

Environmental, Social and Governance Report

CHAIRMAN'S STATEMENT

2020 was an extraordinary year. A sudden pandemic disrupted the pace of normal life and work, and the whole world was lost amongst this disruption. The pandemic tested each individual's mental state and each company's resilience.

China was the first to resume work and production while the pandemic continued to spread globally. Digital China Holdings ("DC Holdings" or "the Group" or "We") joined the citizens of China to actively participate in the defense of Wuhan against the pandemic and also for the resumption of work and production. During the pandemic, we strictly followed the prevention and control requirements to strengthen the health check process for our employees, provided them with masks, disinfectant and other pandemic prevention supplies at the office, and arranged a series of flexible measures such as non-essential personnel to work from home. At the same time, our employees also showed a great level of dedication and self-discipline. These measures have effectively prevented any spread of the virus internally and ensured zero infection among the Group's employees. The Group also actively donated funds to support Hubei's post-pandemic recovery, flood relief, disaster relief, and promote the development of youth education. Empowered by digital technology and with a strong sense of empathy and social responsibility, the employees of DC Holdings each made their own contributions to the fight against the pandemic and support the sustainable recovery of society.



For DC Holdings, we are fully committed to our vision and goal of becoming the most technologically advanced big data service provider and complying with ethics and the principles of sustainable development in our business operations. We therefore have the responsibility to promote and implement positive changes, estimate the impact of environmental, social and governance ("ESG") issues on businesses, and actively respond to the challenges of achieving sustainable development.

In 2020, we not only stepped out of the pandemic and overcame the fear of it, but we also achieved new heights in our business, once again using action to demonstrate the mission of "Digital China". Also in this year, we have refined our management approach and incorporated our sustainable development goals into operation management and risk management. We are focused on our customers, employees, suppliers and partners, and strive to contribute to the long-term development of our business and generate stable, sustained value for our stakeholders. We are also committed to keeping up with global standards of sustainable development and will continue to work tirelessly in accordance with the sustainable development goals of the Hong Kong Stock Exchange and the Global Reporting Initiative GRI, and continue create value for all our stakeholders.

The year 2021 is a year in which DC Holdings takes the lead and refines its corporate values: Technology, Market, Result – Lead Ahead! Determined to subvert tradition through bold reforms and organizational restructuring, continued technological innovation and improvement of management, we will make the organization stronger, the team more cohesive, and the employees more passionate. At the same time, we will continue to focus on the needs of our customers, the health of our employees, and the priorities of all our stakeholders in order to better serve society. In 2021, we will strive to create a better and more sustainable future.

ABOUT US

DC Holdings was established in 2000 and was listed on the main board of the Hong Kong Stock Exchange in 2001 (stock code 00861.HK). For 20 years, DC Holdings has taken "Digital China" as its mission, adhering to the corporate culture of "Responsibility, Passion, Innovation, and Creating Shared Value", and remain determined to forge ahead and empower smart city development and industrial digitalization with its innovative proprietary technology. DC Holdings pushes ahead with digitalizing China; providing customers with advanced and professional digital services. After evolving numerous times from China's leading technology hardware distributor to a leading integrated IT service provider, informatization expert and smart city expert, DC Holdings has once again progressed on the path of digital transformation and is committed to becoming the most technologically advanced big data service group. DC Holdings and its subsidiaries have a total of 14,399 employees as of December 31, 2020.

As a high-tech enterprise that utilizes independent innovation of big data technology to empower the development of smart cities and the digital transformation of industry, DC Holdings has been involved in a variety of verticals and projects including smart city, smart supply chain, fintech, smart healthcare, smart manufacturing, smart agriculture, smart transportation and quantum communications, with outstanding results.

- **Our vision and mission**

We are well aware of the increasingly important role that DC Holdings plays in the industry. As such, how we create long term value for society becomes a key consideration when we look to pursue continuous innovation. As an employer of China's top technology talent, we must provide our employees with a safe working environment, health benefits and opportunities for continuous development. As a member of the wider community and a corporate citizen, we are also enthusiastic about public welfare and promote social progress through our actions such as helping those in poverty and those in need. We are committed to integrating social responsibility into all aspects of the Group (including products, services, innovation, cultural heritage and digitalization) to help promote the sustainable development of society.

Looking to the future, DC Holdings will always remember its roots and strive to execute the vision of "Digital China". We will progress in our core verticals including city big data usage model, industry big data model, fintech model and incubation model. By adopting the concept of "industry-academia-research"-based incubation, we continue to develop core data products in our smart supply chain business and utilize data processing products to accelerate the development of the data industry and through the process, build a mutually synergetic software ecosystem, providing customers with a full range of software licensing and subscription services whilst continuing to empower the development of smart cities and the digital transformation of industry. We will continue to strive for the improvement of citizens' livelihood, development of the digital economy, and the creation of wider value for our shareholders, customers and the society.

ABOUT THIS REPORT

"Digital China Holdings Limited Environmental, Social and Governance Report" (hereinafter referred to as "**this Report**") is based on the "Environmental, Social and Governance Reporting Guide" issued by the Stock Exchange of Hong Kong on December 2019, is also compiled with reference to the relevant rules under the Global Reporting Initiative (GRI) and is aimed at explaining our environmental, social and governance policies as well as our work and results during the year to our stakeholders. Our Environmental, Social and Governance ("**ESG**") reporting team is comprised of personnel from all relevant departments within DC Holdings. The team is responsible for collecting the relevant information every year and compiling this report.

- **Governance structure, strategy and objectives**

The Board of Directors is responsible for assessing and determining the environmental, social and governance risks of the Group, for ensuring that the Group has established a suitable and effective environmental, social and governance risk management and internal control system, and for the Group's environmental, social and governance report. In 2020, the Group's environmental, social and governance risk management and internal control systems were operating effectively.

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We believe it is important to formulate effective governance strategies to balance the economic, environmental and social benefits of the Group's business with that of its goals. We have fully integrated environmental, social and governance considerations into the Group's business operations and management as part of our corporate development strategy, and we have paid special attention to the relationship with our stakeholders such as seeking out their opinions and views on matters, collaborate and interact with our partners, care for our employees and grow with them, and shoulder more social responsibilities. The goal of our environmental, social and governance strategy is to be a responsible big data services company that is widely recognized by the public. To achieve this goal, we will adhere to the principles of sustainability, abide by our integrity, and create shared value and development within the industry.

- **Reporting guidelines and scope**

In terms of reporting guidelines, this report follows:

- **Materiality guideline:** We determine the key areas of focus in this report based on the Group's overall strategy and operations as well as on economic, environmental and social issues that affect the sustainability of the Group's business to which our stakeholders have also shown attention to. As such, the Group will maintain close and frequent communication with our stakeholders to assess the importance and ranking of environmental, social and governance issues (see "Stakeholders" below for further details).
- **Quantitative guideline:** Where possible, this report will use data to show relevant environmental and social issues, such as illustrating data on resource consumption and carbon emissions, as well as key assumptions, calculation methods and reference basis.
- **Consistency guideline:** This report will disclose changes in statistical methods or key performance indicators (if any), or any other relevant factors that affect the comparison, in order to avoid misleading the readers of this report.

In terms of the scope of reporting, unless otherwise specified, the content contained in this report covers all subsidiaries of DC Holdings.

In addition, all the information quoted in this report comes from the Group's official documents, audited annual reports, and relevant data and information collected by the Group's functional departments.

In the following pages, we will analyze our environmental, social and governance strategies from the perspective of our stakeholders, users, employees and communities as well as intellectual property, supply chain & anti-fraud and the environment. We will also illustrate our implementation results for 2020.

OUR STAKEHOLDERS

- Stakeholder analysis**

We recognize the importance of stakeholder feedback on our environmental, social and governance policies. Consequently, we maintain close communication with our stakeholders to collect their views and suggestions on environmental, social and governance issues. We also engage in an open and transparent dialogue with our stakeholders through various channels, including meetings, surveys, seminars, etc. The table below presents the Group's key stakeholders, issues and communication channels.

Stakeholders	Main topics	Main Communication Channel
Government and Regulatory Agencies	Compliance, Corporate Governance	Meeting, Written Report, Interview, Policy Consultation, Information Disclosure
Shareholders and Investors	Business Development, Return on Investment	Company Information Disclosure, Investor Meetings, Social Media Platform Interaction
NGOs and Media	Environmental Protection, Compliance Consulting, Charity	Industry Events, Press Conferences, Social Media Platform Interaction
Customer	Product and Service Quality, Privacy Protection	Customer Feedback, Meetings, Customer Service Hotline, Real-Time Customer Support
Staff	Training, Welfare, Career Planning, Healthy Working Environment	Labor Union, Staff Meeting, Internal Training Program "DC Elite", Corporate Social Platform, Regular Employee Satisfaction Survey Feedback
Community and the Public	Volunteer Service, Charity, Environmental Protection	Company Website, Company Wechat Public Account, Media Reports, Irregular Community/Volunteer Activities
Supplier	Fair Cooperation, Integrity	Meetings, Regular Assessments, Site Visits

For example, the Group attaches great importance to interaction with regulators, shareholders and the media (please refer to the text for the Group's communication and interaction with other major stakeholders). Apart from fulfilling its information disclosure obligations in strict compliance with regulatory requirements, the Group also builds a platform for communication through multiple channels and means, and allows stakeholders such as regulators, shareholders and the media to fully understand the Group's operation and development direction through regular and specific communication meetings. At the same time, the Group also listens carefully to the views and suggestions of relevant parties in the hope that it can continue to develop in a sustainable and healthy manner and give back to all stakeholders.



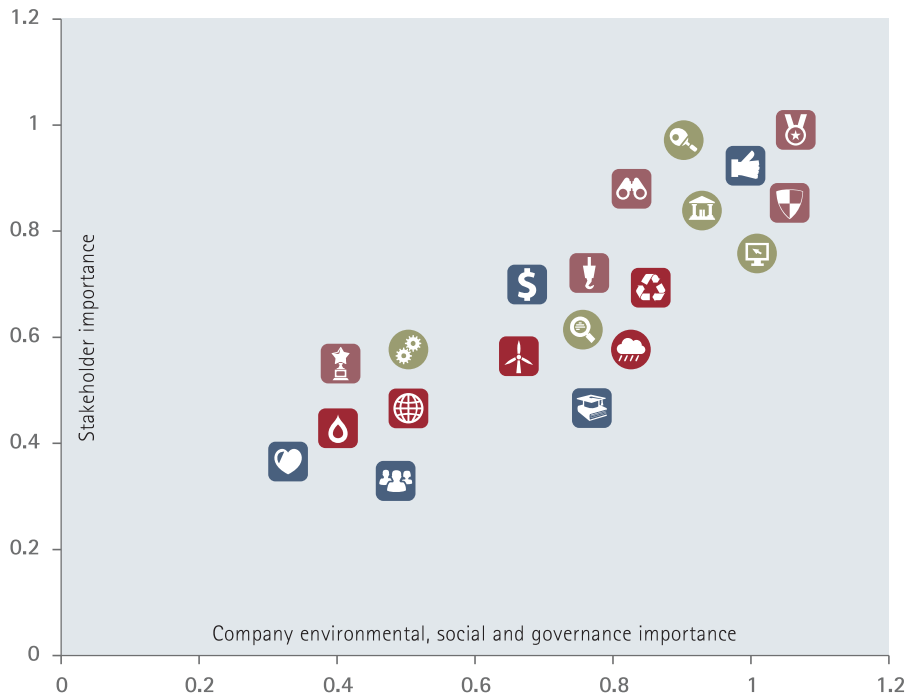
Interaction with media, investors and others

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In 2020, apart from making strict information announcements and holding regular general meetings in accordance with the regulatory requirements, the Group also invited shareholders/investors to host presentation meetings from time to time. Statistics indicate that the Group held over 60 meetings with shareholders/investors and the media during FY2020. A number of analysts from domestic and overseas brokerage firms have published regular research reports on the Group.

- Environmental, social and governance issues importance assessment**

In FY2020, we not only discussed the importance of ESG issues with our stakeholders through the above-mentioned communication channels, but also conducted an online questionnaire to understand the importance of these issues as ranked by our stakeholders. The survey results and our communication with our stakeholders led to the following assessment of the significance of ESG issues:



- | | | | |
|---|-----------------------------------|------------------------------------|------------------------------------|
| The company operates normally during the outbreak | Anti-Corruption | Diversity | Talent Attraction Et Retention |
| Compliance with Regulatory Requirements | Community Et Volunteer Activities | Staff Health and Safety | Staff Benefits |
| Media, Analysts Disclosure | | Staff Training and Development | |
| Climate Change Response | Energy Saving Management | Supply Chain / Supplier Management | Product Innovation |
| Pollution Reduction | Waste Management | Customer Satisfaction | Customer Data Security and Privacy |
| Water Supply Management | | Intellectual Property | |

- **Environmental, social and governance direction**

In the past 20 years since its listing, DC Holdings has never forgotten its roots, and strive to execute the vision of "Digital China", adhering to our corporate culture of "responsibility, passion, innovation and creating shared value", and continuously innovating to empower China's digital transformation. At the same time, we are fully committed to promoting sustainable development strategies and actively build a healthy product ecosystem.

Through the process of leading the industrial big data development and innovating the "Digital New Infrastructure", DC Holdings was awarded the No. 1 prize in the Digital Infrastructure Top 100 in 2020, the Best Service Provider of New Infrastructure Big Data in 2020, and the Most Growth-Oriented Chinese Listed Technology Company in 2020 by external organizations. In the future, we will continue to strengthen our corporate management system, integrate environmental, social and governance issues deeply into our business operations, and work more closely with our stakeholders to build a better future.

USERS

- **High standard services and enhanced technology support to customers**

As a big data technology company, DC Holdings has always been putting the customers at the heart of the business and constantly delivered the best services and solutions to them in multiple scenarios including smart city, supply chain, fintech, etc. We are committed to provide government, industries and corporates one-stop data services, including project implementation, data-management, software subscription, software maintenance support, IT consulting, and end-to-end supply chain services.

To enhance the quality of our services, we have obtained ISO20000 system certification for information technology service. At the same time, we have also implemented the business continuity management system in accordance with ISO22301 which requires the continuous improvement on a system to reduce the likelihood of occurrence of a disruptive incident, ensuring an emergence plan is in place during such an occasion and reserve in advance proper resources for customer support, including software, hardware, labor, funding, etc. In addition, we also continuously optimize internal control procedures and workflow by providing training and raising the awareness to management and staff. Finally, we constantly review and update the system and emergency plan on an annual basis to ensure the reasonableness and functionality. During the holiday season of lunar new year in 2020, our engineers remain on duty and volunteered their time off to ensure services and systems were available to the public during lunar new year, thereby winning praise from our clients. During the pandemic, despite all the obstacles, our engineers provided full support to the Weihai city government and completed the update of the information systems in time for effective pandemic control.

DC Holdings have enhanced the customer service system through information technology, to standardize the process, promote transparency and efficiency and ensure all issues are properly identified and treated. We also established proper communication channels with customers, and continuously improve and adjust our services, according to the needs from customers and also the actual circumstances, in order to provide tailor-made solutions to each individual to boost customer satisfaction.

For the after-sales service, we have established a separate department to deal with customers feedback. In 2020, the total number of complaints received from customers was approximately 16,000, which accounted for less than 0.05% of total orders. We have always prioritized requests from customers and once any customer feedback is received, a corresponding department staff would follow up with customers as soon as possible and devise a proper solution for customer. In addition, we would evaluate and improve our internal procedures and controls, based on the feedback and complaints we receive from customers in order to prevent the issues repeating again in the future.

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- **Improvement of quality control and customer experience**

In term of the standard of quality, we are extremely focused on the R&D process, quality of our deliverables and internal control management. The Group has a well-developed PMBOK control system, which follows the standards of CMMI-5 and ISO90001. The system covers the functions of product quality management, product testing management, configuration management, as well as project management and process monitoring features for quality assurance.

On the system side, we have built a service support system that matches the feedback from customers with our inhouse quality management system. The system runs through the entire delivery process, including internal and external collaboration and division of labor, establishment of corresponding project departments, setting up project managers, customer service points, and transforming requirements into internal processes. Internal operating systems are also set up with the right personnel, project departments and operating systems also collaborate to provide corresponding service and products. Timely response and feedback to customer needs and problems during the service process are also key, statistical analysis of customer KPI indicators every month and quarter are implemented and timely rectification of problematic issues are done to meet customer needs and enhance our customer experience.

- **The importance of data security and user privacy**

With the rapid development of the internet and advancement of global informatization, data has penetrated into every single aspect of our daily life and all industries, and is becoming the core competitive factor for future development. From government's perspective, it includes not only data related to city management and infrastructure, but also the data from citizen livelihood and consumption. For financial data, this includes market data, company data, industry and pricing indexes, etc. Moreover, from an individual user's perspective, it covers all types of information related to personal identity, medical history, health status and consumption habits. Such data have unlimited potential applications and are valuable assets for future development.

With the upside and convenience that big data brought to society, this has also raised our awareness on importance of data security and issues of privacy. To process the massive amount of data and information, setting up a security system to prevent the data leak is crucial and should be treated as priority in the era of digitalization.

- **Technology innovation & data security**

Technology innovation is the anchor of future development in the era of digitalization. "Yan Cloud DaaS", a leading big data solution developed by DC Holdings which was awarded the first prize of the National Technology Invention Award in China, has played a key role in data integration. The solution could integrate any data source by generating API links updated in real time, even those with legacy databases and without primary coding and original engineering support, all at the lowest possible cost. At the same time, it provides user authentication, channel isolation, content encryption, access protection, data blockchain and other enhanced technologies to ensure the data security. "Yan Cloud DaaS" is currently widely used in China, which has been applied to more than 10 different government departments across more than 20 provinces and cities, including Beijing, Shanghai, Guizhou, Zhejiang and etc. Therefore, the solution is now a center piece of technology of the big data ecosystem in China that is worth trillions of dollars.

In 2020, DC Holdings was selected as one of the key technology service providers for multiple big data infrastructure projects in China. The projects involved designing and establishing an overall data security system for data collection, storage and sharing, thereby improving the traceability and confirmation process for data access and sharing to prevent any data leakage. The system could effectively address the concern about data security from government, and encourage data and information sharing across departments.

Financial data is part of China's national assets and a matter of national security. With the accelerating growth of digital transformation in financial institutions, it is crucial to ensure a proper IT system is in place to improve cyber security and operational efficiency. With our advanced technologies, DC Holdings has provided an one stop solution to various banks for their system infrastructure, including upgrading the IT security system, establishing data integration loops and online banking systems, working together with the industry to create financial security through the construction of a financial ecosystem and to equip market participants with best secure options to continuously improve the service quality to end-customers.

- **Project execution & data security**

For the project execution, the Group paid great attention to data security and user privacy. We have standardized and upgraded the control procedures and technologies in terms of personal security, physical security, network security, application security, log management, etc. to ensure the confidentiality, integrity and utility of customers information.

- In the research phase of customers' need, we clarify the safety requirement and summarize to a research report during the preparation phase of design specification and based on the outcome of the research report, we make corresponding adjustments obtain further approval to proceed.
- In the execution stage, we follow the safety coding standards and go through safety audits, regular backups, and any changes will be reviewed and confirmed with customers.
- For the testing stage, other than the satisfaction of statutory testing requirements, we also conduct additional testing on access control, defect monitoring and vulnerability scanning.
- At the trail stage, we focus on the performance of the system and go through the detailed check-up and verification with customers to ensure the system serves the purposes and needs.
- For maintenance stage, after the system is launched, we will regularly upgrade and debug the system, and also perform antivirus check and backup creation.

- **Safety control qualification**

One of the subsidiaries of DC Holdings holds multiple top-ranking certifications including ISO027001 Information security management certification, information security service qualification, Level I security engineering enterprises qualification, Level 1 Information security engineering qualification, Level 1 information risk assessment qualification, etc. These certifications and qualifications demonstrate DC Holdings is both qualified and capable to fulfill the nation's highest safety regulatory standards and ensure our customers are receiving the best quality service in the market and that their data and assets are in good hands with various layers of control procedures to minimize the risk exposure. In addition, the Group will perform annual internal audits on information security, and engage third-party professionals to conduct external audits in order to make sure all systems and control procedures are effective and functioning.

OUR PEOPLE

- **Diversity & inclusion**

Talent is of paramount importance for the success of any organization. At DC Holdings, we believe our people play a vital role in shaping our culture and driving organization development. The knowledge and professionalism of our people, over 14,000, are indispensable for the continuous success of the organization. We always execute our corporate culture to build our talent selection and reward mechanisms while appreciating the diversity of our people. We are committed to building a workplace where our people could be fully recognized and rewarded for their exceptional contributions to DC Holdings' continued success. We aim to make a difference and to attract more people who share the same vision with us to join us and let them reach their full potential as we strive to improve the quality of the working environment for more than 14,000 employees.

DC Holdings treats all colleagues and job applicants fairly. As outlined in our Diversity & Inclusion Policy, we will not be affected by factors such as the age, gender, physical health, marital status, family status, race, color, nationality and disregard all factors deemed inappropriate by local law and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, including its core labor conventions for the elimination of forced or compulsory labor in respect of employment, training, promotion, transfer, salary and benefits management, etc. We prohibit the use of child labor in our business and supply chain. All employees must be above the legal age in the locations where we operate. We also eliminate discriminations in respect of employment and occupation, and respect for freedom of associations and the rights of collective bargaining.

We adopt different recruitment channels to attract talents. We also encourage talent referral, and we believe in creating an environment where our people feel comfortable at work and able to exercise their full potential.

Visit our website to download our DC Holdings Diversity & Inclusion Policy and DC Holdings Human Rights Policy.

- **General employment**

For employees in China, DC Holdings enters into employment contracts with its people in strict compliance with the requirements of the Labour Law and other pertinent laws and regulations in China, and makes contributions to social insurance funds, including pension, medical, unemployment, work injury and maternity funds, and the housing provident fund for the benefit of its employees in accordance with the requirements of the national policies. The Group also provides employees with one free physical examination benefit every year and those people with outstanding performance as shown in their performance targets will be awarded with annual bonuses.

For employees in Hong Kong, Macau, Taiwan or oversea areas, the Group also abides by all local laws and the international standards to ensure fair treatment of all our employees.

- **Compensation & benefits**

We foster a performance-oriented corporate culture. To attract and retain outstanding talents and ensure the sustainable development of the organization, the Group has established a mechanism where we recognize our people based on their performance along with our fixed pay and variable pay compensations for different positions.

Our remuneration is tied to our "3P Compensation Approach" in which our employees' pay is developed according to Position, Person and Performance. We aim at offering fair and competitive pay to our employees. Fixed and variable pay would be regularly reviewed to support gender equity, change of working environment, and comply with ever changing laws and regulations. To cope with the evolving talent and organization needs, we would also optimize our benefits portfolio to ensure it stays competitive and comprehensive.

We believe that non-financial rewards could also attract, engage and retain our employees. Cash and benefits are generally intrinsic to our employees, and we offer a wealth of learning and development opportunities to help employees' career development.

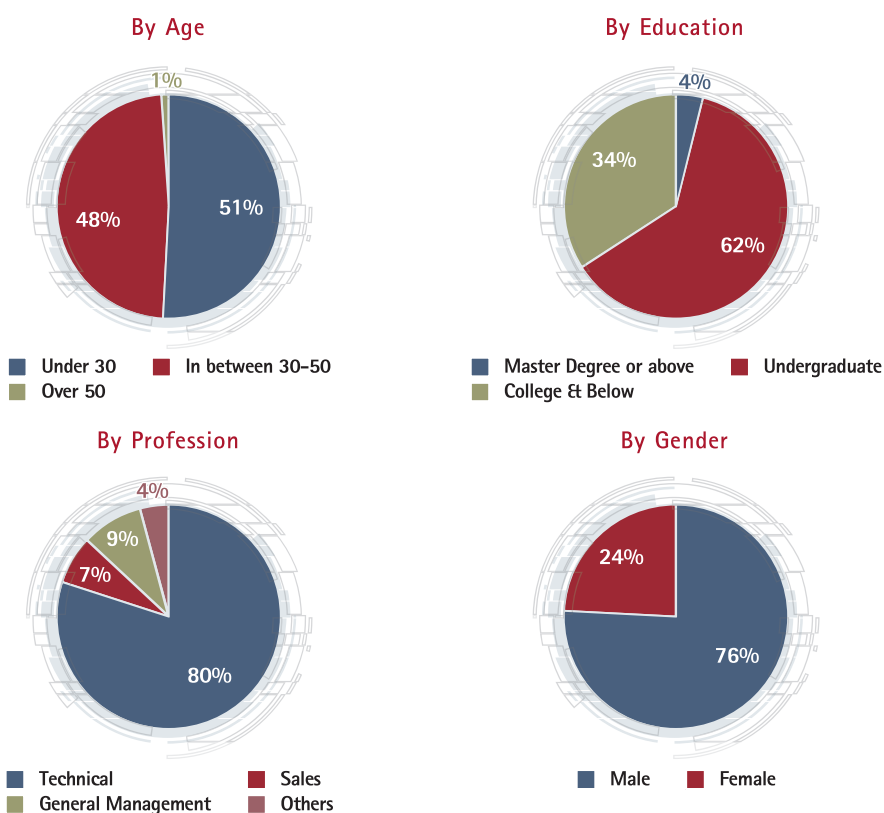
In addition to offering professional growth opportunities, we also regularly recognize our employees who have made contributions to the organization. For example, the Group has established awards such as "Outstanding Contribution Award", "Innovation Award", "Teamwork Award", and "Master Award", etc. We would arrange open recognition to the teams and individuals who receive awards for their outstanding effort and excellent performance. We would also organize "Employees Open Day", and we believe this kind of gathering could enable us to build a stronger sense of belonging and engagement among our employees.

• **Employees overview**

Talent is a key force that drives our organization development. In the past year, to recruit excellent talents, the Group continued to expand and optimize its talent acquisition channels and assessment mechanisms with a view to attract and gather more competent talent to join our organization. We sincerely welcome talents of different nationalities, races, genders and regions to join us while appreciating their diversities.

As of the end of 2020, the total number of employees of DC Holdings was 14,399, with an increase of approximately 22% from 11,803 employees as of the end of 2019. The significant increase in the number of employees of DC Holdings in 2020 was mainly due to the business expansion of its affiliated companies under DC Holdings, which increased manpower demand.

In 2020, the employees of DC Holdings are divided by Age, Education, Profession and Gender as follows:



Remarks: All of the above are full-time employees. The Group will cooperate with external Human Resources vendor to engage contractors in handling any temporary work assignment.

- **Development and training**

As an organization that always strives for innovation, DC Holdings ensures that adequate resources are set aside each year for staff training. Our training system has been designed to match our employees' career development paths within the Group. The purpose of all our training courses is intended to enhance the competence level of employees for the roles they undertake at different career stages, aiming to accelerate our employees' performance for better career development. We organize induction training for new employees, which focuses on the current business situations and strategic objectives, history and corporate culture of the Group so as to enhance employees' sense of corporate identity. The business units will design and organize specific business training according to their needs. The online learning center provides general training that effectively helps employees to enhance their competence and efficiency in work and improve their professional aptitude. At the same time, employees can take the initiative to take part in training for specialized skills, management skills or examinations for professional qualifications provided by external training organizations.

In 2019, to build a high-potential talent pool for our management team and professional groups, the Group established the "DC Elite" talent training platform project to stimulate organizational vitality and build a driving force for continuous development within the organization. In 2020, the Group created the "DC Geek" aiming at developing technical talent. Through the "Dual DC" training organizations of "DC Elite" and "DC Geek", we establish talent training and development ecosystems for DC Holdings.

"DC Elite" is committed to selecting and developing management talents for DC Holdings. During the first year of implementation, DC Holdings' exclusive talent training system has continuously excelled and improved, from the selection models to the upgrading of training approaches, and then the actual execution has made every member truly feel their own improvement. The members of "DC Elite", as one of the Group's management talent pipelines and outstanding employee representatives, had the courage to step out of their positions, give full attention to the spirit of ownership, overcome each issue, meet challenges continuously, and get closer to the Group's strategy, business layout, and development planning, etc. They continue to explore and innovate, and use accountability, passion, innovation and creating shared value to jointly promote the Group's innovation and change as they build up a rich talent resource for DC Holdings.

"DC Elite" Discussion and Sharing Forum



"DC Geek" is committed to selecting and developing technology "gurus" for DC Holdings. As a big data services leader, the application of big data technology is key to the Group's ability to expand its service scope, and it is also the driver to achieve the Group's strategy and maintain its leadership position in the industry. The members of "DC Geek" have devoted themselves to the implementation of technology strategy in addition to performing their original roles. They actively promoted the establishment of the Group's technology infrastructure, and invited external experts to understand the technical expertise of external networks with an open mind, and fully understand the latest practice and trends of the market by successfully organizing a number of important technology sharing seminars. The members of "DC Geek" insist on technology advancement as our corporate strategy, adhering to the "geek" culture, and constantly exploring, innovating and making breakthroughs themselves in new technology that has enabled the Group to achieve milestone after milestone consistently.



"DC Geek" Technical Sharing Sessions



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In 2020, the Group further increased the investment in training resources, with the learning time of our employees exceeding 137,000 hours and the number of participations exceeding 18,000 times. The training programs covered generic trainings for general staff, leadership development, contract logistics management, new employee induction, rules and regulations, customer management, and financial management, etc. In 2020, with the impact of the pandemic, the Group's average training time was approximately 10.32 hours, which is still an 8.6% increase compared with the 9.5 hours average training time in 2019. The major reason is that the Group took the pandemic as an opportunity to vigorously develop online training channels. We strengthened the flexibility of training, and let our employees access their training anywhere at their own pace. We could effectively measure the training completion rate and track the effectiveness of training.

The average training hours of employees at different job levels during the year based on the records of HR training system, online learning center, cloud courses, etc. are as follows. Our group Senior Manager to General Manager receives more external training and in-house professional training in addition to the regular certification trainings.

By Job Level	Average Training Hours
Senior Manager to General Manager	75.43
President & Vice President	46.70
Manager	8.64
General Staff	5.53

The average training hours of employees by gender during the year are as follows. The average training resources received by male and female employees were basically the same, with no significant differences.

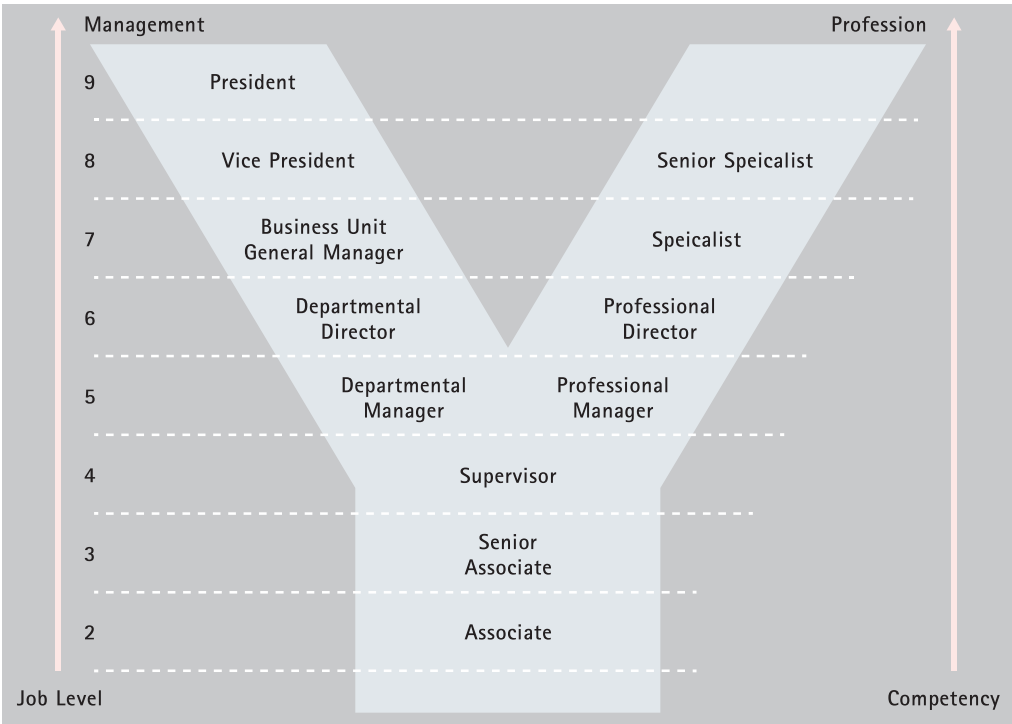
By Gender	Average Training Hours
Female	10.83
Male	10.14

The average number of training hours for employees receiving various training programs during the year are as follows. We offer more professional training programs compared to different types of trainings. In addition, the new process and system training in 2020 helped all employees have a clearer understanding of the Group's rules and regulations and related processes and enhance employees' awareness and understanding of the Group's internal control mechanism.

By Training Program	Average Training Hours
Professional Training	5.84
Corporate Culture	1.63
Management Development	1.58
Anti-Corruption	0.75
Generic Training	0.29
Process & System Training	0.23

- Promotion and career development**

At DC Holdings, employees can take up more job accountabilities and reach senior positions with better remuneration through promotion. The Group has implemented a structured management mechanism to offer an equal and fair platform in managing the promotion and development of our employees. Under our structured career framework, we offer career development opportunities either under management path or professional development path. This unique dual-channel career development mechanism breaks the traditional career development journey, and we establish a career framework unique to DC Holdings.



2020 DC Holdings Career Development Framework

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When we consider a promotion, we generally have the following considerations.

- The nominee has proven track record of performance exceeding and beyond the normal job expectations/scope.
- The nominee will assume significant expansion of job scope, and has high potential to be successful in the new role.
- The nominee has demonstrated efforts taken to gain new skills and continue to grow and perform the bigger role.
- The nominee has personal motivation and willingness for an increase in job level and responsibility.

The Group officially treats "creating shared value" as one of the Group's core values. In the future, we will establish a new path for employees' career development through our "DC Holdings Partnership Program". We encourage every "partner" to become an owner and enable them to participate more deeply in the Group's business management. Each partner can share the dividends of the Group's growth and achieve development, management and sharing altogether.

Through our unique talent career development framework, we provide employees who share the same vision with us a platform where they can unlock their full potential so that outstanding talents can fully be realised. The talent career development framework introduced by the Group provides the above-mentioned development paths, and we encourage employees to choose their own career development, promotion paths and realizes our theme of "Achieve Your Own Future" by each individual employee. We hope that on the platform of DC Holdings, every employee can achieve their own dreams and act as one of the pillars to form "Digital China" in the future.

- **Resignation and separation**

DC Holdings is committed to providing continuous and secure employment opportunities to our employees, and we understand there are various subjective and objective reasons for the resignation and turnover of employees. We are committed to ensuring that all resignations are handled in a fair, non-discriminatory and consistent manner. When handling any resignation, we respect the rights of both the Group and employees and we fully comply with the requirements of local laws and regulations.

The Group will try its best to retain and reduce the turnover rate of our talents. If an individual employee's work behaviour violates our established rules and/or local laws and regulations, the Group will take disciplinary action, dismiss and/or take corrective measures, or even transfer it to the judicial authority, as and when appropriate. In 2020, the employee turnover rate of DC Holdings according to profession, gender, age group and region is as follows:

Category		Turnover Rate
By Profession	Technical	22.76%
	Sales	24.62%
	General Management	21.08%
	Others	25.21%

Category		Turnover Rate
By Gender	Male	23.65%
	Female	8.69%

Category		Turnover Rate
By Age	Age under 30	25.81%
	Age 30-50	19.32%
	Age over 50	24.16%

Category		Turnover Rate
By Region	China	22.84%
	Hong Kong, Macau, Taiwan & Overseas	21.31%

In 2020, the overall staff turnover rate of the Group was 22.84%, which was a decrease from 24.47% in 2019. By comparing the turnover rates under different categories, it can be seen that the turnover of sales and other general management group of employees is relatively high, and the mobility of employees under 30 years age group is relatively high, and the mobility of male employees is relatively high.

Remarks:

1. In this report, the employee turnover rate = the number of turnover employees/(the number of employees at the end of the year + the number of turnover employees in the current year) * 100%;
2. In the 2019 ESG Report and before, the employee turnover rate disclosed = the number of resignations/((the number of employees at the beginning of the year + the number of employees at the end of the year)/2)*100%;
3. As mentioned above, the employee turnover rate of 24.47% in 2019 has been recalculated according to the new calculation method, which is comparable to the employee turnover rate in 2020.

The Group will abide by all local laws and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work to ensure fair treatment of our employees.

Visit our website to download our "DC Holdings Code of Conduct and Business Ethics Policy".

Environmental, Social and Governance Report

- **Work-life balance**

We believe excessive work pressure can affect employees' emotional, physical health as well as their family life. In a diversified cultural environment, we encourage a culture of work-life balance. The Group put great emphasis on employee cultural activities and regards the development and enrichment of employee cultural and sports activities as an important part of supporting the Group's cultural development. We established employee swimming fitness clubs, badminton and basketball fitness clubs, and choirs, etc.

In 2020, the Group's labour union and other organizations carried out employee swimming and badminton fitness club activities, with a total of more than 840 participants. We encourage employees to stay fit and release stress during the pandemic. At the same time, they organized events such as badminton competition and more than 100 employees participated in it. They formed teams and played with much enjoyment, surpassing their own expectations, enjoying the activity and sharing a healthy life together.



Group photo of 2020
Badminton Match

Since the outbreak of the pandemic, the Group has managed to retain our full manpower resources and has not implemented any measures such as redundancy, salary cuts or requiring employees to apply for any no pay leave. We hope to work together with our employees to overcome the difficulties and to further enhance the engagement within the organization.

- **Occupational health and safety**

The day-to-day operations of DC Holdings largely involve the use of computer applications and paperwork documentation conducted in the office. While such activities do not involve significant risks against occupational safety and health, we are nevertheless committed to the protection of the occupational health and safety of employees. We have formulated an occupational health and safety policy, with a view to giving effective protection to staff health and safety. An affiliated company of DC Holdings has obtained the "ISO45001 Occupational Health and Safety Management System Certification".

According to the "Social Insurance Law of the People's Republic of China", the Group provides employees and their families with various health and safety-related insurance benefits, namely medical insurance, commercial insurance, accident insurance, life insurance, etc. We cooperate with professional medical institutions and provide employees with online consultation services for private doctors, and provide special insurance coverage for COVID-19 for employees who worked overseas during the pandemic. It better protects the health of employees and improves their ability to cover risks. Only by improving and guaranteeing the occupational health and safety of employees, can productivity be effectively improved, so as to achieve a win-win situation for both the organization and the employees.

With the establishment of Employee Mutual Aid Fund, the Group will continue to offer support to those employees in need. We foster to construct a harmonious working environment, and aim at raising the happiness level of our employees. With the strong support and participation of employees, the number of Employee Mutual Aid Fund members in 2020 was 6,912 and we collected membership fees of RMB829,400, including donations from some of the Group's senior executives. The Group put great emphasis on discipline, and the senior management strictly observes the regulations and takes the lead. In the event of any late attendance by senior management on meetings of the Group, the voluntary donation mechanism will be triggered for them, and the donated funds into the mutual aid fund from the senior management individual(s) will be used for employee assistance. In 2020, the Group's employee mutual aid fund completed a total of 7 cases of assistance to injured and sick employees, with a total support of RMB303,200. From 2018 to 2020, we have one employee casualty case due to work injury. In 2020, a total of 4 employees were injured at work, and 3,656 working hours were reported.

We strictly abide by the laws and regulations pertaining to occupational health and safety at the place we operate. At our work premises, necessary health and safety guides are provided to all staff, while regulations and measures for the administration of contingencies in occupational health and safety have also been formulated. Employees are provided with high-quality working environment.

- 2017 onwards, the Group installed new ventilation and fresh air purification systems to ensure the high-quality air in the office and protect the health of its employees. The administration department of the Group is responsible for coordinating the day and night security of the Digital Technology Plaza, maintenance of fire-fighting equipment and first-aid kits, and fire drills.
- In 2018, the Group carried out a comprehensive upgrade and refurbishment of the fitness center in the building. Improvements were made to the facilities with the addition of rowing machines, spin bikes sets, table football and other fitness facilities, which are open to all employees of the Group free of charge. These facilities have been provided to encourage staff to pay attention to their health and fitness amidst hard work and dedication.
- 2019 onwards, in order to maximize the safety and quality of drinking water for our employees and protect them from secondary pollution, we changed the bottled pure water in the office to nano-filtered drinking water from the leading suppliers in China.
- In 2020, to prevent and combat the sudden pandemic, we took a series of measures to protect the health and safety of employees. We distribute masks to employees; regularly organize key disinfection and cleaning of office areas; implement access management where personnel entry requires temperature measurement, and work card inspection registration; arrange employees to decentralized offices where conference rooms are adjusted, and daily pandemic prevention and protection work are carried out to protect the safety of employees in the office area during the pandemic. In addition, under the premise of full protection of our employees in the pandemic, restaurant tables and chairs have been completely replaced, and leisure meeting rooms have been set up to enable employees to utilize a clean, tidy, relaxing and pleasant environment.

Visit our website to download our DC Holdings Occupational Health and Safety Policy.

- **Communication channels**

DC Holdings encourages dialogue on an equal footing between superiors and subordinates. This kind of positive, harmonious and candid interpersonal relationship and communication maintains a mutually trusted working atmosphere to form the foundation of efficient collaboration, and we could achieve progressive development together within the Group. The Group has established comprehensive communication channels. The employees' direct superiors, departments, and human resources department provide assistance to employees in terms of job satisfaction, labor protection, career psychological counseling and grievance handling. The Human Resources Department is responsible for collecting suggestions from employees, and they would evaluate and follow up in a timely manner.

In 2019, we decided to hold staff meetings quarterly, through which the management could share with all employees updated corporate strategies and business performance. Our employees took an active part in the communication and expressed their interests about the Group's future development, and treated staff meeting as an effective channel to understand the Group's strategy and business conditions. The Group also followed up and gave feedback on the questions and suggestions raised by our employees, such as changing the format of the staff meeting and establishing a key talent pool. Through staff meetings, the Group could effectively cascade corporate goals and allow employees to better understand the Group's core values and mission, and employees could further review and develop their careers within the organization. During the 2020 pandemic, the Group introduced online staff gathering. Employees actively participated and raised lots of questions online, and we could ensure continuous communication within the Group during pandemic.



Online Staff Meeting

In 2020, DC Holdings celebrated the 19th anniversary, and we organized online staff gathering during pandemic. Employees across the country participated in the event to celebrate and share the happy moments altogether.

COMMUNITY

• Anti-pandemic with technology

Right after the outbreak of COVID-19, DC Holdings immediately initiated the establishment of an anti-pandemic alliance. With the alliance and smart supply chain model, we achieved zero confirmed cases in the team and ensured the safety of our staff. At the same time, we continued to fight against the pandemic and collaborated with our business partners, including Huawei, Cisco, Toredad, Laiyifen, China Mobile, Gulf Security Technology, CloudMinds, and 360 Charity Foundation to support the first line of the pandemic areas with medical supplies, equipment, and funding. In addition, we dedicated our existing business resources into the anti-pandemic alliance, such as providing logistic, and warehouse support with our leading big data solution. As a result, the anti-pandemic alliance and its members were awarded the title of "Advanced Private Enterprise in Anti-pandemic" issued by All-China Federation of Industry and Commerce.

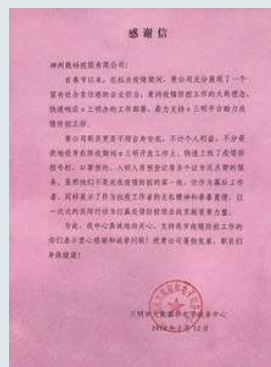


DC Holdings-led anti-pandemic alliance

On the other hand, with "Yan Cloud DaaS", the technology which awarded the first prize for National Technology Invention Award, DC Holdings was able to quickly collect data, medical history and other relevant information from patient, and connect and share such information on multiple databases and big data platforms. The government was able to have a full view of the situation and enhance decision making capabilities on a real time basis. We applied our leading technologies, such as big data, cloud computing and artificial intelligence, into the battle against the pandemic and encouraged sharing and collaboration among cities and provinces, including Sanming, Zhangshou and Longyan city in Fujian Province, Weihai City in Shandong Province, Wuhan City in Hubei Province, Xiaogan City, Yanqing District in Beijing, Nankai District in Tianjin, Tangshan City in Hebei Province, Xuzhou City of Jiangsu Province and many more. After winning over the pandemic, we assisted in resumption of function for those previously affected areas. We had received many thank you letters from governments and institutions.



Thank you letter from hospital and government



Environmental, Social and Governance Report

In Sanming City, the government collaborated with DC Holdings to develop the "e-Sanming" platform using our leading big data solution Yan Cloud DaaS, in order to improve the efficiency and react quickly during the pandemic. Thus, the city was able to resume to work and production relatively quickly. During the pandemic, "e-Sanming" platform spread the knowledge and information of COVID-19 prevention to public, handled their inquiries and offered free consultation services, so the public could be informed immediately when there is any update of the pandemic. The platform also offered the mask reservation services with 1.35 million masks supplying to the citizens. In addition, the platform allows the public to perform more transactions and applications via the systems, to avoid physical contact and prevent further breakout of the virus. The system played a key role for the battle of pandemic and led the city back into function.

In Zhangzhou city, with our big data solution Yan Cloud DaaS, the government and DC Holdings built up an online public service platforms "Zhangzhoutong" together, to help with the economy recovery after the pandemic in many ways: launched "travel code" with the support of big data solutions to gather the travel history from the public to prevent further outbreak of COVID-19; launched events "Invoice Lottery" and "Passenger Car Subsidiary" to stimulate public consumption and recovery of the post-COVID economy; handled more public services through online platform to reduce physical contact and encouraged instant inquiries and reports from public and social awareness.

In Weihai City, DC Holdings provided the government technical support on data integration with our solution Yan Cloud DaaS in order to solve the matters on pandemic monitoring, pandemic prevention and control, command control, business coordination, work and production monitoring, etc. The government then was able to have instant, accurate and precise data and information and reached a better decision making ultimately.

At the "2020 China-Europe Green Smart City Summit", with the outstanding tracking records in Saming, Zhangzhou and Weihai City, DC Holdings was selected out of a large number of global cities and awarded "2020's highlight of combating the pandemic with digitalization" to serve as an example for others. The efforts made by DC Holdings during the pandemic was once again recognized by the government locally and globally.



Trophy of "2020
Digital Anti-pandemic
Outstanding Cases"

• **Public charity**

Our mission is "Digital China", and this comes along with a strong sense of responsibility and the pursuit of innovation. In our daily activities, we adhere to the social responsibility and ensure all our decisions are aligned with our mission and two beliefs. DC Holdings and all its staff act on behalf of our mission and beliefs. We established DC Holdings Charity Foundation, and donated thousands of funding, supplies and digitalization services, with a total amount of over RMB49 million, into social welfare activities in the past decade, such as earthquake relief, education and poverty relief and etc. This showcases that DC Holdings acts on its word and puts our mission and belief into action with positive corporate culture and social responsibilities. The main charity donations made by the Group in 2020 are listed as below:

- Supplies and service donation to anti-pandemic efforts worth RMB30 million: During the pandemic, DC Holdings offered our supplies and digitalization services for free which were worth approximately RMB30 million and also led to the donations from members of the afore mentioned alliance with a total amount of over RMB200 million.
- Capital donation to Hebei for anti-pandemic efforts worth RMB1 million: After the COVID-19 outbreak, we donated RMB1 million to Hubei Province, the most affected province, through one of our subsidiaries to the Hubei Provincial Poverty Alleviation Foundation in order to help the battle against the pandemic and recovery of Hubei during and after the pandemic.
- Capital donation to support youth education worth RMB500,000: In order to support our next generation and let children in poorer areas receive better education, our Group donated RMB500,000 to Dongrun Charity Foundation in November 2020. With this, we hope to let the children obtain fair education opportunities and offer them chances to get out of poverty.
- Capital donation to Nanjing for flood relief worth RMB200,000: In 2020, affected by heavy precipitation and tides, the Gaochun district in Nanjing City and its surrounding areas suffered from severe losses. Although the post-disaster reconstruction were carried out in an orderly manner, the community in the areas faced serious damage and losses. The Group donated RMB200,000 to Charity Federation of Nanjing Gaochun to boost progress of flood relief.



The above statements have fulfilled the corresponding control procedures and requirement of information disclosure. For details, please refer to the publication on "Securities Times" and CNINFO. The titles of such articles are "Announcement on External Donations to Help Hubei Poverty Alleviation after the Pandemic", "Announcement of the Donation to Dongrun Charity Foundation" and "Announcement of Donation on Flood Relief Fund to the Charity Federation of Gaochun District in Nanjing City".

Environmental, Social and Governance Report

DC Holdings will continue to advocate corporate and social responsibility to encourage the development and harmony of society. Through the platform of Aixin Fund, we encourage employees to interact more often with charitable organizations, participate in public welfare and give back to the society.

- **Educational support**

Since 2002, the Group has led employees in the fund-raising campaign for education support of youth generation. With the funds raised, we had established a total of ten "DC Holdings Hope Primary School" located within Sichuan, Hubei and Hebei provinces. The fund-raising campaign has been on-going for more than 19 years, with accumulated donation amounting to RMB3.7 million. As at the end of 2020, the DC Holdings Hope Primary Schools located in Chengdu and Xi'an respectively had been merged to other school systems according to the instruction from the local government. The remaining 8 DC Holdings Hope Primary Schools are under normal operation.

In addition, the Group also proactively contributed to online education. Since the outbreak of COVID-19, the demand of online education increased dramatically. As one of the key market players in supply chain industry, the Group accelerated the trend of online education with our leading big data technology. Until now, we have collaborated with the top 3 online education platforms in the industry to provide supply chain service to them.

- **Public welfare and poverty alleviation**

DC Holdings has contributed to the society and offered more assistance and care to people who need help. Actions included the following:

Caring for Beijing Sun Village

Beijing Sun Village is located Zhaoquanying town of Shunyi District. It is a non-profit organization registered under the government. Zhang Shuqin, the founder of Sun Village, gathered resources from the public to help prisoners take care of their unaccompanied minor children free of charge. To provide the best environment for the next generation, DC Holdings have been proactively involved in such social welfare activity since 2008 and have also donated learning and living supplies and cares to children.

Poverty Alleviation in Longyan with big data support – Longyan City

In Longyan City of Fujian Province, DC Holdings was engaged by the government to set up an information platform for the purpose of poverty alleviation. The platform provides services across government departments, enterprises and individuals. From government departments, we consolidated the data among data sources in different departments with our own big data solutions and provided the government an overall picture for decision making, especially in the field of fighting poverty. From enterprises, we created a platform for the program "Helping 10000 villages with 10000 enterprise" and connected more than 60,000 private entities into the program. On the individual level, we built up a platform "i-Help" and allowed the public and citizens to participate in poverty alleviation, including helping impoverished college students or the poor suffering from illnesses. With our support, students with college admission opportunities will no longer need to bear the burden of unaffordable tuition fee.

- **Volunteering**

During the operation of DC Holding Hope Primary School, our employees, who are enthusiastic about charity, actively volunteered in the scheme, including participating in the teaching session and various of group activities. Our Aixin fund in our Group will organize and offer more volunteer opportunities to our employees.

- **Rural development**

In an era of digitalization, even poverty alleviation begins to align with technology. With technology, we are able to pinpoint the causes more precisely and accurately and solve the elements of poverty efficiently and effectively. Luochuan County in Shaanxi Province, also known as the "Hometown of apples in China", is responsible for approximately of 80% of total supply of apples in China and 95% of the local populace in the local county are involved in the production of apples. To fight against poverty and bring prosperity to the county, the county government collaborated with DC Holdings and established an online platform to gather millions of different data sources from the production line of apples, including farmlands, farmers, stores, fruit banks, orchards, employers and other players in the value chain across the county. With all the data, the county was able to extract accurate data out from the platform, gather and utilize the resources available in a more efficient manner in order to increase the profit margin and earning income for the county and its citizens, and also encourage the development of the wider industry.

In addition to data-usage in the agricultural scenario, DC Holdings worked with domestic financial institutions to offer more financial aid and services to the industry with the technology solution input from our side, in order to reduce the cost and increase the margin for each party involved. One of the key obstacles rural areas are facing is that the information and resources are completely unorganized such that a system could not be implemented effectively (for example a credit rating system). Therefore, it was difficult for financial institutions to provide financial aid or services to parties like farmers. DC Holdings cooperated with Luochuan Commercial Bank to offer financial services to farmers and merchants based on the data from our supply chain management to assist credit assessment for loan pledge information (warehouse receipt, purchase invoices, etc.)

- **Innovation Center**

The Group continues to enhance the innovation center by bringing in more usage cases, latest technologies, R&D equipment and talent to the platform, and promoting our mission "Digital China" as well as technology innovation for the country.

As a key platform for companies and talent to showcase their ideas and products, we have constantly promoted the innovation center via various channels and upgraded the market branding and thus attracted more resources to the platform. On the other hand, we also educated the public on our mission, beliefs and our enhanced ecosystem capabilities.

Picture of Innovation Center



Currently, we are collaborating with multiple cities on setting up new innovation hubs and incubators in their district in order to empower the development and creation an ecosystem for technology innovation. This aligns with the trend of smart city development and digital transformation and form connection between cities.

Environmental, Social and Governance Report

- **Integration of technology and art**

DC Holdings pays attention to development and integration of technology and art. We are actively supporting young artists and we promote art and culture. We have worked with domestic and foreign art academies to bring in more resources for art and creative talents, in order to provide them a better environment to practice and develop their talents and specialties through participating in more exhibitions, forums, salons and public events. On the other hand, we enable the world to get in touch with more Chinese contemporary art and cutting-edge technology together with it.



Up to the moment, the Group has organized over 100 events with more than 80 artists. Moreover, we have been involved and provided one-stop IT solution to multiple projects for infrastructure and establishment of smart city, innovation lab and exhibition center. The Group strives to coordinate arts, humanities, science and technology, and develop a new environment for cross-border teaching and interactions, and thus to lead the society into creation and harmonious integration.

INTELLECTUAL PROPERTY RIGHTS

Innovation represents a core competitive edge in the business development of the Group and one of our underlying values. Proprietary intellectual property rights are not only important tools, investment capital and the source of future core products that enhance our business capabilities and income, but also a powerful driver to promote the progress of standardization of national new infrastructure construction, big data, smart city, fintech and other core industries.

In terms of intellectual property rights, the Group's legal department and dedicated personnel in each business unit are responsible for the daily management of legal matters involving trademarks, patents, software copyrights and other intellectual property rights. In 2020, the Group improved the intellectual property rights management measures, further regulated the management of intellectual property rights of various business units, safeguarded the Group's intellectual property rights, and protected them from infringement.

As of the end of 2020, the Group owned 1,846 intellectual property rights, including 1,483 software copyrights, 99 patents, and 264 trademarks.

In the field of urban big data, we have independent research and development, global unique deep web mining data technology, "Yan Cloud DaaS" national invention patent and software copyrights of related products. This technology was awarded the first prize of National Technology Invention Award in 2018. For our clients without the source code and without the cooperation of their original product/service vendor, our technology is applied to quickly break isolated data sources, saving users more than 90% of project communication and coordination time, and shortening more than 50% of the project implementation cycle. In addition, we also own numerous software products and related software copyrights in various fields such as citizen services, urban management, and industrial convergence, assisting cooperative cities to build an urban database, link cities, enterprises and citizens, open up urban digital ecosystem networks and rapidly promote the construction of a new type of smart city centered on the city brain and city digital twins.

In the field of industry big data, we continue to build collaborative management software for the entire life cycle of the supply chain to enhance the efficiency of upstream and downstream collaboration in the supply chain. We own the software copyrights of supply chain big data tools and our "Treasure Vault" series products, and have also completed the comprehensive upgrade of our product suite, and the technical architecture reconstruction of core products OMS, WMS, TMS, and BMS. Focus was put on building three new systems i.e. human resources, asset management, and supplier management, all which provided a solid technical base for the Group to create a new record in the industry of 4.5 million orders on a single warehouse basis during the Double Eleven Shopping Festival. At the same time, in order to improve the shortcomings of the traditional AGV (automated guided vehicle) sorting solution method, we innovatively proposed a new robot intelligent sorting solution, which can cope with the business scenarios of ultra-high flexibility and has uniqueness and leadership in industry application. Among them, the "Human + Robot" series technologies have obtained national invention patents.

In the future, we will continue to advance the management of intellectual property rights by optimizing online protection to facilitate continuous efficient operation, with a special focus on trials in the capitalization and commercialization of intellectual property rights in search of new business growth pockets for DC Holdings. We will continue to actively encourage innovation and increase our effort in the R&D and design of our proprietary intellectual property rights. Efforts to protect intellectual property rights will be strengthened and infringements will be rigorously dealt with. We will seek to increase the influence and value of our proprietary intellectual property rights and actively participate in the formulation of national standards for relevant industries to make positive contributions to the development of new technologies in China.

SUPPLY CHAIN & ANTI-FRAUD

- **Supplier and procurement management**

In terms of procurement management, the Group actively establishes good partnerships with suppliers, always insists on treating suppliers with integrity, and has established a fair and impartial evaluation system to ensure the control of procurement costs and quality, thereby enhancing customer satisfaction. At present, the Group has established a long-term stable cooperative relationship with more than 2,000 well-known IT equipment and service vendors, including 5 overseas suppliers. Through strategic cooperation and alliance, the Group actively explores ways of industrial development and ecological construction, brings overseas and domestic advanced technologies and products to users, provides users with comprehensive solutions and high-quality and efficient services, and jointly enhances the overall influence of the enterprises on economy, society and environment.

To protect the respective legal rights and interests of the Group and its suppliers in business dealings, and to fully embody the fairness and justice of the cooperation spirit, the Group has established a comprehensive supplier management plan and process supervision mechanism. In the selection of qualified suppliers, we usually make inquiries with at least three suppliers, and comprehensively consider various factors such as cost, lead time, and supplier's technical capabilities etc. The Group strictly implements supplier access standards, checks supplier credit and qualifications based on the duration of cooperation, order volume, and nature of demand, and strengthens the management of intellectual property rights. For new suppliers, they are required to provide the necessary qualification documents, the copyright of the corresponding products and the certification documents of the intellectual property rights. The Group will also pay close attention to the performance of cooperative suppliers in related media and stop the cooperation with tainted suppliers.

The Group pays great attention to risk prevention and control in the procurement process, has formulated an open and transparent procurement and bidding process, has developed a relatively comprehensive procurement management system, and has taken necessary management and control measures to meet the relevant requirements of the ISO quality management system, internal control and compliance of listed companies. In the procurement process, information on the supplier's supply quality, delivery date, technical support and after-sales service and other key aspects is collected, tracked and evaluated so as to comply with the procurement process and the quality control of the procured goods.

The Group has always advocated the cooperation concept of "Work together for a win-win situation and create a better future", and actively signed cooperation clauses on "Environmental Protection and Occupational Health and Safety Maintenance Initiative" with suppliers. Factors such as environment, business integrity and ethics, work standards and practices (such as the prohibition of child labor, etc.), occupational health and safety, etc. are incorporated into the consideration of supplier selection procedures and procurement decisions. In the process of cooperation with suppliers, we promote the resources and energy conservation, protect the ecological environment, ensure the health and safety of employees, and contribute to the sustainable development of society.

Visit our website to download our DC Holdings Supplier Policy and DC Holdings Sustainable Procurement Policy.

- **Fighting fraud and emphasizing integrity**

The "People's Republic of China Anti-Unfair Competition Law" stipulates that business operators must not use property or other means to bribe specific units or individuals to seek trading opportunities or competitive advantages. The "Criminal Law of the People's Republic of China" stipulates that the use of the convenience of their position by the personnel of a unit to occupy the property of the unit illegally as their own may constitute the crime of embezzlement. In addition, with regard to money laundering, the "Anti-Money Laundering Law of the People's Republic of China" stipulates that any unit or individual who discovers money laundering activities shall have the right to report to the anti-money laundering administrative department or the public security agency.

DC Holdings passionately believes that fairness, honesty, and integrity are the most important business assets of the Group. We strictly abide by the anti-corruption laws and regulations, and promote the values of integrity, enterprising, collaboration and creativity. We have formulated systematic anti-corruption systems and measures to check and prevent corruption, bribery or any other fraudulent behaviors, and continue to carry out internal audit on risk management and risk monitoring. The Group is a non-financial institution, but the risk management and internal control departments keep a close watch on possible criminal activities such as money laundering in daily operation, and do not overlook any suspicious transactions.

- **Risk management and internal control policies**

Since 2016, we have updated our risk management and internal control policies and established a three-line protection system. The first line of protection is the Group's functional and business departments at various levels. The second line of protection is the risk management and internal control departments of business units, and the Internal Audit department acts as the third line of protection. The policy clarifies the roles and responsibilities of different stakeholders in risk management and internal control, and emphasizes that the management of each business unit is mainly responsible for the risk management and internal control of the department. Once any fraud is discovered, the management of the relevant department should immediately improve the monitoring procedures to prevent the recurrence of such incidents. The risk management and internal control department has a designated team to provide internal control and risk management support for each business unit. The internal audit department also conducts continuous audits of major businesses, timely and systematically inspects violations, identifies risks, and improves the effectiveness of fraud risk management and internal control.

In 2020, the Group's risk management evaluation project team also organized a comprehensive evaluation of the Group's principal related risks. The main procedures of risk assessment include: risk identification, risk assessment and risk countering. Among them, the assessment of corruption risks covers all the main businesses of the Group, and no major corruption risks have been identified or assessed in the current period.

In 2020, the Group further strengthened the construction of the fraud detection system and the promotion of integrity and improved the construction of the anti-corruption and integrity promotion system from multiple perspectives such as system construction, audit supervision, and industry integrity alliance.

- **Fighting fraud and whistleblowing system**

The Group has published the "DC Holdings Anti-corruption Policy" and "DC Holdings Whistleblowing Policy" to convey the message of zero tolerance of fraud to all employees, suppliers, and business partners. The "DC Holdings Anti-corruption Policy" promotes the integrity and self-discipline of employees and clarifies the code of conduct for employees. The "DC Holdings Whistleblowing Policy" encourages all employees, suppliers, and business partners to report about any existing or potential fraud and violations. The Whistleblowing Policy clearly states that employees, suppliers, and business partners can report all kinds of fraud and violations through the reporting mailbox: (dchaudit@dcholdings.com). If the Group recovers losses due to reporting in a timely manner, the whistleblower will be rewarded for reporting. The Group's audit department will investigate the reported matter, and the whistleblower's information will be kept strictly confidential.

Visit our website to download our DC Holdings Anti-corruption Policy and DC Holdings Whistleblowing Policy.

- **Fraud inspection and prevention**

When receiving a report of suspected fraud, the audit department will be assigned to conduct the investigation independently. After the investigation is completed, if any employee is found to have received any form of rebate or other benefits, he will be dismissed immediately. If the circumstances are serious, the Group will pursue his/her legal liabilities; if any supplier or other business partner is found to be fraudulent in the cooperation or has other violations, the Group will blacklist it and terminate cooperation. If the circumstances are serious, the Group will pursue and recover its legal liabilities. At the same time, with the assistance of the risk management and internal control departments, the relevant business department will take corrective actions to deal with business risks or loopholes discovered during the investigation process.

Environmental, Social and Governance Report

In order to nurture a fair and healthy business environment, build a good ecosystem of supplier cooperation, and communicate our determination to combat fraud, during the year ended December 31, 2020, the Group has signed the "Partner Integrity Agreement" with all new suppliers to promote the cooperation with integrity and honesty, oppose commercial bribery, and build mutual cooperation under the premise of trust, honesty, frankness and integrity. We are not aware that our suppliers have involved in any commercial bribery. In daily operation, the Group also continuously strengthens anti-commercial bribery laws and regulation education, carries out occupational ethics publicity, establishes uprightness within the Group, resolutely resists unhealthy practices, and strengthens the ideological and moral defense of employees. The Group has established a strict supplier evaluation system and process, and regularly evaluates suppliers. Suppliers who fail in the evaluation will be blacklisted and the cooperation will be terminated. The Group's good partnership ecosystem over the years has been recognized and trusted by many suppliers.

- **Fighting fraud publicity training**

To popularize anti-corruption publicity, all employees of the Group will receive anti-corruption training upon entry. In 2020, in order to further extend the anti-corruption publicity efforts, the Group's Audit Department, together with the Legal Department and the Human Resources Department, convened a total of 4 seminars on Integrity and Honesty, covering all business units of the Group internally, and employees joined the seminars online and offline with full participation, 100% coverage. It also radiated to external suppliers of some businesses. These seminars not only carried out a vivid anti-corruption publicity to the Group's employees, but also expressed the requirements of integrity and honesty to the Group's suppliers and the long-term cooperation expectation to the suppliers of the Group, which created a positive publicity impact both internally and externally.

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Fighting fraud
publicity training



- **Fraud investigation case**

In addition to the fighting fraud publicity efforts, the Group's audit department does not give up any potential leads to fraudulent practice, vigorously carries out fraud investigations, and severely deals with it in accordance with laws and regulations. In 2020, 1 fraud case or violation of laws and regulations was investigated. It involved 1 employee, Mr. Zhang, a warehouse worker, who was suspected of stealing goods in the warehouse with a total amount of RMB2,543. In accordance with the provisions of the "DC Holdings Anti-corruption Policy", Mr. Zhang was dismissed and transferred to the judiciary. In November 2020, the first instance of the judiciary judged Mr. Zhang to be imprisoned for nine months and fined RMB5,000.

- **Industry integrity alliance**

In the first half of 2019, the Group joined the Trust and Integrity Enterprise Alliance. The Trust and Integrity Enterprise Alliance was initiated and established by well-known enterprises in the industry with the mission of operating with integrity, self-discipline, and compliance, together to create a business environment for honest operation and safe consumption, and jointly build the security wall for anti-corruption, anti-fraud and anti-counterfeiting and jointly enhance the performance of the internal control departments and the construction of the occupational ethics of employees. At present, the Trust and Integrity Enterprise Alliance has more than 500 member companies, including Baidu, JD, Meituan, Procter & Gamble, Tencent, Xiaomi, Didi and many other well-known companies.

As a member company of the Trust and Integrity Enterprise Alliance, the Group shares data and information with the alliance in anti-corruption and other related aspects, and jointly creates a trust and integrity business environment: through the data exchange platform showing anti-brushing to fabricate sales, anti-posting fake positive reviews and anti-fraud as common examples, we gather the Alliance's efforts to combat corrupt industry chain, establish a brand protection cooperation mechanism; through information security sharing mechanism, exchange and share information security investigation experience, and jointly combat information security crimes. The Alliance of Untrustworthy Information Sharing System is open to the Group's human resources, realizes the information sharing of employees who violated laws, automatically recognizes the offenders and gives out early warning, increases the cost of violations of laws, and builds a corporate integrity environment of "the trustworthy people gain access, the untrustworthy people are restricted everywhere".

ENVIRONMENT

Protecting the environment and conserving natural resources is one of our fundamental national policies. The Law of the People's Republic of China on Energy Conservation stipulates that any unit or individual should fulfil the obligation to conserve energy in accordance with the law. The Law of the People's Republic of China on Environmental Protection stipulates that all units and individuals have the obligation to protect the environment and that enterprises should reduce their waste emissions and ecological impact. We recognize the importance of environmental protection and conservation of natural resources, and we conduct our daily operations and business operations in accordance with the principles of environmental protection and sustainable development. In 2020, the Group complied with all applicable laws and regulations on the protection and conservation of the environment.

The Group has strict management standards for environmental management and its subsidiaries have certificated ISO14001 Environmental Management System (《ISO14001環境管理體系認證證書》). We focus on implementing energy conservation and environmental protection in our day-to-day operations to create a low-carbon, green and environmentally friendly working model. At the same time, we have taken a number of actions to improve energy efficiency, reduce energy consumption and reduce harmful emissions and waste. In addition, we are committed to using technology and innovation to drive urban ecology and environmental protection. Through these various actions, we minimize the negative impact on the environment and climate change.

Environmental, Social and Governance Report

- **Helping to protect the environment**

DC Holdings is committed to using innovative technology to help urban ecology and environmental protection. In Yanqing District, Beijing, DC Holdings has joined with the Yanqing District Government to build an international first-class ecological civilization demonstration zone, which is the strategic goal of Yanqing District, and make full use of advanced technologies such as Internet of Things, big data and cloud computing to establish a Yanqing intelligent environmental protection system which can collaborate and share information. The system will provide high-quality environmental protection for the International Horticultural Exhibition and Winter Olympic Games, and help Yanqing to achieve world-class ecological quality. Yanqing District, Beijing, also received the 2019 Sino-European Green and Sm@rt City – Technology Innovation City Award.

Yanqing Smart Environmental System Map



In the implementation of the project, DC Holdings has applied the Yan Cloud DaaS platform, which won the First Prize National Technology Invention Award, to achieve data interconnection and business collaboration between the Ministry of Environmental Protection and other agencies, to measure the impact of multiple factors on the regional environment, and to realize online and offline collaboration of environmental enforcement through the grid-based platform and applications, enhancing the timeliness and efficiency of environmental enforcement, and providing effective data support and solution reference for the Ministry of Environmental Protection's decision making in environmental business.

- **Energy saving**

Energy saving and consumption reduction actions implemented in the Group's major office buildings, data centers and warehouses include:

- **Electricity saving**

1. *Central air-conditioning main systems*

On the premise of meeting staff needs and office comfort, the start and stop times of equipment are strictly controlled according to changes in ambient temperature, and the energy saving target is achieved by adjusting the hot and cold water outlet temperature of the central air-conditioning mainframe.

2. *Elevator transport systems*

Adjusting the operation and management of lifts to achieve greater energy efficiency through decentralized control, rational repair and maintenance and scientific day-to-day management.

3. *Lighting systems*

New energy-efficient LED lamps are being used in the major office and warehouse buildings. At the same time, the lighting and equipment in all public areas are switched on and off at agreed times, and the responsible departments and persons are assigned to strictly enforce the lighting hours so as to achieve the goal of reducing consumption. Outdoor lighting in roads and car parks is adjusted according to seasonal changes.

4. *Drainage systems*

The water supply uses frequency conversion technology to control the operation of the pumps and the drainage operates automatically by level control to achieve energy saving targets.

5. *Ventilation systems*

The fresh air units are switched on with the outdoor temperature, for example, 10:00 – 15:00 in spring, 8:00 – 18:00 in summer, 10:00 – 17:00 in autumn and not in winter; in order to achieve energy saving targets.

6. *Data Center*

The Group's data center uses multiple micro-module enclosed cold channels and precision air conditioning for cooling, with constant temperature and humidity and high cooling efficiency. By reducing the number of physical servers through virtualization technology, the energy consumption of computing equipment is reduced while the energy consumption of air conditioning is also reduced due to the decrease in heat generation, resulting in an overall PUE of less than 1.5.

In recent years, the Group has been committed to building high-density virtualized clusters in the data center, migrating systems from the existing old physical servers to virtualized clusters and replacing a large number of existing physical servers with clusters consisting of only a small number of high-performance servers. In FY20, a total of 264 physical servers were offloaded from the data center, reducing the electricity consumption of servers alone by 700,000 kWh per year.

- ***Water conservation***

1. At the same time, we regularly check the water supply facilities and arrange for repairs to be carried out in a timely manner if we find any issues of dripping or leaking water.
2. For pipes for air-conditioning water and drainage, the Group's duty staff will make regular inspections and resolve any problems promptly.

- ***Conserve paper and maximize the use of renewable resources***

1. Promote paperless office: the Group unifies the construction of information systems, realizes office automation, promotes conference solutions such as teleconferencing, video conferencing and web conferencing, and promotes paperless reimbursement of electronic invoices to minimize the use of paper
2. Discarded single-sided papers are recycled for secondary use if permitted.

Visit our website to download our DC Holdings Energy Policy.

Environmental, Social and Governance Report

- **Emissions reduction**

The actions adopted for the Group's major office and warehouse buildings include:

- Directly reducing carbon emissions: Smart industry chain business has taken actions to reduce exhaust emissions from logistics vehicles, such as replacing vehicles in Beijing in accordance with the National VI Vehicle Emission Standards, while encouraging partner carriers to use electric energy vehicles for delivery in urban areas.
- Indirectly reducing carbon emissions: Encourage less frequent travel and indirect carbon reduction through video conferencing, online communication, etc.
- Ensuring qualified air quality in office: In 2020, the building's centralized air-conditioning ventilation system was cleaned and tested for fresh air volume, the amount of respirable particulates and harmful germs in the supply air to ensure qualified air quality in office premises.
- Ensuring the waste water disposal from the building meets the standards: In FY2020, the catering effluent discharge was retrofitted with oil-water separation and purification devices, and the chemical oxygen demand, ammonia nitrogen, suspended solids and PH value of the catering effluent were tested to meet the national effluent discharge standards.
- Ensuring the building's fume emissions comply with standards: In FY2020, fume purification devices were retrofitted to catering fume emissions, and fixed source exhaust gases were tested for particulate matter, catering fumes and non-methane total hydrocarbons to meet national emission standards.

- **Environment protection**

The actions adopted for the Group's major office buildings, data centers, warehouses include:

- Environmentally friendly furniture is used in the office and dining room to avoid air pollution.
- We actively respond to the policy of waste separation by placing different types of bins in offices and other areas, collecting and treating each type of waste separately to minimize environmental pollution.
- Waste generated at work and in life is treated separately: Solid waste and hazardous waste generated at offices are cleaned and collected by each department at all times and delivered to designated locations. Kitchen waste and used oils are collected by designated disposal units of the sanitation department and treated centrally. Solid waste generated during logistics services is collected by workplace personnel before the end of each day and placed in designated bins according to classification markings.

Visit our website to download our DC Holdings Environmental Policy.

- **Climate change response**

The Group understands the importance of acting on climate change. To ensure the normal operation of our business, in addition to daily summer heat protection, winter cold protection, spring and autumn fire protection, we have also made contingency plans for the possible impact of flooding, winter snowstorms and other disasters on lives, and the Group will issue early warnings and respond in advance to minimize climate change and its impact on business operations. We also strive to use big data software and other technologies to help government departments and other users actively respond to the impacts of climate change, such as the use of intelligent transportation systems to make timely evacuation decisions in the event of disaster and weather conditions.

Looking to the future, we are committed to achieving the Group's "Carbon Limits, Carbon Neutral" targets and to making carbon emissions reduction one of our key sustainability objectives to better response climate change. Related measures include:

- Reducing greenhouse gas emissions and carbon footprint.
- Considering and adopting the best initiatives to improve the efficiency of the energy used in business operations.
- Using renewable energy, low-carbon and energy-efficient products and materials wherever possible
- Increasing the green area of properties where feasible to mitigate climate change risks.
- Monitoring and reacting to the latest developments in markets, technologies and policies related to climate change in a timely manner.

Visit our website to download our DC Holdings Climate Change Policy.

• Environmental Performance Indicators

Here are some of the Group's environmental performance indicators, prepared in accordance with the ESG Reporting Guide. Unless otherwise stated, the data below covers the Group's major office buildings and data centers in Mainland China.

As shown in the table below, the Group's greenhouse gas emissions from the direct use of gasoline, diesel and natural gas in FY2020 decreased from 62.94 tonnes in 2019 to 44.19 tonnes in 2020, a decrease of 29.8%, due to a further reduction in the use of the Group's own vehicles.

Emissions & Waste Type	For the year ended 31 December	
	FY2020	FY2019
Total greenhouse gas emissions (tonnes)	1,326.97	1,280.89
Direct greenhouse gas emissions (tonnes)	44.19	62.94
Of which: Petrol (tonnes)	6.00	13.65
Diesel (tonnes)	12.25	22.48
Natural gas (tonnes)	25.94	26.81
Total Indirect greenhouse gas Emissions (tonnes)	1,282.78	1,217.95
Of which: Purchased Electricity (tonnes)	1,282.78	1,217.95
Greenhouse gas emissions per capita (tonnes/employee)	0.09	0.09
Volume of hazardous waste (tonnes)	1.00	
Hazardous waste per capita (tonnes/employee)	0.00007	This data is not counted in FY2019
Volume of non-hazardous waste (tonnes)	1,200.00	
Non-hazardous waste per capita (tonnes/employee)	0.08	

Remarks:

1. Due to the nature of its business, the Group's major gas emissions are greenhouse gas emissions, which arise from the use of fuels and purchased electricity converted from fossil fuels.
2. The Group's greenhouse gas inventory is dominated by carbon dioxide. The greenhouse gas emission data for the years ended 31 December 2020 and 31 December 2019 are presented in carbon dioxide equivalent and are based on the 2017 Emission Factors for the China Regional Grid Baseline for Emission Reduction Projects (《年度減排項目中國區域電網基準線排放因子》) published by the Ministry of Ecology and Environment of the People's Republic of China, and the 2006 IPCC (Intergovernmental Panel on Climate Change) Guidelines for National Greenhouse Gas Inventories (IPCC) Guidelines for National Greenhouse Gas Inventories (《2006年IPCC (政府間氣候變化專門委員會) 國家溫室氣體清單指南》). Total carbon emissions in FY20 increased by 46.08 tonnes or 3.6% over FY19, mainly due to the increase in electricity consumption as a result of the expansion of the IT Logistics, a subsidiary of DC Holdings business and the increase in warehouses.
3. Consumption of petrol and diesel is mainly from the Group's own vehicles.
4. Consumption of natural gas, mainly for equipment such as heating of the Group's buildings
5. The types of hazardous waste involved in the operations of the Group's office building mainly include waste toner cartridges and ink cartridges generated from printing equipment and waste batteries generated from some electrical equipment. These hazardous wastes are centrally managed and placed in qualified recycling units for recycling.
6. The types of non-hazardous waste involved in the operation of the Group's office buildings mainly include domestic waste and non-hazardous office waste. Domestic waste is handled by property management companies and food waste recyclers and cannot be measured separately. We have estimated the domestic waste generated by office buildings according to the "Handbook of Urban Domestic Source Production and Discharge Coefficients for the First National Pollution Source Census" (《第一次全國污染源普查城鎮生活源產排污係數手》) issued by the General Office of the State Council of the People's Republic of China. Non-hazardous office waste is collected and disposed centrally by recyclers, including all the Group's office buildings in Mainland China.

Use of resources Type	For the year ended 31 December	
	FY2020	FY2019
Total energy consumption (MWh)	16,202.98	16,271.69
Direct energy consumption (MWh)	1,905.96	2,683.82
Of which: petrol (MWh)	310.40	705.93
Diesel (MWh)	409.60	751.95
Natural gas (MWh)	1,185.96	1,225.94
Indirect energy consumption (MWh)	14,297.02	13,587.88
Of which: purchased power (MWh)	14,297.02	13,587.88
Total energy consumption per capita (MWh/staff)	1.13	1.13
Tap water usage (tonnes)	80,497.53	56,017.12
Tap water usage per capita (tonnes/staff)	5.59	3.89
Steam usage (tonnes)	718.10	967.48
Steam usage per capita (tonnes/staff)	0.05	0.07
Total package usage (tonnes)	25,996.87	21,391.70
Average consumption per order (tonnes/order)	0.000250	0.000246

Remarks:

1. The water used by the Group is sourced from municipal tap water supply. Tap water consumption in 2010 increased by 24,480.41 tonnes, representing a growth rate of 43.7%, as compared with that in 2019, mainly due to the increase in water consumption as a result of the expansion of the IT Logistics, a subsidiary of DC Holdings business and the increase in warehouses.
2. The steam used by the Group is sourced from municipal heating units.
3. Energy consumption, calculated based on the consumption of purchased electricity and fuel and the conversion factors in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (《2006年IPCC國家溫室氣體清單指南》) and the General Rules for Calculating Integrated Energy Consumption (《綜合能耗計算通則》).
4. The packaging materials used by the Group are mostly packaging cartons used by the Smart Industry Chain business. Wooden boxes are not counted because of minimal usage.