon dioxide and sulfide emissions. In addition, the Group further reduced the emission of VOCs by simultaneously upgrading 8 sets of VOCs photo-catalytic devices.

5. MAKING THE SOCIETY WARMER

Adhering to the core values of “Fulfilling ourselves to benefit others and fulfill others”, the Group has taken root in the community while creating corporate value, actively organizes, participates in public welfares and donations, and rewards the society while achieving others. In 2018, the Group organised and carried out public welfares with the manufacturers, organised employee volunteers to participate in community charity, promoted the spirit of self-denial and contributed to the sustainable development of society.

5.1 COMMUNITY CONTRIBUTION

The Group is grateful to the community and is doing its best to help the community residents in its daily operations. In 2018, the Group organised and participated in community activities such as caring for children and the elderly, and sent warmth and love to the elderly and children while promoting the spirit of the Chinese nation to respect the old and cherish the young.

Zaozhuang Aowei Children Welfare Association

On 1 June 2018, Zaozhuang Aowei Automobile Sales & Service Co., Ltd.* (棗莊奧威汽車銷售服務有限公司) (“Zaozhuang Aowei”), a subsidiary of the Group, carried forward the entrepreneurship of “delivering love and warmth” and organised employees to send warmth to the children in Children Welfare Association of Zaozhuang City with Audi owners. As the first luxury car brand entered into Zaozhuang, Zaozhuang Aowei believes that enterprises have the obligation to contribute their own strength to care for vulnerable children in society and pass on the hope of love. The event inspired the volunteerism of employees and car owners, and combined volunteer service with Zaozhuang Aowei Audi.



5. MAKING THE SOCIETY WARMER

Chongyang Festival-Respect for the Aged

In 2018, Shanghai Baojing, a subsidiary of the Group, organised and conducted the “Chongyang Festival – Respect for the Aged”. At the event, the employees of the Group brought lively and interesting performances to the aged and worked with the staff of the nursing home to cook delicious food for the aged.



5.2 CHARITY

The Group believes that practicing social welfare, accumulating goodwill and transmitting love are one of the responsibilities of enterprises to our society. In 2018, the Group launched a charity sale through the call of manufacturers and car owners, and organised employees to carry out activities such as blood donation to spread the public welfare concept of great love with the help of all people.

5. MAKING THE SOCIETY WARMER

BMW7 Series Charity Auction of Xuzhou Baojing

The Group believes that left-behind children are special groups that require the common concern of the society, while mountainous areas cannot provide sufficient learning resources for children due to funding problems. Xuzhou Baojing Auto Sales & Service Co., Ltd.* (徐州寶景汽車銷售服務有限公司), a subsidiary of the Group, joined hands with BMW 7 Series owners to carry out a charity sale for local left-behind children after learning about the demand for left-behind children in Naqu Yuying Middle School in Tibet Autonomous Region. By inviting professional teachers to guide a live painting for car owners and children, and to raise materials for left-behind children in the form of auctions, the event raised for children from Yuying Middle School of:

- charity fund of RMB10,000; and
- 1,000 children books.



Painting donation, auction and group photo



APPENDIX I: LAWS, REGULATIONS AND INTERNAL MANAGEMENT POLICIES

LAWS AND REGULATIONS

Audit Law of the People's Republic of China (《中華人民共和國審計法》)

Criminal Law of the People's Republic of China (《中華人民共和國刑法》)

Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》)

Law of the People's Republic of China on Tenders and Bids (《中華人民共和國招標投標法》)

Labour Law of the People's Republic of China (《中華人民共和國勞動法》)

Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》)

Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》)

Safety Production Law of the People's Republic of China (《中華人民共和國安全生產法》)

Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)

Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》)

Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》)

Regulation on Labour Security Supervision (《勞動保障監察條例》)

Provisions on the Supervision and Administration of Occupational Health at Work Sites (《工作場所職業衛生監督管理規定》)

Regulations on the Safety Management of Dangerous Chemicals (《危險化學品安全管理條例》)

Hazardous Waste Disposing Forms Regulations (《危險廢物轉移聯單管理辦法》)

Administrative Measures on Hazardous Waste Operation Licenses (《危險廢物經營許可管理辦法》)

ESG Guide (《環境、社會及管治報告指引》)

APPENDIX I: LAWS, REGULATIONS AND INTERNAL MANAGEMENT POLICIES

INTERNAL MANAGEMENT POLICIES

Standard Operation Manual for the Audit Department of the Group (《集團審計部業務標準操作手冊》)

Administrative Measures for Internal Control Personnel Delegation (《內控人員委派管理制度》)

Handling Measures for Non-Compliance and Misconduct of Employees of the Group (《集團內部職務違規違法行為處理辦法》)

Ten Rules for Integrity and Self-discipline (《廉潔自律十項規定》)

Customer Privacy and Confidentiality Agreement and Model (《客戶隱私保密協定及範本》)

Complaint Handling Process and Standards (《投訴處理流程及規範》)

Supplier Evaluation and Management System (《供應商考評管理制度》)

Management Method on Supplier (《供應商管理辦法》)

Management Method on Refunding and Replacement of Goods by Supplier (《供應商退、換貨管理辦法》)

Management Method on Exit of Supplier (《供應商退出管理辦法》)

Procurement Management System of China Rundong Auto Group Limited (《潤東汽車集團有限公司採購管理制度》)

Management Measures for External Procurement of China Rundong Auto Group Limited (《潤東汽車集團有限公司產品外採管理辦法》)

Management Measures (Provisional) for Storefront Manager of China Rundong Auto Group Limited (《潤東汽車集團有限公司店面負責人管理辦法(暫行)》)

Management Manual for Recruitment of Rundong Auto Group (《潤東汽車集團招聘管理手冊》)

Administrative Measures on Employees' Promotion and Change (《員工晉升／異動管理辦法》)

Measures on Annual Assessment of Employees (《員工年度考核辦法》)

Regulation on Safety Management (《安全管理規定》)

Operation and Management System of Environmental Protection Facility (《環保設施運行及管理制度》)

Interim Measures for Workplace Management (《職場管理暫行辦法》)

APPENDIX II: 2018 KEY PERFORMANCE TABLE

ENVIRONMENTAL DATA PERFORMANCE TABLE

Name of indicators	Unit of indicators	2017	2018
Aspect A1: Emissions			
A1.1 Types of emissions and respective emissions data			
Domestic wastewater	cubic meters	138,809	150,100
Car wash wastewater	cubic meters	147,596	83,000
A1.2 Greenhouse gas emissions in total (in tonnes) and intensity (e.g. per unit of production volume, per facility)			
Greenhouse gas emission within scope 1	tCO ₂ e	1,944	1,680
Greenhouse gas emission within scope 2	tCO ₂ e	16,477	15,400
Total greenhouse gas emission	tCO ₂ e	18,421	17,079
Greenhouse gas emission per RMB10,000 revenue	tCO ₂ e/RMB10,000	0.01	0.01
A1.3 Total hazardous waste produced (in tonnes) and intensity (e.g. per unit of production volume, per facility)			
Disposed automobile battery	tonne	168	162
Used oil	tonne	903	1,153
Other hazardous wastes (e.g. oily rags, paint buckets, etc.)	tonne	250	222
Total	tonne	1,321	1,537
Total hazardous wastes per RMB10,000 revenue	ton/RMB10,000	0.69	1.21
A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)			
Non-hazardous wastes	tonne	4,393	3,866
Total non-hazardous wastes per RMB10,000 revenue	Kg/RMB10,000	2.30	3.04
Aspect A2: Use of resources			
A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity(e.g. per unit of production volume, per facility)			
Purchased electricity	megawatt hours	23,422	21,890
Unleaded gasoline	liters	875,410	761,440
Direct energy consumption	megawatt hours	7,651	6,609
Indirect energy consumption	megawatt hours	23,422	21,890
Total energy consumption	megawatt hours	31,073	28,499
Energy consumption per RMB10,000 revenue	10,000 watt hours/RMB10,000	1.63	2.24
A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)			
Water consumption	cubic meters	333,307	351,000
Water consumption per RMB10,000 revenue	cubic meters/RMB10,000	0.17	0.28

APPENDIX II: 2018 KEY PERFORMANCE TABLE

SOCIAL DATA PERFORMANCE TABLE

Name of indicators	Unit of indicators	2017	2018
Aspect B1: Employment			
B1.1 Total workforce by gender, employment type, age group and geographical region			
Total employees	person	5,319	5,409
Employees by employment type			
Senior management	person	102	103
General staff	person	2,715	2,677
Sales staff	person	1,327	1,560
Technician	person	1,175	1,069
Employees by gender			
Male	person	3,375	2,253
Female	person	2,770	3,156
Employees by age group			
Under 30	person	2,844	2,720
30 to 50	person	2,372	2,575
Over 50	person	103	114
Aspect B2: Health and Safety			
B2.1 Number and rate of work-related fatalities			
Number of worked-related fatalities	person	0	0
B2.2 Lost days due to work injury			
Number of work-related injuries	person	0	1
Lost hours due to work injury	hour	0	512
Rate of work-related accident	%	0	2‰ ⁶

⁶ The rate of accident represents the rate of work-related accident per million hours.

APPENDIX III: ESG GUIDE CONTENT INDEX

Key performance indicators		Content index
A. ENVIRONMENTAL		
Aspect A1 Emissions		
General	Information on:	4. Making the Environment Better
Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	
A1.1	The types of emissions and respective emissions data.	4.3 Reduce Pollution Emissions
A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity.	4.2 Save Energy Consumption
A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity.	4.3 Reduce Pollution Emissions
A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity.	4.3 Reduce Pollution Emissions
A1.5	Description of measures to mitigate emissions and results achieved.	4.3 Reduce Pollution Emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.3 Reduce Pollution Emissions
Aspect A2 Use of resources		
General	Policies on efficient use of resources including energy, water and other raw materials. Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	4.2 Save Energy Consumption
Disclosure		
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	4.2 Save Energy Consumption
A2.2	Water consumption in total and intensity.	4.2 Save Energy Consumption
A2.3	Description of energy use efficiency initiatives and results achieved.	4.2 Save Energy Consumption
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.2 Save Energy Consumption
A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Not applicable, the Group's business does not involve the use of packaging materials
Aspect A3 The environment and natural resources		
General	Policies on minimising the issuer's significant impact on the environment and natural resources.	4. Making the Environment Better
Disclosure		
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.2 Save Energy Consumption

APPENDIX III: ESG GUIDE CONTENT INDEX

Key performance indicators		Content index
B. SOCIAL		
Employment and labour practice		
Aspect B1	Employment	
General	Information on:	3. Making the Team More Cohesive
Disclosure	(a) the policies; and (b) relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	
B1.1	Total workforce by gender, employment type, age group and geographical region.	3.1 Employee Employment and Interests
B1.2	Employee turnover rate by gender, age group and geographical region.	Plan to carry out refined management in the future
Aspect B2	Health and safety	
General	Information on:	3.3 Employee Health and Safety
Disclosure	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
B2.1	Number and rate of work-related fatalities.	3.3 Employee Health and Safety
B2.2	Lost days due to work injury.	3.3 Employee Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.3 Employee Health and Safety
Aspect B3	Development and training	
General	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	3.2 Employee Training and Development
Disclosure		
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	Plan to carry out refined management in the future
B3.2	The average training hours completed per employee by gender and employee category.	Plan to carry out refined management in the future

APPENDIX III: ESG GUIDE CONTENT INDEX

Key performance indicators		Content index
Aspect B4 Labour standards		
General	Information on:	
Disclosure	(a) the policies; and (b) relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	3.1 Employee Employment and Interests
B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Employee Employment and Interests
B4.2	Description of steps taken to eliminate such practices when discovered.	3.1 Employee Employment and Interests
Operating practice		
Aspect B5 Supply chain management		
General	Policies on managing environmental and social risks of supply chain.	2.3 Development together with Partners
Disclosure		
B5.1	Number of suppliers by geographical region.	2.3 Development together with Partners
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	2.3 Development together with Partners
Aspect B6 Product responsibility		
General	Information on:	
Disclosure	(a) the policies; and (b) relevant laws and regulations that have a significant impact on the issuer on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2. Making the Service More Intimate
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable, the business of the Group does not involve products that are recycled for safety and health reasons.
B6.2	Number of products and service related complaints received and how they are dealt with.	2.2 Listening to Customers' Opinions
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable, the business of the Group does not involve intellectual property protection
B6.4	Description of quality assurance process and recall procedures.	Not applicable, the business of the Group does not involve product recycling
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	2.1 Quality Customer Service

APPENDIX III: ESG GUIDE CONTENT INDEX

Key performance indicators		Content index
Aspect B7 Anti-corruption		
General	Information on:	
Disclosure	(a) the policies; and	1.2 Corporate Governance
	(b) relevant laws and regulations that have a significant impact on the issuer on bribery, extortion, fraud and money laundering.	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.2 Corporate Governance
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.2 Corporate Governance
COMMUNITY		
Aspect B8 Community investment		
General	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	5. Making the Society Warmer
Disclosure		
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5. Making the Society Warmer
B8.2	Resources contributed (e.g. money or time) to the focus area.	5. Making the Society Warmer



润东汽车

CHINA RUNDONG AUTO GROUP LIMITED
中國潤東汽車集團有限公司