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**Environmental, Social and  
Governance Report  
2016**

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# **GOME Electrical Appliances Holding Limited**

## **Environmental, Social and Governance Report 2016**

### **INTRODUCTION**

GOME Electrical Appliances Holding Limited (the "Company") and its subsidiaries (hereinafter referred to as "GOME" or the "Group") have been taking the initiative of "Leading in integrity and being a role model", standing at the forefront of economic and social development by taking the lead and holding the slogan of "Doing business based on trust" to gain trust from consumers and other stakeholders and sail to the future of retail business with belief and behaviour in good faith. Moreover, GOME has been demonstrating the development direction of commercial civilization through a reliable corporate culture of "Trust" and being trusted by the consumers that gathers the staff internally and the public externally.

From the corporate image of "Buy electrical appliances at GOME and you will get what you buy" in the startup phase, to "Quick turnover at low margin with good services" in the developing period, and to the brand concept of "Trust is a pleasure, inspired to be trusted" today, GOME has been insisting on "Trust" in the past 30 years, which has been integrated into the development cycle of home appliances retail industry in China and turned into a gene that planted deeply in the corporate culture of GOME. This is also the reason why GOME stands out in the fierce market competition and becomes the benchmark enterprise in the contemporary commercial sector in China. This report will focus on explaining how GOME performs its obligation in respect of environment, society and governance with the culture of "Trust".

In the brand concept of "Trust is a pleasure, inspired to be trusted", GOME has emphasized a broader sense of trust and highly integrated business ethics with spiritual pursuit successfully. It is an attempt to build connections between the enterprise and the society, the staff as well as the suppliers through "Trust". It is easy to find that GOME's cultural system of "Trust" covers the public, shareholders, consumers, the government, staff and the suppliers, etc., to whom the integrity is exactly the main power for driving the healthy development of the industry and the whole society.

In this report, the Company has complied with the provisions as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

# ENVIRONMENTAL

## VISION OF ENVIRONMENTAL PROTECTION

“The pursuit of low-carbon and environmental protection makes a sustainable future” is not only the corporate responsibility of GOME, but also its important operation philosophy. As a leading distribution channel of electronic products and a member of China Sustainable Retail Roundtable, GOME has been committed to promoting green and low-carbon concepts, selling the related products and complying with the relevant regulations and rules, which have been incorporated in business operations, product sales and supply chain. GOME has the responsibility and confidence to make unremitting efforts in promoting the sustainable development of retail industry in China.

## A1 EMISSIONS

The principal business of GOME is the operation and management of network of retail stores of electrical appliances and consumer electronic products and online sale of electronic products in the People's Republic of China (the “PRC”). Therefore, GOME does not generate emissions or pollutants directly due to production during its operations; however, it generates emissions indirectly during its operations due to the use of resources. Details of which are set out in the following chapter.

## A2, A3 USE OF RESOURCES

As a retailer, GOME has intrinsic advantages in promoting energy conservation: for supply chain, we cooperate with manufacturers and customize more energy-saving and environmentally-friendly products to increase the sales proportion of such products; for operation, we integrate the concept of green, energy-saving and environmental protection to all processes of our business; as for the consumers, we change their consumption habits through training of our staff, who take the initiative to promote energy-saving and environmentally-friendly products and concepts to our consumers. In the future, as a member and also a partner of the Roundtable, GOME will integrate internal and external resources and strive hard to drive the development of Chinese home appliances industry towards sustainable production and consumption.

## I. ENERGY CONSERVATION

### Green stores

#### *Electricity saving*

In respect of store transformation for energy conservation, as at the end of 2016, the halogen lamps used in all 1,628 stores of GOME have been replaced by LED energy-saving lamps.

In general, each store needs about 650 lamps on average, so 1,628 stores all over the country use about 1,058,200 lamps in total. The average lighting hour for each lamp per day is 12 hours. As a result, the lighting hour per lamp is 4,380 hours per year and the aggregate lighting hour for all stores is 4,634.9 million hours per year.

- Before replacement: the emission from the use of halogen lamps was approximately 213,000 tons of carbon dioxide per year;
- After replacement: the emission from the use of LED lamps was approximately 110,000 tons of carbon dioxide per year, decreased by 48.4%.

## ENVIRONMENTAL

## Lighting hours of stores

Number of stores	Average number of lamps per store	Average lighting hours per day (hours)	Average lighting hours per year (hours)	Lighting hours of all stores per year (million hours)
1,628	650	12	4,380	4,634.9

## Carbon dioxide emission per year (tons)



The reduction of carbon dioxide emission due to the replacement of halogen lamps by LED lamps in the stores

## Water saving

GOME actively responds to the government's initiative of energy and water saving and particularly focuses on the energy and water saving in the stores. The main measures are as follows:

- Use of energy-saving materials in stores' decoration or routine maintenance;
- Fixed quantity control according to the actual amount used of each unit, the size of the store area and the number of rest rooms;
- Strengthened daily inspection to avoid the waste of water by evaporating, emitting, dripping or leaking.

## Green office

## Paperless office

- The Group has enhanced the informatization development and made full use of the OA (Office Automation) and the OC (Office Communication) systems to turn into a "paperless office", in which document approval, expense reimbursement and other processes can be submitted online to reduce the use and waste of paper;
- The Group uses fingerprint identification in attendance assessment to effectively save paper;
- The Group's "E-Incentive System" has been officially launched since 2014 for the staff to inquire their payroll information online instead of issuing paper payroll slips, and the use of paper has been further reduced.

# ENVIRONMENTAL

## *Video conference*

The video conferencing equipment has been installed for meetings involving multi-geographical locations to reduce the needs of travelling and save both the energy consumption due to travelling and the expenses of the Group.

## *Recycling of waste materials*

The Group collects and recycles daily waste materials on a regular basis to promote the reuse of resources. Such as the unified demolition and sale of materials in a closed store and the recycling and sale of daily waste cartons.

- Specified places for storing waste materials: The branches and stores have to designate a special place for storing the waste materials for centralized disposal;
- Designated companies for waste recycling: Administrative center of headquarters and administrative departments of branches have to designate one or two companies for waste recycling in the region for the disposal or sale of waste materials and establish relating database of the recycling companies for monitoring.

## **Logistics management**

### *Logistics system*

GOME has its own logistics system for unified transportation and distribution management. In order to accomplish the Omni-Channel strategy, GOME has established a logistics platform to support the omni-channel sales and the supply chain, and set up a new standard for customer service of “Three deliveries/day, precise delivery and installations with delivery”.

As at 31 December 2016, the Group's logistics system covered 2,252 network hubs all over the country with a transport capacity of more than 15,000 self-owned and contracted vehicles. The hubs included 21 large central warehouses, 225 city warehouses, 206 transfer warehouses and over 1,600 store warehouses. This formed an effective nationwide three-level warehouse network that based on regional transport, urban distribution and end delivery. The operational area covered more than 700 cities, 2,800 counties and 45,000 towns, making the system the most balanced domestic logistics platform for large and medium-sized products. The distribution network effectively reduced the overall delivery distance, which reduced the related costs as well as the consumption of resources.

### *Installation of GPS*

In order to achieve centralized management, GOME installed Global Positioning System (GPS) and supporting management software on all vehicles to effectively control the cost incurred by the vehicles. The installation of the GPS greatly optimized the transportation routes, improved the efficiency of distribution and reduced the energy consumption.



# ENVIRONMENTAL

## *Orders online and self-pickup offline*

GOME-on-line (the online platform of the Group) has launched the service of "Orders online and self-pickup offline". After confirming the online orders, customers can go to a nearby store of GOME to pick up the goods. The stores have become a fast service station for online orders, which enhanced customers' shopping experiences and the sense of security, as well as reduced the logistics and distribution costs and energy consumption.

## *Return process control in multi-level transfer*

Supported by a powerful information system (SAP) and logistics management system, GOME implements the phased logistics and distribution. When the goods of online order have been delivered and the customer cancels the order in the process of delivery, the system will automatically cancel the second level of task assignment and the second phase of transportation to ensure the real-time control of information about returning goods by all transportation nodes to avoid inefficient distribution and resources wastage.

## II. SALES AND RECYCLING OF GREEN PRODUCTS

### **Sales of energy-saving products**

#### *Energy-saving subsidy program*

China has implemented a number of energy-saving subsidy policies under the trend of green consumption driven by new consumption environment. As the key industry player, GOME has positively responded to the policies with practical actions, promoted various energy-saving products with subsidies nationwide, and encouraged consumers to shift to energy-saving appliances. Since June 2016, GOME has implemented consumer subsidies for high energy efficiency home appliances, including 15% subsidy for Grade 1 energy efficiency products and 10% subsidy for Grade 2 energy efficiency products, while the maximum subsidy for a single product reached RMB1,000. The total amount of subsidies reached RMB150 million, involving air conditioner, refrigerator, washing machine, TV and kitchenware with more than 50 brands and 2,000 models. At the same time, GOME has set up "100 model stores of energy-saving and environmental protection products" nationwide by enhancing product display rate, sales proportion and other performance evaluation indicators of energy-saving products in the stores, with an aim to lead the trend of green consumption and undertake its corporate social responsibility.

#### *Sales proportion of green and environmentally-friendly products in GOME stores*

With an expanded scale of procurement of energy-saving products, the proportion of energy-saving and environmentally-friendly products in the stores has been increased continuously, from 93% in 2015 to 98% in 2016, representing a growth of 5 percentage points. GOME plans to sell 100% energy-saving products in the future.

## ENVIRONMENTAL

## Data on sales proportion of green and environmentally-friendly products

	2014	2015	2016
Sales proportion of environmentally-friendly products	>90%	>93%	>98%

## Energy-saving promotion project – launch of electronic invoices nationwide

The trial and promotion of electronic invoices based on the concept of environmental protection has been recognized by consumers. In 2016, GOME piloted the electronic invoice project, the first among the offline chained enterprises. In the future, GOME will promote electronic invoices nationwide through online and offline channels, with an aim to realize online billing through a specific mobile phone application (APP) to change consumers' shopping habit of "taking paper invoices" and achieve the green emission targets.



Sample of electronic invoice

## Energy conservation campaign

## Comprehensive energy conservation campaign system

Through full coverage of online and offline promotion, GOME has vigorously promoted the green and energy-saving products, and educated the consumers with the concept that "Always buy the energy-saving appliances".

- In March 2014, GOME launched the activity of "Change tomorrow in 7 days" by sharing energy-saving know-how on Weibo and giving out handbooks to arouse the awareness

of energy conservation and popularize the energy-saving home appliances among customers;

From 2014 to 2016, GOME responded to the initiative of World Wildlife Fund to actively participate in the "Earth Hour" activity every year. All the TV sets and unnecessary lighting equipment in all stores across the country were turned off. In March 2016, GOME invited Mr. Liu Rui Lin, a new generation celebrity, to endorse a declaration for the "Earth Hour" activity in order to promote the concept of environmental protection.



## ENVIRONMENTAL

The Training Center of GOME has established a special group for green and energy-saving education to develop “Energy-saving know-how” training courses. At the same time, by establishing “100 trainers team”, “Home appliance environmental protection volunteers” club and WeChat platform, the Group has been able to educate the GOME staff and in-store promoters about energy-saving skills, enhancing their awareness of energy-saving and environmental protection and sales capabilities of energy-saving products.

*Establishing a benchmark of energy conservation and environmental protection in the industry*

In order to respond to the government’s initiative of green consumption concept and strengthen the energy conservation and environmental protection works in the field of commodity circulation, the Industry Standard of Green Department Stores (《綠色商場》行業標準) issued by the Ministry of Commerce was officially implemented in September 2016. As the only representative of the home appliances retail industry, GOME had participated in the formulation of the Industry Standard of Green Department Stores.

With 30 years of professional operation experience, GOME has established a low-carbon and sustainable management system. As a result, 16 stores of the Group have been listed in the “Low-carbon model stores”, and the Group has been ranked the top of the industry in the activity of selecting “Low-carbon model stores” organized by China Chain Store & Franchise Association to promote energy-saving in the retail industry.

## THE EARTH HOUR



# ENVIRONMENTAL

## Recycling of used products

### *Green recycling through online and offline omni-channel*

- Offline: As early as in 2005, GOME has set up designated recycling areas in all stores to recycle used electrical appliances. The stores have gradually established a system for recycle of used or obsolete home appliances to standardize the recycling and dismantling process and realize the low-carbon cycle;
- Online: Since November 2013, GOME-on-line has launched the “Home appliances recycling” project. Users can make appointments for door to door collection by providing personal information for registration online or by telephone booking. By following the official Weibo of “GOME home appliances recycling”, users can also receive professional customer consulting service and recycling service in 3 hours. In addition, “GOME House Manager” was launched in April 2016. Users can enjoy the home appliances recycling service with appointment by subscribing to our official WeChat account;
- The home appliances recycled by GOME included refrigerator (freezer), washing machine, TV, audio equipment, air conditioner and other electronic products. GOME generally provides comprehensive solutions for disposing used or obsolete appliances and strives to promote the concept of green and environmental protection;
- In the future, GOME will cooperate with communities and authorized service stations of the manufacturers to set up more recycle areas designated for the disposal of small home appliances for consumers, which helps to avoid pollution to the environment and fulfill the needs of consumers to dispose their used appliances;
- During the 3 years from 2014 to 2016, the accumulated number of used home appliances recycled by GOME was about 13 million, which effectively reduced the energy consumption and environmental pollution. The recycled number is unprecedented in the industry;
- Currently, GOME's recycling of large home appliances covers 29 provinces and municipalities, covering most of the provincial capitals. In addition, recycling of mobile phones covers 29 provinces and municipalities as well as 314 cities. The on-site recycling services cover most of the provincial capitals.

### III. SUPPORTING ENVIRONMENTAL PROTECTION ACTIVITIES

#### Organizing environmental protection activities

Besides attaching importance to the energy and water saving behaviors within the enterprise and actively promoting energy-saving products, GOME is also actively involved in environmental protection works by supporting and encouraging the branches to organize various environmental protection activities and asking more people to take part in environmental protection.

On 16 March 2014, Henan Yongle (a subsidiary of the Company) Customer Service Department, collaborating with Zhengzhou Charity Federation and Zhengzhou TV, organized a tree planting activity called “Plant a little green will return you with a blue sky”. Nearly 100 members from Zhengzhou and Xingyang participated in the activity and left a remarkable “Green” to the beautiful Wanshan.



In early April 2015, staff of Xiamen GOME (a subsidiary of the Company) and caring members of GOME carried out a charitable environmental protection activity named “Creating a beautiful Xiamen” on Huandao Road near Baicheng Beach and Xiamen University. In addition to clearing the white pollution at the seaside, the members also actively promoted environmental protection knowledge to the public to arouse their awareness.



On 13 August 2016, in response to the initiative of “Creating a national civilized city” of the local government, the stores of Shantou GOME (a subsidiary of the Company), collaborating with the project team of “exchange old clothes for goods” from Shantou Green Point Environmental Protection Technology Co., Ltd. (汕头市绿点环保科技有限公司), carried out the environmental donation activity named “GOME, the beautiful country and beautiful home” to call on the environmentally-friendly donations from employees, members and the public to help social vulnerable groups, which had made contributions to the creation of a civilized Shantou.



# ENVIRONMENTAL

## IV. COMMUNICATION WITH ENVIRONMENTAL PROTECTION ORGANIZATIONS

GOME regularly attends meetings about sustainable consumption promotion and participates in the surveys organized by China Chain Store & Franchise Association. In 2016, GOME explored the most environmentally-friendly business activities with environmental protection organizations and led the home appliances retail industry to promote the energy-saving green products. Currently, each division of GOME cooperates with the communities on a monthly basis and actively organizes green environmental protection activities with district offices.

### Cooperated with green organizations

The environmental protection organizations, which cooperated with GOME through the exchange of resources include: top10.cn, Foreign Economic Cooperation Office, Ministry of Environmental Protection, World Wildlife Fund (WWF), China Chain Store & Franchise Association, China National Institute of Standardization, China Household Electrical Appliances Association and the Representative Office of the United Nations Development Program in China, etc.

### Launching “GOME leaders list”

In January 2016, China National Institute of Standardization and GOME jointly held the conference for launching “GOME leaders list” and the reseller zone with energy QR code label. The “GOME leaders list” evaluated and selected home appliances with high efficiency of energy-saving and superior performances in order to recommend

qualified products to consumers. The reseller zone with energy QR code label was launched in Madian Pengrun store of Beijing GOME (a subsidiary of the Company), in which consumers were able to understand various information of a product by “scanning on the QR Code”, enabling GOME to pass the energy-saving information to the consumers with ease.

### Sustainable consumption week

In August 2016, the grand activity of the 4th Sustainable Consumption Week organized by China Chain Store & Franchise Association, World Wildlife Fund and China Sustainable Retail Roundtable was kicked off. The theme of this Sustainable Consumption Week was “Green life, Consume with Wisdom”. GOME, representing the retail industry, enabled consumers to make their green life more convenient, transparent and intelligent, through diversified and intelligent interactive services. Leveraging on its professional energy-saving and low-carbon operating system, GOME, as one of the initiators of China Sustainable Retail Roundtable, has also vigorously promoted energy-saving products and spread the sustainable consumption concept during the Sustainable Consumption Week. More than 400 stores of GOME in 7 cities, including Beijing, Shanghai, Shenzhen and Xi'an, etc., took part in this promotional activity during the week. Except for guiding the consumers to select appropriate green home appliances and exhibiting the green stores, GOME also offered an innovative virtual reality (VR) experiences for consumers to experience alternative green lives.



## ENVIRONMENTAL

## V. RESPONDING TO GOVERNMENT POLICIES

## Exchange old for new

Responding actively to the “Exchange old for new” policy for home appliances proposed by the Chinese government, GOME has implemented the policy with the shortest time through setting up VIP green channel, offering “Long-term guarantee” services and organizing professional logistic teams. At present, although the policy has expired, GOME adheres to the mission of “To achieve quality life”, extends the concept of “Exchange old for new”, enriches the content and form of the activities constantly, and provides the consumers with qualified home appliances and services continuously.

In May 2014, having cooperated and funded together with the suppliers, Foshan GOME (a

subsidiary of the Company) set up a “Special subsidy fund of exchange old for new” and launched the “Exchange old for new” activity. In May 2015, Shenzhen GOME (a subsidiary of the Company) also launched the same activity. The “Exchange old for new” activity of GOME had solved the issues of old and new home appliances for consumers once and for all and promoted the energy conservation, emission reduction and the development of recycling economy.

In November 2015, Zhanjiang GOME (a subsidiary of the Company) launched the “Exchange old for new” activity for the residents affected by typhoon and met their urgent need for new home appliances. In addition, Zhanjiang GOME donated more than RMB400,000 to the victims of the typhoon to recover their livelihood after the disaster.



Zhanjiang GOME launched the “Exchange old for new” activity for the residents affected by typhoon

In October 2016, Guangzhou GOME (a subsidiary of the Company) launched the “Exchange old for new” large-scale charitable activity and donated all the proceeds obtained from dismantling wasted electrical appliances to Guangzhou Youth Development Foundation for education aid

projects for needy students. GOME is dedicated to providing innovative charitable activities. By linking the “Exchange old for new” with charitable activities precisely, GOME not only safeguards the use of home appliances for the residents, but also contributes to the public welfare.

## ENVIRONMENTAL

### Energy-saving subsidies

With the emphasizes to energy conservation and emission reduction, China has regarded advocating energy-saving home appliances and promoting industrial upgrades as important issues, for which the Chinese government has implemented multi-round policies of energy-saving subsidies.

In May 2014, as the only bid winning retailer of Promoting Energy Efficient Room Air Conditioners Project of Global Environment Facility, GOME vigorously launched energy-saving air conditioning subsidy program. At the end of the project, GOME had sold 535,300 sets of energy efficient air conditioners in total, which had been estimated to save over 500 million kWh of electricity for the country.



GOME President Mr. Wang Jun Zhou's speech at the retail incentive program conference for Promoting Energy Efficient Room Air Conditioners Project of Global Environment Facility



## ENVIRONMENTAL

In November 2015, Chinese government issued The Implementation Rules for Energy Efficiency Pacemakers of Home Appliances to offer rewards to consumers who buy energy-efficient products, which involved flat-panel TV, household refrigerators and air conditioners in the first batch. At the same time, the energy-saving incentive policy of Beijing pioneered to offer energy-saving and emission reduction financial subsidies to nine categories of products, including TV, refrigerators and washing machines, etc. As one of the bid winners of energy-saving incentive policy of Beijing in the first phase, Beijing GOME actively promoted the energy

conservation subsidies activity through setting up special zone in its stores and opening green channel for consumers to buy energy conservation products.

In June 2016, GOME announced the simultaneous launch of consumption subsidies for energy efficient home appliances in all of its stores across the country and presented various energy-saving products, in which there are more than 50 brands and 2,000 models with subsidies up to RMB150 million, to meet the consumers' needs for buying energy-saving home appliances.

## VI. ENVIRONMENTAL PROTECTION AWARDS OBTAINED

**“China Green-Benefit Enterprise – Best Model”**

On 28 November 2013, the 6th World Economic and Environmental Conference jointly organized by the associations including the United Nations and the International Energy Conservation Environmental Protection Association, etc., was held in Beijing. With its outstanding performances in green and low-carbon and sustainable development, GOME was awarded the “China Green-Benefit Enterprise – Best Model”, under the sub-category of the International Carbon-Value Award.



Awarded the “China Green-Benefit Enterprise – Best Model”

**“Innovative Value Award” of “International Carbon-Value Award”**

On 13 January 2017, the “2016 Annual Summit on Green and Low-Carbon Transformational Development” hosted by the Organizing Committee of World Economic and Environmental Conference was held in Beijing. With its outstanding contributions to sustainable development, GOME was awarded the “Innovative Value Award” of “International Carbon-Value Award”.



Awarded the “Innovative Value Award” of “International Carbon-Value Award”

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## VISION OF WORKING ENVIRONMENT

Regarding talents as the most valuable resource of the enterprise, the Group has not only actively recruited external talents, but also emphasized the training of our own employees. In addition, concerning about the physical and mental health and long-term development of the staff, the Group is committed to creating a favorable working environment and a harmonious and friendly working and life atmosphere to achieve maximum values for both enterprise and staff.

The strong sense of communal identity among the staff has been created by harmonious and warm working environment, and surging enthusiasm of the staff has been inspired through mature talent development channel. The transparent mechanism not only ensures the smooth communications between the staff and the Group and deepens the mutual trust, but also brings the Group more valuable feedback from the staff. In the

future, GOME is intended to implement all-rounded and comprehensive trainings for the staff and encourage their innovative thinking to make them genuinely the primary wealth of GOME.

## B1 EMPLOYMENT

### I. EQUAL RECRUITMENT

In the talent recruitment and employment, the Group has consistently adhered to the principle of fairness and strictly prohibited various discriminations, including race, gender, birth place, age, pregnancy and disability. In the staff promotion and training process, all the staff are treated equally and promoted according to their ability, quality and performances. The staff's compensation, benefits and rest periods are carried out strictly in accordance with the law and the Group's policy which treats every staff equally.

#### Basic information of the Group's staff

	2014	2015	2016
Number of employees	42,839	42,015	<b>43,013</b>
Male-female ratio	1:1.06	1:1.07	<b>1:1.06</b>
Proportion of minority employees	5.9%	3.2%	<b>3.4%</b>
Proportion of disabled employees	0.7%	0.6%	<b>0.7%</b>

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## Basic information of the Group's staff in 2016

### Categorization by gender

Gender	Total number of employees	Proportion	Average turnover rate of employees
Male	20,848	48.5%	4.2%
Female	22,165	51.5%	3.9%
<b>Total</b>	<b>43,013</b>	<b>100.0%</b>	<b>4.0%</b>

### Categorization by age

Age	Total number of employees	Proportion
Below 25	3,955	9.2%
25-35	21,788	50.7%
35-45	12,700	29.5%
Above 45	4,570	10.6%
<b>Total</b>	<b>43,013</b>	<b>100.0%</b>

### Categorization by type of employment

Type of employment	Total number of employees	Proportion
Long-term employees	42,389	98.6%
Intern	130	0.3%
Temporary employees	494	1.1%
<b>Total</b>	<b>43,013</b>	<b>100.0%</b>

### Categorization by geographical regions

Geographical regions	Total number of employees	Proportion
Headquarter of the Group <sup>1</sup>	1,765	4.1%
The Northeast Region <sup>2</sup>	3,835	8.9%
The Northern China Region <sup>3</sup>	10,751	25.0%
The Eastern China Region <sup>4</sup>	10,647	24.8%
The Southern China Region <sup>5</sup>	8,215	19.1%
The Western China Region <sup>6</sup>	7,800	18.1%
<b>Total</b>	<b>43,013</b>	<b>100.0%</b>

Note:

1 The headquarter of the Group is based in Beijing

2 The Northeast Region mainly includes Jilin, Shenyang, the Inner Mongolia, Dalian and other regions

3 The Northern China Region mainly includes Beijing, Hebei, Henan, Shandong and other regions

4 The Eastern China Region mainly includes Shanghai, Zhejiang, Jiangxi, Wuhan and other regions

5 The Southern China Region mainly includes Shenzhen, Guangzhou, Fuzhou, Nanning and other regions

6 The Western China Region mainly includes Shaanxi, Gansu, Qinghai, Xinjiang and other regions

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## II. STAFF WELFARE

### Share option scheme

In order to connect the personal interests of senior management to the long-term development of the Group and encourage the senior executives to achieve the targets of the Group and maximize their contribution, the Group implemented the “Share option scheme” which covers the senior executives above director level in the headquarters and general manager level for the branches.

### Company and personal compensation system

In order to share the development achievements of the enterprise with the staff, the Group has formulated the company and personal compensation system. The personal portion depends on the personal performance appraisal, while the company portion directly connects to the performance of the Group. When the Group made satisfactory achievements in the current period, all the staff can share with it.

### Five social insurances and one housing fund

According to the relevant provisions and local laws and regulations of national social security, the pension, unemployment insurance, occupational injury insurance, medical insurance, maternity insurance and housing fund will be arranged and paid by the Group for the staff right after they join the Group.

### Labour union

To better protect the rights of the staff, the Group actively promoted the construction of basic labour union and has formed a well-developed labour union.

### Allowance and subsidy

The Group offers meal subsidy, communication fee, travel expenses, transportation subsidy, heating fee, high temperature subsidy and cooling fee for the staff and provides off-site subsidy and special region allowance for employees who need to travel for business.

### Welfare and leaves

Besides the statutory holidays, annual leave, marriage leave, compassionate leave, maternity leave, occupational injury leave and parental leave provided according to national laws and regulations, the Group adequately manifests humane care by offering special leave for pregnant women employees before giving birth, special leave for their antenatal checking, and nursing room during their lactation period. As for a large number of staff who

stayed away from their home town, the Group offers home visit leave and round trip fee twice a year and journey leave for employees who go back home for funeral. Those employees who have children in school are offered paid leave for attending the parent's meeting as well.

## III. STAFF COMMUNICATIONS

Active communication with the staff is a good way for GOME to understand their needs in order to provide them with appropriate assistance and deepen the mutual trust.

### General manager reception day

The Group has set up and carried out the activity of “General Manager Reception Day” since 2007, which has now become the Group's regular activity and important channel for communication. Through the close conversations on that day, the general manager keeps up with the work and life of employees, keeps abreast of the existing issues in the management processes, and explains to employees the Group's strategic adjustments and development directions.

### Employee dedication survey

The Group carries out the “Employee dedication survey” every year for all staff, summarizes and analyzes the data, and prepares and submits the analysis report to the relevant functional department and division leaders, which helps to understand the staff and strengthen management.

### GOME forum

The Group also provides internal forum as a platform for the staff to express their own words. The forum is divided into respective sections to collect the opinions and suggestions from the staff, enabling timely response and solution for relevant issues.

## IV. STAFF CARE

GOME has been committed to creating a harmonious and warm corporate atmosphere through the active measures to maintain its working environment and the close attention to the staff's daily needs.

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## GOME love mutual fund

Initiated by the Group and participated by staff voluntarily, GOME love mutual fund is a fund raised within the enterprise to support the colleagues in needs. As at the end of 2016, a total of RMB954,800 was raised by the fund and benefited a total of 208 staff in needs.

## Festive gifts

The Group offers Chinese New Year bonus, festive gifts at Mid-Autumn Festival and Dragon Boat Festival, etc., and birthday presents to the staff every year.



As at the end of 2016, a total of  
**RMB954,800** was raised by GOME  
 love mutual fund and benefited a total of 208  
 staff in needs



Cooling in the summer activity



## SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

### Staff activities

In order to implement the “Trust” culture and enhance the employees’ sense of belonging, the Group is actively engaged in diversified functions such as cultural and sports activities, staff care and team building to enrich the work and life of the staff and to create better working experiences. Meanwhile, the Group actively promotes a variety of cultural experience projects, including trust umbrellas, supermarkets and bookstores, to implement and enhance the value of “Trust”.

At important festivals, such as Mid-Autumn Festival, Dragon Boat Festival, Christmas and Women’s Day, the Group organizes staff activities with festive features and offers gifts. At the same time, staff gatherings are arranged to ease the home sick feelings for those who stayed away from their home towns.



Happy get-together at Mid-Autumn Festival



Christmas candy distribution





# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## B2 HEALTH AND SAFETY

### I. OCCUPATIONAL HEALTH AND SAFETY

The Group attaches great importance to the building of working environment and management of mental health for its employees. For instance, air conditioners installation staff need to work aloft, which could be dangerous. To ensure safety, the Group purchases extra commercial insurance on top of contributions to the social insurance for its staff. It also replaces the working tools on a regular basis and organizes training sessions regarding operation specification and skills contests for staff, with an aim to arouse their safety awareness to the largest extent to avoid occupational hazard. Under adverse weather (e.g. high temperatures, heavy rainfall or typhoons), the Group will provide subsidies or other welfare goods to demonstrate its care. It will also adjust the arrangement or requirement on work to help staff cope with emergencies.

In addition, the Group organizes a wide range of cultural and sports activities from time to time to relieve staff's pressure, which may help to create a delighted and relaxing working atmosphere. The Group has been devoting a large amount of manpower, resources, time and costs to the abovementioned work every year.

## II. WORK AND LIFE BALANCE

In order to balance the staff's work and life, GOME organizes art troupe and club for the staff to step back from works, participate in activities and release their stress.

### GOME art troupe

GOME art troupe is a feature and highlight of the Group's corporate culture, which tries to present culture through art and express the culture of GOME "on the stage"! The art troupe provides not only high-quality programs for the annual meeting of the Group, but also mobilizing and stimulating the enthusiasm of the staff at the stores and thus enhancing the operation of stores fantastically.

### Senior executives club

Professional skills, good interpersonal relationships and healthy body are all essential elements to overcome challenges. The club is comprised of all the directors and personnel at higher level in the headquarters and regularly organizes activities to enhance the inter-departmental communications among the senior executives and bring them healthy bodies and abundant energy.



International Avenue Walking Activity of GOME senior executives club

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## Staff health care

Established in 2009, the health club of GOME provides the staff with sports and fitness venues regularly according to their needs and organizes games of soccer, basketball, fun sports, badminton and tug of war, etc. The Group also offers free fitness coupons weekly (twice per person per week) to encourage the staff to actively participate in fitness activities to improve their physical quality.

Furthermore, in order to effectively prevent the occurrence of various diseases and maintain the physical and mental health of the staff, the Group regularly organizes free medical check-ups for the staff to master their own health status. The Group also sets up an inspection team for regular supervision and inspection on the working premises in order to provide the staff with a favorable and comfortable office environment.



GOME's Run for Beauty – Wild Duck Lake Walking Activity of the Finance Department of GOME

## B3 DEVELOPMENT AND TRAINING

### I. INTRODUCING TALENTS

#### Campus recruitment

Since its “Reservoir” project started in 2002, the Group has been recruiting outstanding fresh

graduates from high schools nationwide every year to join the project as the future talent reserve for the enterprise, and has been establishing the channels for young people to enter into the society. The specific career development channels and training programs have been tailor-made for the reservoir staff, and the project has always been an important part of the Group's talent reserve strategy.

#### Summary of the Group's reservoir project

	2014	2015	2016
Number of recruited employees	744	630	<b>657</b>

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## Introducing middle and senior level talents

In order to support the business development of

the Group, the Group actively recruited middle and senior level talents with professional background through social recruitment and other channels.

## Summary of the Group's introduction of mid-to high level talents

	2014	2015	2016
Number of talents introduced	173	299	<b>110</b>

## Introducing new-type talents

In 2016, the Group increased the introduction of talents in the fields of Internet IT, finance and

logistics to accelerate the transformation of talent structure. For instance, to achieve faster delivery and distribution, the organizational structure of the logistical system was adjusted and the number of related employees introduced reached 4,428.

## Summary of the Group's introduction of new-type talents

	2014	2015	2016
Internet technical staff	471	411	<b>451</b>
Logistics system staff	4,549	4,323	<b>4,428</b>

## II. STAFF DEVELOPMENT

Talent is a core element during the course of enterprise development. As the leading enterprise in the home appliances retail industry in China, the Group has always been focusing on the training and development of talents. With its sound talent echelon training system, training course system

and part-time trainer system, the Group has established long-term cooperation relationships with several high-quality training companies with tens of thousands individuals being trained each year, covering aspects such as business, operation, finance, management and information technology. The frequency of training amounted to dozens of times per month on average.

## SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

### Original 3L training system

According to the business needs and job characteristics of the home appliances retail industry, the Group has created a “3L” training

portfolio model, based on which a talent development platform and an advanced training system have been established so that the training of the talent can perfectly complement the corporate strategy.



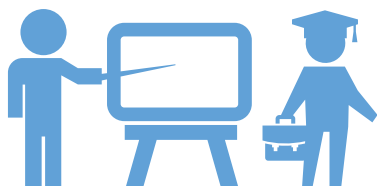
The “3L” training portfolio model

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## *SOL training school*

Drawing on the SOL (Store of Learning) training model from UK and taking into consideration our own characteristics and needs, the Group began the construction of the network of SOL retail training schools in 2009. SOL model means “store in the front and school at the back”, so a store under normal operation is backed by a training school. Trainees receive theoretical trainings first at the school, and put what they have learned into practice in the store after school. Trainees will have access to frontline application and practical theories at the school, so that they can grow rapidly by practising the theories. The total number of SOL training schools in the country had reached 170 in 2016 with total training hours of 115,420 hours.

**The total number of SOL training schools in the country had reached 170 in 2016, with total training hours of 115,420 hours**



## *E-College of GOME*

In December 2009, the Group began to promote the online learning and examination system (E-Learning) of E-College across the country. This platform integrates examinations, evaluations, assessments, e-learning, e-book, training management, learning archives and lecturers management, etc., and formulates more than 14,000 training courses, including corporate culture, management and Enterprise Resources Planning (ERP) system operation, etc.. The working abilities of the staff have been improved continuously through the learning platform that provides trainings without time and geographical boundary. As at the end of 2016, the total learning hours of the E-College of GOME exceeded 10 million hours.

**As at the end of 2016, the total learning hours of the E-College of GOME exceeded**

**10 million hours**



## *Action learning*

The Group has been promoting the working methods of action learning (Action Learning) at all levels to improve the organizational efficiency. In action learning, the staff are encouraged to think and learn in the course of actions according to the issues they encountered.

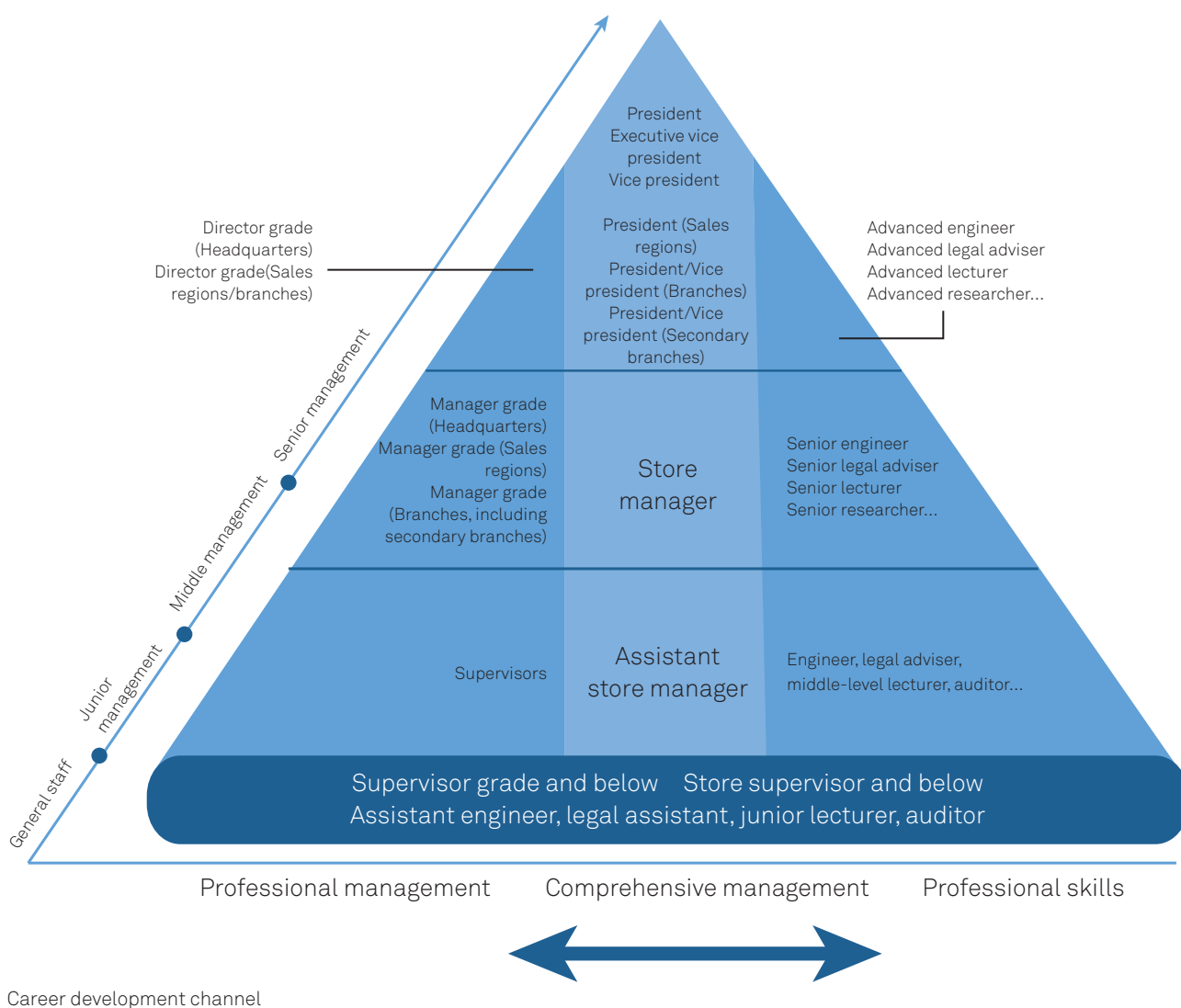


# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## Mature talent development channels

As a leading enterprise in the domestic chain industry, the Group has always been focusing on the training and development of employees at each key level, and has established a hierarchical training system for talents. At basic level, the “Reservoir” project provides the Group with source of talents; At middle level, “Workplace Acceleration Program”, “Reserved Store Manager Training” and “Pilot Program (for store managers)” train and supply the middle-level talent reserves for the Group; At the top level, the “Senior Executives Succession Planning”

provides the senior management team with a reliable talent reserves. Furthermore, the present senior executives also participate in “Executives EDP Seminar” and “EMBA of Top Universities” for advanced education. The implementation of various specific talent development projects has established healthy talent reserves for the enterprise, further improved the professionalism and comprehensive management abilities of staff at all levels, opened up the channel of career development for the staff, and supported the staff to realise their greatest value and potential.





## SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



The Reservoir New Power Training Camp of Eastern China Region of GOME in 2016



"Workplace Acceleration Program" for middle-level management of GOME headquarters in 2016

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## B4 LABOUR STANDARDS

### I. PREVENTING CHILD AND FORCED LABOUR

The Group strictly complies with the State Council Decree No. 364 Prohibition of the Use of Child Labour and prohibits the recruitment of minors under 16 years old. Besides, we provide HR staff with trainings on the relevant laws and regulations from time to time with a view to reinforce their legal knowledge and strengthen their legal awareness, in order to fundamentally prevent the legal risks of use of child labour. Meanwhile, the Group strictly

implements the Paid Annual Leave Regulations and promotes efficient work to encourage the staff to complete the tasks within working hours, while working overtime is not recommended. Managers at all levels are responsible for making reasonable arrangements for the staff's working hours, and overtime work based on work needs is subject to a strict approval process that the hours of overtime work of the same employee shall not exceed 36 hours per month. For the staff working overtime on working days and public holidays, they will have priority in taking day off. All of these are designed to eradicate the "overtime work culture".

#### Summary of working days and holidays of the Group

	Seniority	2014	2015	2016
The ratio of working days/ holidays	Over 10 years	1.869	1.868	<b>1.870</b>
	10 years or below	1.987	1.985	<b>1.986</b>

## B5 SUPPLY CHAIN MANAGEMENT

The rapid development of the Internet is changing people's lifestyles and consumption habits. Under the dual pressure of e-commerce competition and economic environment, the retail industry has undergone dramatic changes, where the traditional advantage of network scale is replaced by the advantages of customer traffics and links while the comprehensive retail capacity supported by supply chain is becoming the mainstream. In 2016, after the continuous studying and exploring for the development direction of the industry, GOME proposed the strategy of "Building a Total Retail Community with the support from Omni-channel, New Scenario and the Strong Linkage", and set up several multi-format new scenarios, including "Entertainment & Leisure", "Life & Foods" and "Decoration & Design", etc., to stimulate customer demand, strengthen the links with customers and form the customer traffic portal. Supported by its high-quality supply chain, the selection of goods that are good value for money, the logistics system with high coverage and low cost, and the after-sales service platform with high loyalty, the customers' value are maximized. The future ecosystem of the Group will be composed of these new businesses and traditional businesses, as well as logistics and after-sales platforms.

Following the strategy of "Building a Total Retail Community with the support from Omni-channel, New Scenario and the Strong Linkage". GOME leads the transformation of the industry with innovative thinking, focuses on the construction of new scenario experiences stores, invests in e-commerce, establishes extensive collaboration with online and offline partners, strengthens the link with customers through internet, and provides customers with more satisfactory consumer experiences. In the implementation of this strategy, GOME will create an open supply chain value platform with a view to achieving the mutual growth with its partners and sharing the resources with small and medium-sized suppliers, platform e-commerce merchants and consumers.

The development of GOME is inseparable from its partners. The sustainable development of GOME can only be achieved by constructing an effective platform for cooperation, creating harmonious business environment which is also favorable to its own development and working collaboratively with its partners to promote mutual benefits.

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## Summary of suppliers of the Group in 2016

Geographical regions	Total number of suppliers	Proportion
The Northeast Region	1,028	11.5%
The Northern China Region	2,051	22.9%
The Eastern China Region	2,196	24.5%
The Southern China Region	1,691	18.9%
The Western China Region	1,192	13.3%
Others	797	8.9%
<b>Total</b>	<b>8,955</b>	<b>100.0%</b>

## I. CONSTRUCTING AN INFORMATION SHARING SYSTEM

The establishment of strategic cooperation with suppliers depends largely on a reliable information system. Real-time sales transactions, resources committed, best-selling model supply, inventory

structure and product control provide all parties with accurate information for decision making timely and effectively. In particular, the inventory information system closely links to goods trading and market information. A perfect information sharing system platform will better promote the sales of products for all parties.

### Information sharing platform



Notes:

- 1 Refers to information relating to product sales, such as the number of merchandize sold in the stores, the price and the use of resources, etc.
- 2 Refers to information relating to market activities, such as customer purchase data, competitive products sales information, promotional activities information, etc.
- 3 Refers to information relating to inventory, such as inventory structure, inventory of best-selling items or key models, delivery information, etc.

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Over the past few years, the utilization rate of Enterprise Cooperation Platform (ECP) by suppliers has been increasing year on year, from 74.8% in 2014 to 92.5% in 2015. The ECP utilization rate has reached 100% since 1 January 2016 right after the launch of purchase order confirmation control for all suppliers.

## II. COOPERATION WITH SUPPLIERS

The seamless connections between GOME and its partners are primarily based on the building up of their own internal processes. For instance, in the strategic cooperation between GOME and Haier, GOME sets up a Haier business unit while Haier sets up a GOME operating unit as well, specifically responsible for the seamless communication between both parties. As a result, the cooperation between the two sides is further deepened. At the same time, the parties also jointly develop and design products based on consumer demand and jointly hold internal marketing activities from time to time to ensure timely communication and coordination.

## III. FORMULATING INCENTIVE MEASURES

Appropriate incentives can motivate the counterparties to cooperate actively. GOME has established the objective, fair and reasonable evaluation mechanism and incentive measures and given suppliers certain incentives when the target is accomplished to mobilize the enthusiasm and initiative of the suppliers.

Booth  
selecting  
priority

Order  
incentives

Information  
incentives

## IV. SAY NO TO “VIOLATION”

GOME has established the brand concept and corporate culture based on “Trust” and a clear definition of misconduct, including fraud, corruption, bribery, unauthorized activity, dereliction of duty, provocation, dangerous acts and information leakage. The staff of GOME must consciously implement the “Trust” culture and refuse the irregularities to maintain good relationship with the suppliers.

## V. SOCIAL RESPONSIBILITY RISK MANAGEMENT OF SUPPLY CHAIN

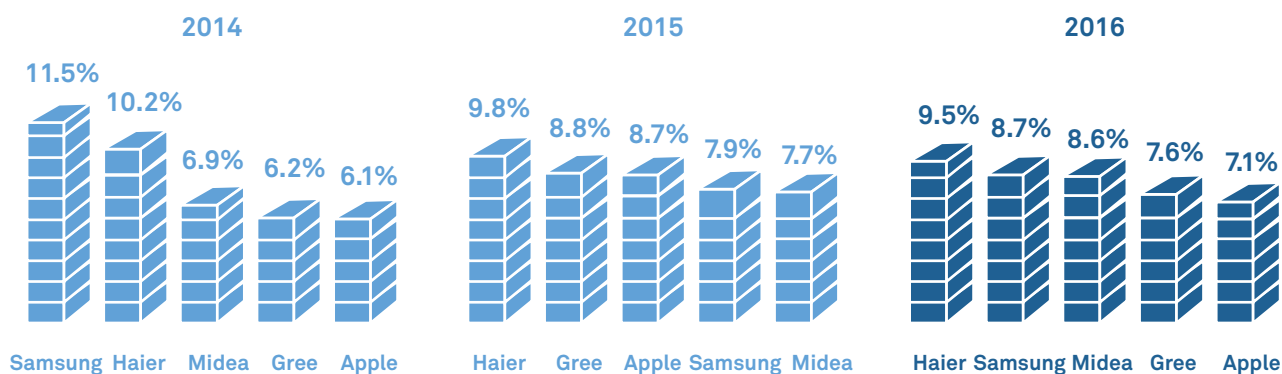
According to the internal research results of risks found in the supply chain and the social impact of the products provided by different suppliers, GOME divides the suppliers into three categories: high, medium and low risks. Different response measures have been formulated against different risk levels. For high risk suppliers, GOME takes strict measures and communicate directly to them to continuously monitor the improvement of performance. For medium risk suppliers, GOME actively involves in supply chain management and keeps monitoring their fulfillment of social responsibility. As for low risk suppliers, GOME executes the restrictive terms pursuant to the corporate social responsibility standards and the purchase orders.

## SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Meanwhile, GOME believes that a reputable company that truly fulfills its social responsibility should give suppliers with difficulties the room for improvement and necessary resources to help them to fulfill their social responsibilities. The cooperation with the suppliers can only be terminated when a supplier repeatedly fail to comply with the code of conduct at a certain period of time. GOME is willing to work together by providing resources and opportunities to help those partners to improve their performance.

GOME regularly communicates with suppliers, listens to their suggestions and endeavors to deal with their concerns. Leveraging on the well-developed supplier system and the cooperation attitude of mutual supports and interests sharing, GOME is able to maintain stable and long-term cooperation with the suppliers.

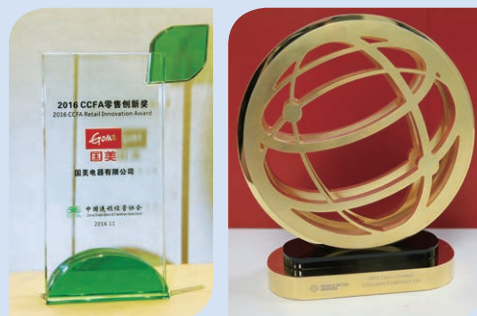
**The proportion of total procurement of top 5 suppliers of GOME during 2014 to 2016**





# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Leveraging on the provision of outstanding shopping experiences through the integration of online, offline and mobile channels covering omni-channel, scenarios and products, GOME improves shopping experiences of consumers and strengthens the links with the customers to achieve retail sales growth. In 2016, GOME was awarded the CCFA “China Retail Innovation Award” at the 18th China Retail Industry Convention thanks to its pioneering Total Retail Ecosystem strategy and the concept of household solution provider. At the same time, being active in the world retail arena, GOME has been invited to the World Retail Congress for several times, in which GOME was the only Chinese enterprise awarded the “Best Omni Channel Consumer Experience” by World Retail Congress in 2016.



## B6 PRODUCT RESPONSIBILITY

### I. SELECTION OF SUPPLIERS AND QUALITY CONTROL OF PRODUCTS

#### Selection of suppliers and products

The products sold by GOME are subject to strict inspection on top of supplier's own inspection system to ensure the quality and safety standards have been met.

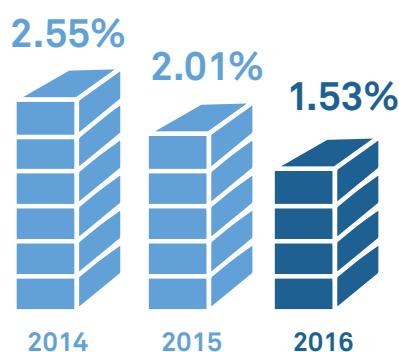
- All the suppliers cooperating with GOME are certified suppliers of China Compulsory Certification (“3C”), which is a product conformity assessment system implemented by the Chinese government in accordance with laws and regulations to protect the personal safety of consumers and national security, and strengthen product quality management. In addition, before entering into any formal contract with GOME, suppliers are required to provide three kinds of certificates/licenses, including the business license after annual inspection, tax registration certificate and the organization code certificate, which are issued respectively by the Administration for Industry and Commerce, the Administration of Taxation and the Administration of Quality and Technology Supervision;
- GOME attaches great importance to the promotion of energy-saving products and encourages its suppliers to offer energy-saving products.

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## Quality control on products

- In order to ensure the quality of the merchandizes, GOME requires the suppliers to provide third-party quality inspection report for every batch of the supplies. Quality inspection includes the observations, measurements and tests of the quality of the product, and the results are then compared to the standard quality requirements to determine whether the requirements have been fulfilled;
- Before stock in, GOME carries out the sampling test again, including double check on the name, type and quantity as well as inspection on packaging and appearance to see if there is any defacement or depression;
- GOME has formulated a strict sampling test and acceptance regulation. If there are damages to the packaging, or obvious stains, deformation, moisture, mildew or soaking in the packaging, the product will be treated as an unqualified product. The same strict quality control is applied to the accessories and attachments of the in-stock products, which will go through the same acceptance procedures of ordinary products;
- If the defective rate of initial sampling test is higher than or equal to 50%, the sampling coverage will be expanded to 2 times of the number of the initial sampling. If the defective rate of the next sampling test is still higher than or equal to 50%, the whole batch will be disqualified.

## Defective rate of product



The defective rate of product of GOME is showing a downward trend year on year

## Extended warranty services

- In order to reduce consumers' burden, GOME provides extended warranty services for all products. Consumers only need to pay a small sum of extended warranty fee to enjoy free maintenance services within the extended warranty period;
- The extended warranty services of GOME cover all products bought through GOME online or offline platforms, as well as the products purchased through other sales channels (such as other online sales platforms). Customers can enjoy the same treatment, as if the products were bought from GOME, after paying to GOME for the extended warranty services. Thus more consumers will benefit from it;
- The GOME extended warranty services have been launched in 2012, since then the number of subscriptions have been increasing year on year.

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## Complaint Handling

In respect of customers' complaints, the customer service centre of the Group requires all staff to put solving customers' problems as the first priority by adhering to the principle of "Understanding customers' thoughts before solving their problems". Our staff will perform follow-up work in a timely manner with coordination between various parties, they will contact the customer by phone twice a day to report on progress and to ensure proper communications. The Group has implemented the service of "9 promises to ensure pleasant shopping experiences" nationwide, in order to expand the coverage of customer service, eliminate their concerns and fully meet their "needs for goods" and "needs for service".

## B7 ANTI-CORRUPTION

### I. CONSTRUCTION OF ETHICAL TEAMS

#### Education on integrity

In order to build a highly efficient and ethical team, GOME implements education and trainings on integrity throughout the process of staff's employment, promotion, demotion and transfers, and signs the GOME Ethical Commitments with every new entrant that archived in the HR file as an attachment of labour contract.

#### Integrity policy

The GOME Staff Integrity Policy has been set up and updated every year according to the management philosophy and guidance, which is also routinely preached in the morning meetings, business regular meetings, management regular meetings and annual meetings held by working groups, stores, branches, sales regions and headquarters, respectively.

#### Surveillance departments

In order to comprehensively supervise and deal with all violations in daily operations, the Surveillance Center in the headquarters was established in 2002, which had two divisions: disciplinary inspection department and audit department. In addition, local surveillance departments were set up in every branch as well.

## Moral system

In order to strengthen the moral system, the Group set up green channels for whistle-blowing, including telephone, short message and email, etc., and formulated an all-rounded moral system, including reporting reward system, integrity interview system, staff integrity standards, integrity debriefing, integrity responsibility system and staff red line management approach, etc., to ensure a healthy and favorable corporate environment.

In the event of non-compliances and disciplinary offences by staff of the Group, the Group will carry out investigation and come to judgment of such non-compliances and disciplinary offences in a pragmatic manner. Subject to the availability of adequate evidence and appropriate procedures, the Group will have conversations with the staff involved and take disciplinary action against him/her pursuant to the relevant regulations of the Group according to the severity of such non-compliances and disciplinary offences. The staff will also be given the right to make an appeal. We treat punishment as an educational method instead of being the purpose, which is to help staff of the Group to avoid improper behavior, thus achieving continuous development and improvement.

# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## B8 COMMUNITY INVESTMENT

The fulfillment of social responsibilities and the participation in charitable activities by GOME not only demonstrates its active contribution to the society, but also wins trust from more consumers of GOME. While the members of GOME are increasing in recent years, more people have accepted and recognized the “Trust” culture of GOME. In the future, GOME is willing to be the most reliable enterprise by its more sincere and unremitting efforts and better fulfillment of social responsibilities.

Since its establishment, GOME has adhered to its “people-oriented” development strategy and contributed to the society while exploring and marching forward on the road in the past 30 years. GOME understands that there must be a mature

business philosophy as well as a high sense of social responsibility to become a reliable social vane via real efforts and actions. Therefore, GOME has made a long-term strategic planning and devoted unremitting efforts in social responsibility.

At present, the social responsibility and the charitable activities participated by GOME mainly include: promoting social employment, driving economic development, disaster relief, supporting the youth education and helping the old and weak, etc. In the future, GOME will explore and create new charitable models more actively and build the charitable platform constantly to promote the development of social welfare.

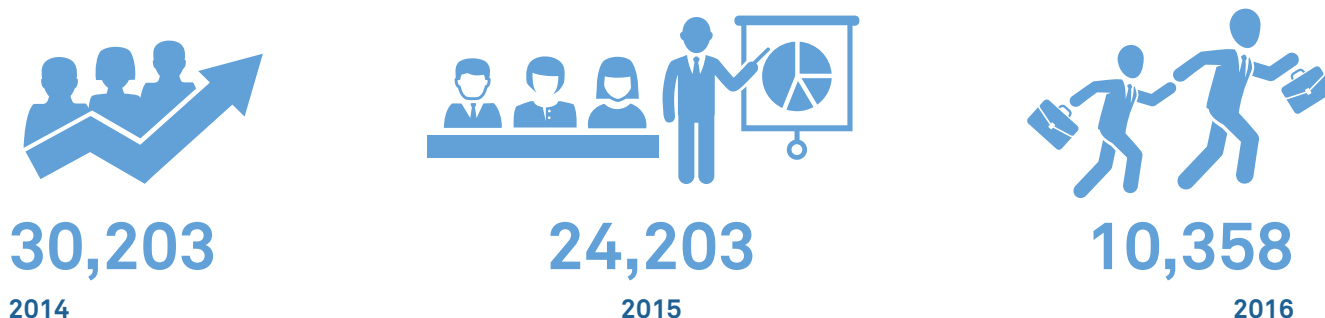


## I. PROMOTING SOCIAL EMPLOYMENT

Every year, by holding a number of campus recruitments for the students across the country, GOME creates new jobs continuously and actively recruits fresh graduates to join the GOME family.

Meanwhile, GOME is offering the care solutions for veterans, the disabled and other vulnerable groups every year, thus promotes local employment actively. As of 2016, GOME directly or indirectly created employment opportunities for 188,120 people.

### Employment opportunities directly or indirectly driven by GOME from 2014 to 2016



As of 2016, GOME directly or indirectly created employment opportunities for **188,120 people**



# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## II. DRIVING ECONOMIC DEVELOPMENT

There are 1,628 GOME stores in more than 400 cities across the country. GOME has also cooperated with Wu Mart Group, Guangzhou Mopark, Wuhan International Trade and other department stores and supermarkets with a view to driving local economic development. Meanwhile, in order to narrow the development differences between the East and West and achieve a balanced and

comprehensive economic development, Chinese government proposed the western development strategy in October 2000. GOME has responded to the policy actively through opening new stores and extending logistics and distribution system to the remote areas, including Gansu, Xinjiang, Guizhou and Yunnan, etc. for consecutive years. As at the end of 2016, GOME had established 211 stores in those areas to support the national strategy of western development.

### Number of stores established by GOME in the western areas as at the end of 2016

	Lanzhou	Guizhou	Kunming	Xi'an	Xinjiang	Total
Number of stores established	20	16	33	109	33	211



# SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

## III. DISASTER RELIEF

The development of an enterprise is not only a process to pursue growth of its own economic value, but also a process to contribute the operating results to the society continuously. During the past years, GOME has not only generated profits for the enterprise, but also undertaken social responsibilities as its duty being an “excellent enterprise citizen” to promote the sustainable development of the whole society. GOME can be found everywhere at the forefront of disaster relief and poverty alleviation to actively shoulder the social responsibilities by achieving our mission: “Wherever it needs, wherever GOME goes”.

In the earthquake of Ludian County, Zhaotong City, Yunnan Province in August 2014, GOME-on-line donated RMB5 million to the earthquake-stricken region on behalf of GOME, and the logistics team of Kunming GOME (a subsidiary of the Company) delivered 50,000 bottles of mineral water and 50,000 boxes of instant noodles to the Civil Affairs Bureau in Ludian County, Zhaotong City. In the magnitude 6.6 earthquake striking Pu'er City,

Yunnan Province in October in the same year, GOME donated RMB1 million in the first place to the earthquake-stricken region for relief, and provided 100 schools in Jinggu County, Pu'er City with multimedia electrical appliances and equipment.

In August 2015, multiple explosions occurred in the hazardous materials warehouse in the international logistics center of Tianjin Port. After that, the logistics team of Tianjin GOME (a subsidiary of the Company) safely delivered 2,000 masks and 100 cartons of mineral water to the site of accident, and nearly 100 employees of Tianjin GOME volunteered to donate blood at a nearby blood station to solve the emergency of Tanggu blood bank.

In June 2016, the tornado disaster occurred in Funing and Sheyang, Yancheng City, Jiangsu Province. GOME donated RMB300,000 to the disaster region immediately to ensure the daily needs of the people in disaster region. Furthermore, all the local staff of GOME volunteered to donate blood to contribute to the compatriots, and went through the difficult times together with the people in disaster region.

### Donations of GOME from 2014 to 2016

	2014	2015	2016
Donation (RMB'000)	2,850	560	5,020



GOME delivered disaster relief materials to Ludian County, Zhaotong City

## SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

On 28 March 2017, the 2016 China Foundation for Poverty Alleviation Donors' Meeting was held at the China National Convention Center in Beijing. With

its long-term insistence and investment to poverty alleviation, GOME was recognized as an enterprise with "Outstanding Contribution in 2016".



GOME was recognized as an enterprise with "Outstanding Contribution in 2016"

### IV. YOUTH EDUCATION

#### Future space

Under the concept of openness and collaboration from the Internet and jointly established with China Foundation for Poverty Alleviation, the "Future space" project of GOME was launched. It is a charity project which focuses on the improvement of education environment in disaster and needy regions and the growth of the rescued. Started in 2013, the project set up multimedia Internet classrooms for the schools in disaster or needy regions, so that the children can learn about

the outside world through the Internet. The first phase of the project was implemented after the earthquake in Ya'an, Sichuan, and GOME donated RMB4 million at once for disaster relief and setting up of 10 "Future space" multimedia classrooms. The second phase of the project was implemented by the donation of electrical appliances and equipment amounting to RMB2.80 million from GOME to 9 schools of the needy regions in Ludian, Yunnan, and 10 "Future space" multimedia classrooms had been set up as well. It is expected that nearly 30,000 students will be benefited from the classrooms every year.

## SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



GOME "Future space" multimedia classroom

At the 6th China Charity Festival which was closed on 11 January 2017, with "Future space" charity project and the documentary "Children of the

Mountain", GOME was awarded the "Charity Practice Award 2016" and "Charity Image Award 2016".



GOME was awarded the "Charity Practice Award 2016" and "Charity Image Award 2016"



## SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

### *Future fund*

On 22 December 2016, GOME and China Foundation for Poverty Alleviation announced together the establishment of “GOME Future Fund”. The project is committed to creating a charity platform for everyone to achieve the sustainable development of social welfare. The fund will be used to

build multimedia classrooms in the schools in mountainous areas and disaster regions and aid the education and life of children in those regions. GOME hopes to build a communication channel for the children in needy areas through “GOME Future Fund” project, and guide the society directly to care the people who really need help.



Launching ceremony of “GOME Future Fund”

## V. HELPING THE OLD AND WEAK

### *Volunteered sons and daughters*

China’s aged population and pension problems have becoming more serious. According to authoritative statistics, the number of empty nesters in 2050 will exceed 49 million. On the eve of the Spring Festival in 2014, GOME launched the special project for caring the empty nesters named “Volunteered sons and daughters” to show their care and love to the

empty nesters and elderly living alone, which had become a long-term public welfare project of GOME.

In September 2014, collaborating with Beijing Volunteer Union and Dajiang Community of Qianmen Street, GOME’s “Volunteered sons and daughters” project held a Mid-Autumn Festival garden party called “Silver dreams and smiling Qianmen”. More than 100 elderly residents from Dajiang community and the volunteered sons and daughters gathered to enjoy the Mid-Autumn Festival.

## SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



The scene of a Mid-Autumn Festival garden party called “Silver dreams and smiling Qianmen” with volunteered sons and daughters

In January 2016, Chongqing GOME (a subsidiary of the Company) held the activity of “Years together – Volunteered sons and daughters” to recruit members and caring people to join the team of

volunteered sons and daughters, visit the elderly and advocate the thanksgiving heart of the society.



GOME “Years together” activity carried out by volunteered sons and daughters to show their care and love to the elderly



## SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Following the traditional Chinese concept of “Respect the elderly of my own family as well as the others” and concerning about the issue of sponsoring the empty nesters and elderly living alone, GOME has established the caring network for empty nesters through 1,628 stores in more than 400 cities across the country by “Volunteered sons and daughters” project, setting up a leading example of public welfare system in the industry.

### “Let’s raise sheep”

From April 2014 to the following January, adhering to the concept of “Teaching one to fish is better than giving him the fish” and collaborating with Chengdu TV and the government of Gaohe Town, Qionglai City, GOME launched the large charitable activity of “Let’s raise sheep” by donating RMB100,000 as a sheep raising fund and 50 sheep to the earthquake victims in Gaohe Town to help them to rebuild their lives after the disaster.



GOME “Let’s raise sheep” charitable project

### “Warm your heart by beautifying China”

As the city beautician, sanitation workers make important contributions to build a clean and tidy city. In recent years, several proposals regarding “concerning about sanitation workers” had been presented in the Two Sessions and triggered discussions and attentions in the public. Being enthusiastic towards public welfare activities and concerning about the living of every group in

the society over the years, with its own resources, GOME has led the whole society to respect and understand the hard works of sanitation workers, and held charitable activities for the needy to get love and care from GOME and the public. With its 1,628 stores, GOME provides sanitation workers with rest rooms, water supplies and meal heating services to warm their hearts.

## SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

In order to ensure their quality of life, GOME launched the charitable activity of “Warm your heart by beautifying China” in February 2016 to donate home appliances to sanitation workers to

fulfill their “tiny wishes” of Spring Festival. GOME’s substantive help to the sanitation workers brought them continuous and non-stop love and care.



GOME donated home appliances to sanitation workers in the activity of “Warm your heart by beautifying China”

### VI. OTHER CHARITABLE ACTIVITIES

In addition to disaster relief, youth education and helping the old and the weak, GOME has extended the scope of charitable activities and widely integrated the powers from the society to hold various forms of charitable activities with rich contents. As a result, more and more people can enjoy the services, assistance and welfare offered by GOME.

In April 2014, cooperating with Beijing News and c2gou.com as well as some home design enterprises, Beijing GOME launched the charitable activity of “My future home – looking for the owners of low-cost housing in Beijing”. Beijing GOME donated RMB500,000 as housing fund for the owners of low-cost housing in Beijing and together

with the home design enterprises, GOME offered them one-stop service in home interior design, improvement, furniture and home appliances.

In April 2015, Beijing GOME carried out the charitable activity of “Benefit from love” and donated materials in a total amount of RMB250,000, plus 30 washing machines to 30 nursing homes and welfare institutions in Fangshan District, Beijing, and issued love coupons with a face value of RMB1,000 to each of the 4,930 low income families and 4,800 preferential individuals.

In January 2016, at the “Star Charity Ceremony 2016”, GOME donated RMB360,000 to Hope Primary Schools in poverty mountain areas to support their education.