2024

Chery Go Global Data Compliance White Paper

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Message

The year 2024 marks a period for Chery to consolidate its foundation and achieve efficient development. Despite the challenges of global economic slowdown and a complex and changing market environment, the Chery people have created infinite dreams with limited resources through their hard work, successfully achieving the historical leap from a "small thatched cottage" to the Fortune Global 500 enterprise. As China becomes the world's largest automobile exporter, Chery takes "meeting the needs of customers worldwide" as its mission, expanding its business footprint to over 100 countries and regions globally. With the increasing demands of global users for automotive products, services, and cross-border data management, Chery, in combination with its own global data compliance management system and practical achievements, is jointly exploring international standards for automotive data information security and mechanisms for mutual recognition of international data standards with all parties.

In recent years, driven by the dual forces of the technological revolution and energy transition, intelligent connected vehicles have become a new growth point in the global economy and a bellwether for the strategic transformation of the automotive industry. As the core carrier of intelligent living ,these vehicles enable seamless connectivity between people, vehicles, and homes, creating a new chapter in full-scenario connectivity.they have built a new chapter of seamless human-vehicle-home connectivity. Faced with the challenges to user privacy protection brought about by the interconnectivity of intelligent connected vehicles and the differences in global laws and regulations, Chery places high importance on respecting user privacy, ensuring data security, and meeting data compliance requirements, and regards them as basic strategies. It has made an all-out effort in data compliance construction and achieved remarkable results.

Chery regards innovation as an indispensable and enduring requirement, asserting that only through technological and managerial innovation can it build and sustain its core competitive advantages. With a bold imagination for technology and the future, Chery regards intelligence and AI as significant opportunities and breakthrough directions for the next 20 to 40 years, just as it invested in engines 20 years ago. It aims to lead the industry in intelligence by 2025, boldly venturing into the "uncharted territory", and create a new landscape in the new realm of intelligent connected vehicles.

Chairman of the Board Chery Automobile Co., Ltd.

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Trend

Status and Trends of Global Data Compliance Legislation

Multipolar Competition and Hefty Penalties Have Far-reaching Impacts on Go Global Automakers

Chery is inevitably affected by global data compliance requirements in its business globalization, especially in terms of data cross-border, hefty penalties, and challenges of new technologies. We have summarized the following three trends:

1. Intensified Multipolar Competition in the Digital Economy

In recent years, international trade and foreign investment have been important forces driving the rapid development of globalization. However, affected by events such as the Sino-US trade war and the Russia-Ukraine conflict, the growth rate of global trade has slowed down, and the flow of global direct investment has decreased. The role of the "digital economy" has become increasingly significant, and the importance of data flow has also become more prominent. According to statistics from the Ministry of Industry and Information Technology, the scale of the digital economy has grown from 11.2 trillion yuan in 2012 to 53.9 trillion yuan in 2023, expanding by 3.8 times in 11 years. In 2023, the total digital economy output of the United States, China, Germany, Japan, and South Korea alone surpassed 33 trillion US dollars.

Driven by significant economic interests, the globalization of the 21st century will be centered around data flow as the core driving force. Countries are also using data compliance laws and regulations to form a differential pattern of data sovereignty and geopolitical interest circles. They have already joined the competition in the cross-border flow of data, and data cross-border compliance has evolved from a simple "compliance requirement" to a tool of competition.

2. Strict Penalties for Violations Have Become a General Consensus

To date , about 150 countries and regions around the world have proposed or enacted data compliance and personal information protection laws and regulations. In modern privacy legislation represented by the European Union's General Data Protection Regulation (GDPR), strict penalties for violations have become a consensus.

In terms of penalty forms, a percentage of turnover and high fixed amount fines are the most common forms. The penalty dimensions cover transparency, user rights, data cross-border and other regulatory directions, and the European Union has already imposed a total penalty of more than 5.3 billion euros. Among them, the penalties for data cross-border violations are the highest in amount and have the greatest impact.

3. New Technologies Bring New Compliance Challenges

Breakthroughs in AI technology and the Internet of Things ecosystem, where everything is interconnected, have significantly amplified consumer demands for data subjects rights and heightened expectations for transparency. These developments have led enterprises and institutions to pay more attention to building a centralized privacy user experience (UX). Consequently, new data compliance challenges have emerged, including algorithm ethics, compliance requirements, and the anonymization of training data.

In the process of globalization, Chery has been directly impacted by global data compliance legislation. In response, Chery has implemented a series of data compliance initiatives to comprehensively address the data compliance challenges in its globalization journey.

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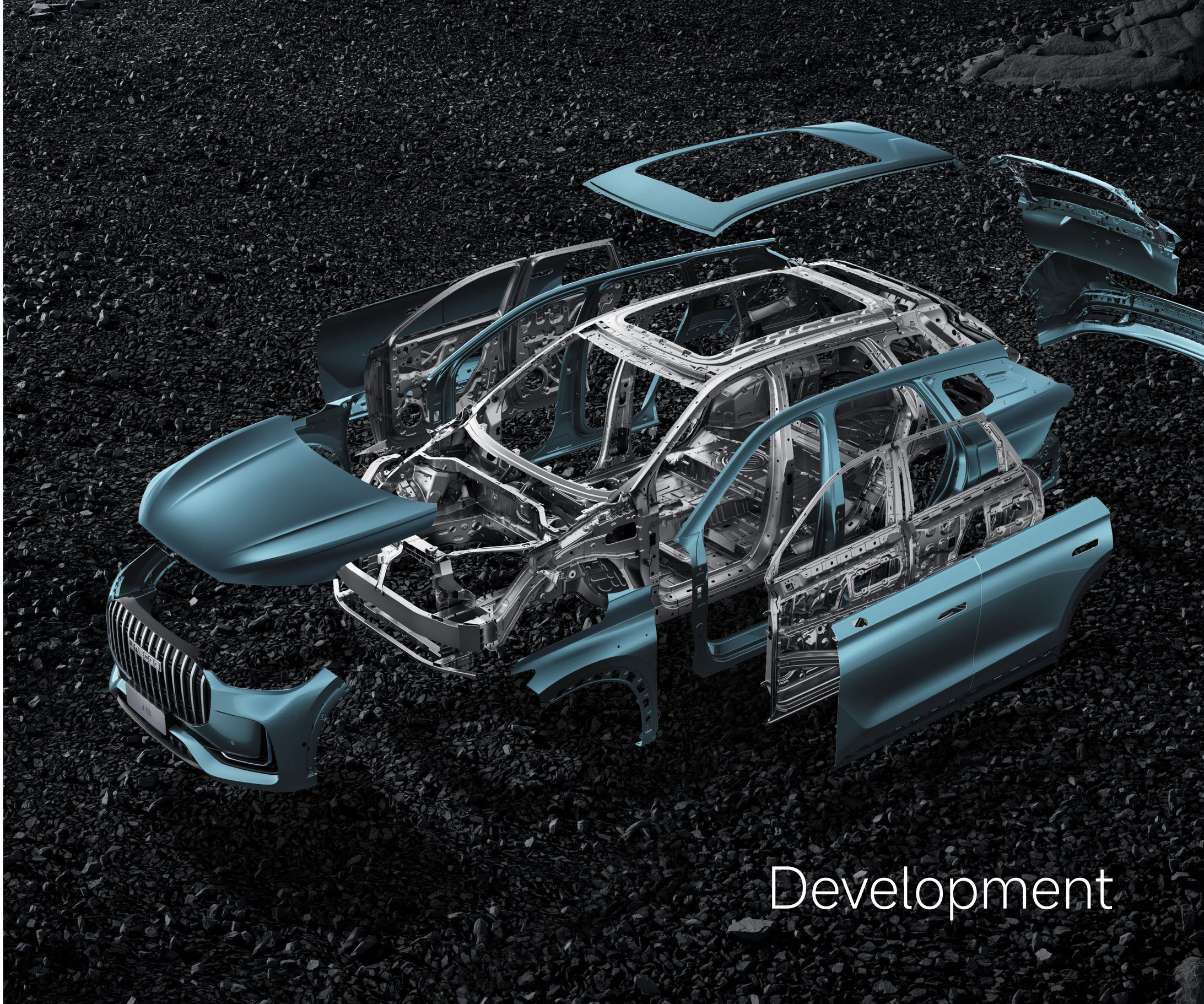

Development

Steady Development of Chery's Data Compliance

The Journey of Establishing Chery's Data Compliance and Privacy Protection Management System: From "Zero" to "One"

Compared with leading internet companies and peers in the same industry, Chery started relatively late in the layout of data compliance. Under the pressure of modern privacy protection regulations represented by GDPR, Chery has received data compliance pressures and demands from regulatory authorities, users, and partners in multiple overseas countries and regions. At the same time, as global vehicle models gradually evolve and the continuous increase in sales, the pressure on data compliance response at the business level is also increasing. Chery has drawn on advanced experiences from various industries both domestically and internationally. Starting from 2023, it has initiated the construction of a data compliance system, using European data compliance governance as a “cornerstone” project. The aim is to quickly identify risks, steadily build the system, and gradually promote it across the upstream and downstream of its supply chain. Consequently, in the past two years, with the efforts of all Chery people, it has completed the process of surpassing from scratch to establishment, and from establishment to comprehensiveness at the "Chery speed".

1. “Four Assessments” - Phase of Data Compliance Risk Identification

For Chery, overseas data compliance is a new topic, especially when facing the high regulatory pressures and elevated risk factors associated with EU regulations and the expansion into new markets, how to respond is particularly important.

The major challenges faced in the first phase are new issues, high risks, limited capabilities, and a large baseline. Therefore, the main focus at this stage is on how to quickly identify the highest-risk areas that are most likely to face penalties, including four large-scale proactive and reactive assessments:

Identify data compliance risks of go global automobiles: Based on the feature list of overseas vehicle models, conduct a detailed assessment to identify functions and systems involving personal information. Benchmark against GDPR compliance requirements to identify data compliance risks, and carry out risk tracking and rectification.

0 Data Violation Incidents

No major data violation incidents in 2024.

100% Data Subject Rights Response Rate

The current user subject response rate and resolution rate reach 100%.

100% Protection Agreement Signing Rate

Chery has signed data compliance-related documents with all automotive parts suppliers.

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Identify data compliance risks of overseas IT systems: Based on GDPR requirements and 11 related guidelines of the European Data Protection Board ("EDPB"), set a data compliance baseline for IT systems. Each system should assess its compliance against the baseline and address any non-compliance issues.

Identify data compliance risks of overseas business: By traversing through business processes, gradually explore the data processing in each business step, and then solve the risks therein.

Identify data cross-border compliance risks: Based on all business scenarios, refer to the "Six steps" in EDPB guidelines, assess all cross-border data scenarios, and take measures based on the cross-border compliance mechanisms required by the exporting country.

During the assessments, Chery mobilized a large number of business stakeholders to deeply participate in the risk identification and rectification process of data compliance, from the frontline to the backend, collaboratively ensuring "no issues".

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Steady Development of Chery's Data Compliance

2. "Three Constructions" - Phase of Data Compliance System Construction

To ensure long-term and continuous compliance, while basically completing the risk investigation, Chery has carried out systematic management of global data compliance. This includes the establishment of a data compliance system through three key areas: system construction, team building, and process integration.

1) System Construction: Based on the requirements of ISO27701 and ISO9000 management systems, a complete set of group-level systems has been constructed. Using these as guidelines, a series of system replications has been completed for overseas business units. Compliance systems cover various business divisions, overseas subsidiaries, and middle and back offices. For more details, see the section on Chery's data compliance practical experience.

2) Team Building: Chery has established a Data Compliance Committee and formed a dedicated data compliance line and interface mechanisms for various units. Correspondingly, an overseas Data Compliance Committee and its management office have also been set up. As for the overseas officers, sufficient compliance human resource guarantees are provided by introducing both internal and external experts.

3) Process Integration Construction: Data compliance requirements are embedded in vehicle models, IT, and business operations, achieving a deep integration of compliance processes and business processes. Compliance process nodes and business process nodes are "merged," setting "control points" and "threshold points" for data compliance. At the same time, a compliance supervision and inspection mechanism is established to provide reverse data compliance error correction capabilities.

80+ Data Compliance Procedure Documents

Including "General Rules for Personal Data Compliance," "Regulations on Personal Data Compliance Training Management," "Privacy Impact Assessment Management Regulations," "IT System Data Compliance Development Management Standards," and "Whole Vehicle Data Security Compliance Development Procedures," etc.

100+ Data Compliance Personnel

A core data compliance team of over 10 people, responsible for guiding and supervising the data compliance status of various business lines.

Over 90 people in group lines, responsible for specifically connecting with the data compliance work of their respective business lines.

100,000+ Cumulative Training Attendees

Global data compliance awareness training: "China's Data Compliance Requirements," " Interpretation of Key GDPR Compliance Points for Enterprises," etc.

Global data compliance special training: "Specialized Training on Data Compliance for IT Systems," " Human Resources Module Data Compliance Special Training," etc.

Data compliance enterprise announcement promotion: "Recent Global Data Compliance Hotspots," "2024 Global High Penalty Cases Review," etc.

10+ Certifications

Important systems: Level 3 Cybersecurity Protection certification, ISO27001 certification, etc.

Key models: IVISTA Internet Intelligence and Privacy Security Special Evaluation with the highest rating "G," UN R155 Vehicle Cybersecurity Management System certification, UN R156 Software Upgrade Management System certification, and "Automotive Cockpit Personal Information Security Protection Verification Certificate," etc.

Steady Development of Chery's Data Compliance

3. "Global Promotion" - Phase of Deepening and Promoting Data Compliance

After the basic completion of risk investigation and system construction, Chery extends its data compliance capabilities across the global market, raising the level of data compliance among upstream and downstream partners. The core work includes:

1) Coordinating Global Data Cross-border Transfer Strategies: Data cross-border compliance has always been one of the key compliance areas for Chery. Currently, Chery has completed data compliance research on more than 50 countries and combined various business scenarios to form a transfer scenario library of about 70 cross-border scenarios. Based on the necessity of cross-border data transfer, local considerations, and cross-border risks, and in combination with national requirements, Chery comprehensively considers global data localization and cross-border strategies. This forms a cross-border scenario and measures library to guide the implementation of localization and cross-border compliance measures in various countries.

2) Promoting the Construction of a Full Industry Chain Data Compliance Ecosystem: For enterprises at the core of the industry chain, it is not enough to focus only on internal data compliance construction. It is more important to leverage their influence and leadership to take active steps. In the upstream segment, through in-depth communication, professional training, and clear contractual constraints, the fundamental data compliance is ensured at the source. Facing downstream partners, by holding regular seminars, sharing successful cases, and co-creating initiatives, the data processing methods are standardized, and the level of data compliance across the upstream and downstream ecosystem is elevated.

3) Expanding Vehicle Data Compliance Functions: For all global models and regional models, promote functions such as "data not leaving the vehicle," "dynamic data permission control," and "dynamic data anonymization ." At the same time, guided by the user habits and values of different regions around the world, customize advanced data compliance functions for vehicles and select appropriate protective measures.

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Chery's Data Compliance Practice

1. From Outside to Inside, and From Point to Whole - Practice of Assessing Data Compliance Risks

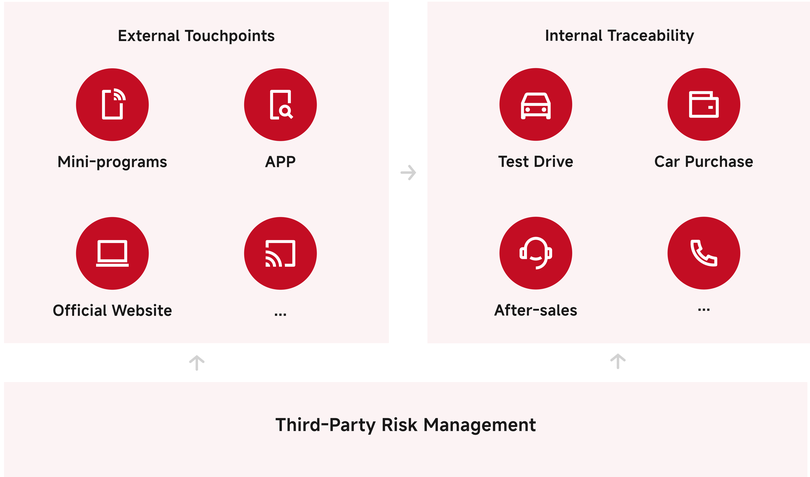
Chery's risk assessment methodology can be considered as Chery's " late-mover advantage." Building on the practical experience of industry pioneers, Chery has established a multi-channel, rapid sharing investigation mechanism centered on Personal Information Impact Assessment. This mechanism consists of two main parts:

1) From Outside to Inside

External Touchpoints: Regular checks through external "touchpoints" to identify non-compliant items in outward-facing "touchpoints," including business processes, APPs, official websites, mini-programs, cockpits, supplier interface websites, and other systems facing users. Focusing on user rights as the first line of risk investigation to identify core risks such as transparency of processing, informed consent, and user rights.

Internal Traceability: Starting from the external perspective, we expand the data flow to the internal processes. Beginning with a car owner researching and purchasing a vehicle, followed by usage and after-sales services, we conduct risk assessments across all internal modules in accordance with the embedded Privacy by Design baseline requirements. This ensures that privacy protection awareness runs through the entire data chain. From what users perceive to what they don't, we achieve dual-layer integration in both frontend and backend operations.

Third-Party Risk Management: Global suppliers and partners are an essential part of the automotive industry chain and are also important counterparts for Chery's data interaction. When the data flow traces back to third parties, Chery requires a reverse check of the completeness of supplier data processing agreements and the data compliance capabilities of third parties. At the same time, Chery plans to upgrade management tools with digital intelligence to enhance the security and compliance level of data interaction and processing.



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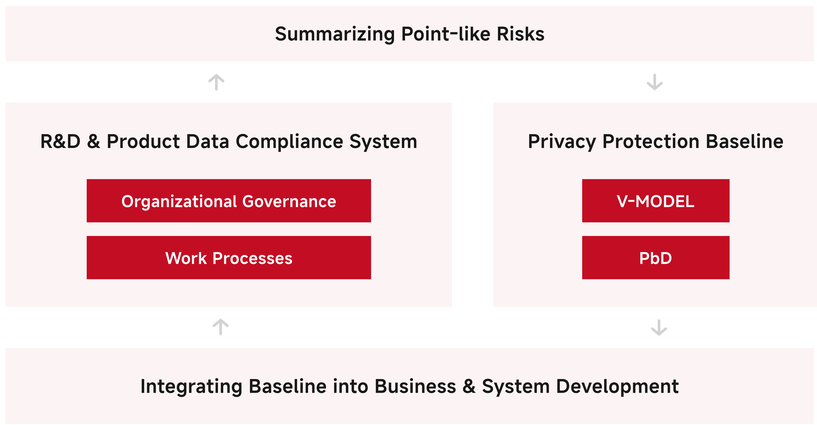
Chery's Data Compliance Practice

2）From Point to Whole

In the business process and product research and development, summarize the module-specific risks of each module into the privacy protection baseline, and then integrate the baseline into the business process and system development. Following internal procedures and in combination with the automotive V-MODEL and Privacy by Design requirements, prioritize rectification and complete the local construction of compliance solutions. Gradually build a complete privacy compliance system throughout the research and development lifecycle, including organizational governance and workflow levels. Additionally, promote the global sharing of point-like risks, introduce digital intelligence tools, and achieve continuous improvement.



Chery's Data Compliance Practice

2. Global Collaboration and Efficient Closed-loop - Practice of Building a Data Compliance Management System

1) System of Regulations Guided by Group Policies

To ensure compliance, enhance data security and personal information protection levels, achieve risk control, meet the expectations of stakeholders, and strengthen internal management, Chery has established regulations such as the "General Rules for Personal Data Compliance," "Regulations on Privacy Impact Assessment," and " Regulations on Personal Data Retention and Disposal." These ensure that the management of data throughout its lifecycle complies with legal requirements. Additionally, Chery has formulated specific process documents for high-risk data processing nodes, such as "Regulations on Personal Data Sharing, Transfer, and Disclosure" and " Regulations on Cross-border Data Transfer," achieving comprehensive coverage from overall requirements to specific execution. Based on practical experience, various regulations are categorized into four compliance domains, corresponding to governance, support, specific business areas, and certification needs. These compliance domains effectively support the planning and expansion of the regulatory system.

Compliance Domains	Compliance Sub-domains				
Personal Data Compliance Governance	Personal Data Compliance Management Framework	Personal Data Compliance Organizational Framework	Personal Data Protection Statement or Notice	Legality Basis	Data Classification and Grading
	Personal Data Compliance Impact Assessment	Personal Data Sharing, Transfer, and Disclosure	Personal Data Retention and Disposal	Cross-border Transfer of Personal Data	Response to Personal Data Subject Rights
	Embedded Data Compliance System: Privacy by Design & Default		Regulatory Emergency Inspection Management		
Basic Support	Reward and Punishment Management	Security Management	Third-party Management	Employee Management	Capacity Building
Specific Business Areas	Application System Management	Response to Personal Data Subject Rights	International Company Operation Guidelines (International Company - EU Region Data Compliance Operation Guide)		
	IT Compliance Operation Guide	HR Compliance Operation Guide	Supply Chain Compliance Operation Manual	Finance Compliance Operation Guide	R&D Compliance Operation Guide
Compliance Operations	Personal Data Compliance Management Framework		Audit of Personal Data Compliance Management System		
	Effectiveness Measurement of Personal Data Compliance Management				

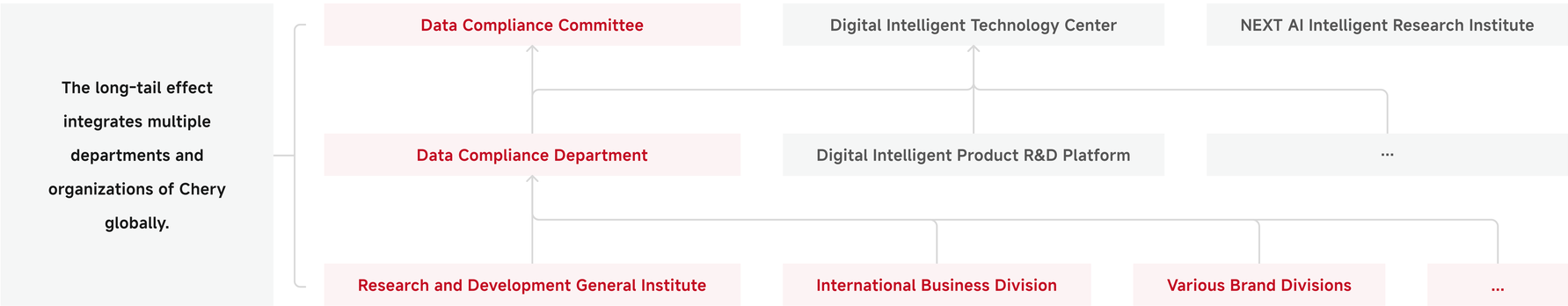
Chery's Data Compliance Practice

2）Vertical Organizational Structure Across the Frontline, Mid-Office, and Headquarters

To better implement business expansion overseas and avoid compliance risks, after a period of trials and exploration, Chery has designed a three-tier “vertical” organizational structure that is coordinated by a committee, managed by a data compliance department, and executed by front, mid, and back offices. This structure clarifies the division of labor, responsibilities, and tasks, where:

The committee serves as the highest decision-making body for data compliance, determining the strategic direction of data compliance. The Data Compliance Department is formed based on Chery's Digital Intelligent Technology Center and utilizes the center's self-research capabilities and AI models to carry out intelligent compliance operations. The front office is managed by business division and overseas subsidiary management teams, handling daily frontline data compliance affairs, such as responding to user subject rights requests and answering routine inquiries and inspections. The mid-office is the business management department, coordinating the implementation process of data compliance; guiding the data compliance work of corresponding business lines; planning, reviewing, and approving significant compliance matters. The back office consists of other support and implementation departments that may be related to data compliance, responsible for cooperating to complete the requirements conveyed, providing resource guarantees, optimizing processes, systems, and architectures.

The concept of the above structure is based on the "long-tail" effect of data compliance work, which not only demonstrates that typical data compliance work requires the coordination of multiple modules and departments to be effectively promoted but also reflects that Chery's overall organizational structure is practical, with departments capable of effectively forming collaborative mechanisms of mutual cooperation and supervision.



Chery's Data Compliance Practice

3. Deeply Rooted Locally, Coordinated Cross-border - Practice of Implementing Cross-border Data Compliance

In the process of globalization, due to the complexity of the automotive industry chain, such as the demand for vehicle maintenance and claims, cross-border data transfer is inevitable. Chery has adopted a dual governance model of localized deployment combined with compliant cross-border transmission. It focuses on localizing key modules and systems in major countries and establishes risk control processes for data cross-border transmission, implementing global cross-border management.

Firstly, based on global regulations, Chery has implemented a "seven-step method" for cross-border data transfer:

Step1: Insight into global cross-border data laws and regulations, summarizing cross-border compliance requirements;
Step2: Review the status of global data cross-border transmission;
Step3: Assess the "substantially equivalent" level of data protection in various countries;
Step4: Clarify the compliance mechanisms for data cross-border transfer;
Step5: Take supplementary measures;
Step6: Execute procedural steps required by law;
Step7: Execute procedural steps required by law;

Secondly, from a practical standpoint, Chery has taken the following measures: A comprehensive review of cross-border data scenarios is conducted. Based on the current status and needs of data cross-border transmission from various businesses and systems, information such as the storage location of data, transmission targets, and usage purposes is organized.

This helps to grasp ongoing cross-border data transfer activities, forming a database of cross-border data scenarios that fully covers business scenarios, systems, data types, data volumes, reasons for cross-border transfer, and information about overseas recipients, presenting cross-border situations and potential risks in bulk. Continuous compliance monitoring is implemented, with ongoing surveillance of data cross-border activities. Regular self-assessments are conducted to understand the state of data security and the handling methods of recipients, especially for regulated data such as personal information and important data, to promptly detect any violations in cross-border data transfer. Additionally, cross-border data compliance training is provided to all employees, with all staff involved in overseas business completing data compliance training. Employees dispatched overseas receive additional specialized training on cross-border data transfer.

Through these measures, Chery's dual governance has covered key overseas countries and regions, forming the basic concept of transferring data across borders only when necessary, not transferring data without necessity, assessing before transferring, and implementing after assessing. A long-term tracking and continuous response mechanism for cross-border risk tracking and iteration has also been established.

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Envision

Chery deeply recognizes that in the era of globalization and the rapid development of the digital economy, data compliance has become a cornerstone for the sustainable development of enterprises. Chery is committed to continuously strengthening the systematic construction and technical capabilities of data compliance, gathering consensus among all staff, and deeply integrating data compliance into refined processes and product function designs based on scenarios.

1. Data Compliance Requirements Throughout the Entire Data Lifecycle

Chery continuously deepen data security measures, embedding data compliance requirements throughout the entire lifecycle of data management. We implement measures such as data encryption, data masking, perimeter protection, security monitoring, and emergency management, while actively exploring the application of cutting-edge technologies like data anonymization and privacy-preserving computation to enhance comprehensive protection capabilities.

2. Actively Exploring Intelligent Algorithms for Data Compliance

Chery actively explore intelligent algorithms for data compliance, based on our self-developed CheryGPT model, expanding the application scenarios of data compliance. Using global major data compliance laws, regulations, guidelines, enforcement cases, and industry practices as training materials, we empower business in daily consultations, risk prediction, and assessment checks, improving the efficiency of compliance governance.

3. Jointly Promoting the Healthier Development of the Data Compliance Ecosystem

Data compliance requires the joint efforts of the global industrial chain. Chery actively participates in standard construction, keeping up with the development trends of data compliance, and devotes itself to the construction of the vehicle networking protection system, evaluation system, and trust system, actively offering suggestions for the development of the industry and jointly promoting the healthier development of the data compliance ecosystem.

Chery will maintain an open learning attitude, continuously improve the best practices in data compliance, and keep creating a safer, more trustworthy, and smarter automotive life experience for global users.

Appendix

Disclaimer

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