



C. BANNER

C. banner International Holdings Limited
千百度國際控股有限公司

Stock Code 股份代號: 1028

ENVIRONMENTAL,
SOCIAL
and
GOVERNANCE
Report

— 2017 —





Environmental, Social and Governance Report For C.banner International Holdings Limited

1. ABOUT THE REPORT

PRINCIPLES OF REPORTING

This report has been prepared with reference to the Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited in December 2015.

REPORTING PERIOD

January 1-December 31, 2017.

REPORTING SCOPE

The report focuses on the activities carried out by C.banner International Holdings Limited and covers the relevant situations of its listed entities. For convenience of expression and reading, C.banner International Holdings Limited is referred to as “C.banner Group” or “C.banner”.

DATA SOURCES

The report authentically reflects the ESG activities carried out by the Group. The report adopts the information and data in the internal documents and statistical reports of the Group, and the summaries and statistics of affiliated companies.

DISCLOSURES

C.banner Group believes that favorable environment, society and governance are essential to the businesses of a company and the sustainable development of the community. C.banner prepared this report in accordance with the ESG Reporting Guide set out in Appendix 27 to the Main Board Listing Rules of the Stock Exchange. Key stakeholders including business units and the management participate in the materiality assessment and identify the significant ESG policies in relation to the Group to be included in this report, so as to ensure disclosures in the ESG report can both cover the strategic priorities and reflect the concerns of key stakeholders.

The report covers key revenue sources of the Group: within the scope of footwear and toy business segments from January 1 to December 31, 2017 (the “Reporting Period” or “FY17”) in relation to ESG. The data in this report is mainly collected from Mayflower Enterprise (Nanjing) Limited (“Nanjing Mayflower”), Dongguan Mayflower Footwear Corporation Limited (“Dongguan Mayflower”), Nanjing Soft Garment & Footwear Co., Ltd. (“Nanjing Soft”), Xuzhou C.banner Shoes Co., Ltd. (“Xuzhou C.banner”) and Hamleys of London Limited (“Hamleys”).

REPORTING LANGUAGE

English

ACCESS TO THE REPORT

The report can be downloaded from the website of the Group.

2. CHAIRMAN’S MESSAGE

2017 is the sixth year of the listing of C.banner Group. This year, our business development is encouraging. In particular, Hamleys’ third flagship store in China, which is the largest Hamleys store in the world was grandly opened in Wangfujing, Beijing last December. At the same time, Banner Plus opened a new store in the shopping center which carried the concept of “Joyful Shoe Store for the Whole Family” to provide customers with men’s, women’s and children’s wear. The one-stop shopping experience of shoes and accessories has placed C.banner in a favorable position to benefit from the opportunities of global economic growth.

C.banner Group has always believed that for the development goal of “implementing global brand strategy and establishing an innovative comprehensive retail platform”, sustainable development is a necessary factor for the company’s success. We must practise and realize the company’s social and environmental responsibilities with a positive attitude and strict standards, strengthen corporate governance, promote innovative and harmonious development, and make more contributions to building a better society while creating more values for all stakeholders.

C.banner Group recognizes the importance of good environmental management and is committed to improving the efficiency of energy, water resources and materials utilization, while reducing the use of natural resources, optimizing production processes, improving efficiency and reducing energy and chemistry per unit of product. In addition, a number of environmental protection measures have been taken to reduce waste and classify and reuse them.

The development of C.banner Group has always been inseparable from “People”. We actively recruit and cultivate the best talents, provide employees with appropriate rights and compensation; and we promote the concept of work and life balancing to keep employees’ physical and mental health; we rely on high-reputation suppliers and excellent employees to ensure product quality and establish a high-quality reputation; we rely on consumers’ trust in us to promote the development of the Group’s business. Individuals’ participations bring a multi-angle inspiration to the Group, encourage us to explore more possibilities for development in our business operation, to achieve a mutually beneficial and self-help realm.

Since the birth of C.banner, it is not only the owner’s private property, but an organic part of society. We value all stakeholders, and while maintaining the environment, we put their opinions in the first place, for which we do our best. This year, the first time we conducted an importance assessment communication with stakeholders, we will gradually expand the scope of stakeholder communication, collect more representative opinions, and improve the performance of the Group from inside out.

Looking forward to the future, we are full of confidence in the development of the Group. We believe that all stakeholders can benefit from the efforts of C.banner Group in sustainable development of environmental, social and governance.

3. ABOUT US

Company name: C.banner International Holdings Limited

Address: 31F, International Trade Center, No.18 East Zhongshan Road, Nanjing, Jiangsu, China

COMPANY PROFILE

C.banner International Holdings Limited (referred to as “C.banner Group”, “C.banner” or, together with its subsidiaries, the “Group”, stock code: 1028) launched the first self-developed brand ‘C.banner’ in the market in 1995 and is currently a leading international integrated retailer, also the leading retailer of high-end women’s business and casual shoes in China. C.banner is engaged in the production and sales of high-end women’s shoes in China with a variety of designs. The company was listed on the main board of the Hong Kong Stock Exchange on September 23, 2011.

In February 2013, the Group acquired the trademarks of internationally well-known fashion brands “BADGLEY MISCHKA” and “MARK & JAMES”. In March and August 2013, the Group entered into a number of distribution agreements to distribute “ASH”, “JC” and “UNITED NUDE” branded products as their major distributor. In December 2016, the Group launched the women’s shoes brand “BADGLEY MISCHKA” in China.

As an industry leader with multiple brands, the Group has a well-developed retail network covering a wide range of business. The Group operates three production facilities in Nanjing, Dongguan and Suining and one R&D center in Foshan. The Group manages all major operating chains, including design and development, outsourcing, manufacturing, marketing, distribution and sales of products, through a vertically integrated business model to respond quickly to market demands.

In October 2015, the Group acquired Hamleys, a world-renowned toy retailer. Hamleys is one of the world’s largest toy retailers with the world’s best-selling toy retail store and the more than 250-year-old Hamleys brand. Through the introduction of the Hamleys brand, the Group aims to expand its business and focus on retail locations such as department stores to achieve a global brand strategy. In October 2016, China’s first Hamleys flagship store was grandly opened in Nanjing. In October 2017, China’s second Hamleys store was opened in Xuzhou.

During the year, the company’s business development was encouraging. In particular, Hamleys’ third flagship store in China was grandly opened in Beijing Wangfujing last December, which is the world’s largest Hamleys store. At the same time, Banner Plus opened a brand new store in the shopping center and promoted the concept of “A Joyful Shoe Store for the Whole Family” to provide customers with men’s, women’s and children’s wear from different brands. The one-stop shopping experience of wears and accessories has placed C.banner in a favorable position to benefit from the opportunities of global economic growth.

Key controlled subsidiaries: Best Invent Holdings Limited, Best Value Profits Limited, Allied Great International Holdings Limited, China Ease Enterprise Limited, Hamleys Global Holdings Limited and Hamleys Holdings Limited

Stock exchange listing: Hong Kong Stock Exchange

Total staff in 2017: 9,403

Business revenue: 3,063,524 (RMB’000)

2017 HIGHLIGHTS

In June 2017, C.banner was selected as one of the “Top 100 Chinese Light Industry Enterprises” by the China National Light Industry Council, in the tenth place on the special capacity list with excellent financial strength.



Meanwhile, C.banner was also awarded the “China Leather Association Footwear Professional Committee Vice President Unit” by the China Leather Association for its good industry performance and industry reputation.

In 2017, Nanjing Shufute Footwear Co., Ltd., a subsidiary of C.banner Group, won the “District Labor Model Award” and “Excellent Worker Award” in the Jiangning District Federation of Trade Unions in Nanjing. Xuzhou C.banner Shoes Co., Ltd. was awarded the “Hope Project Love Enterprise” title in 2017, and won the “Xuzhou May 1st Labor Award” issued by Xuzhou Municipal Government.

4. STAKEHOLDER IMPORTANCE ASSESSMENT

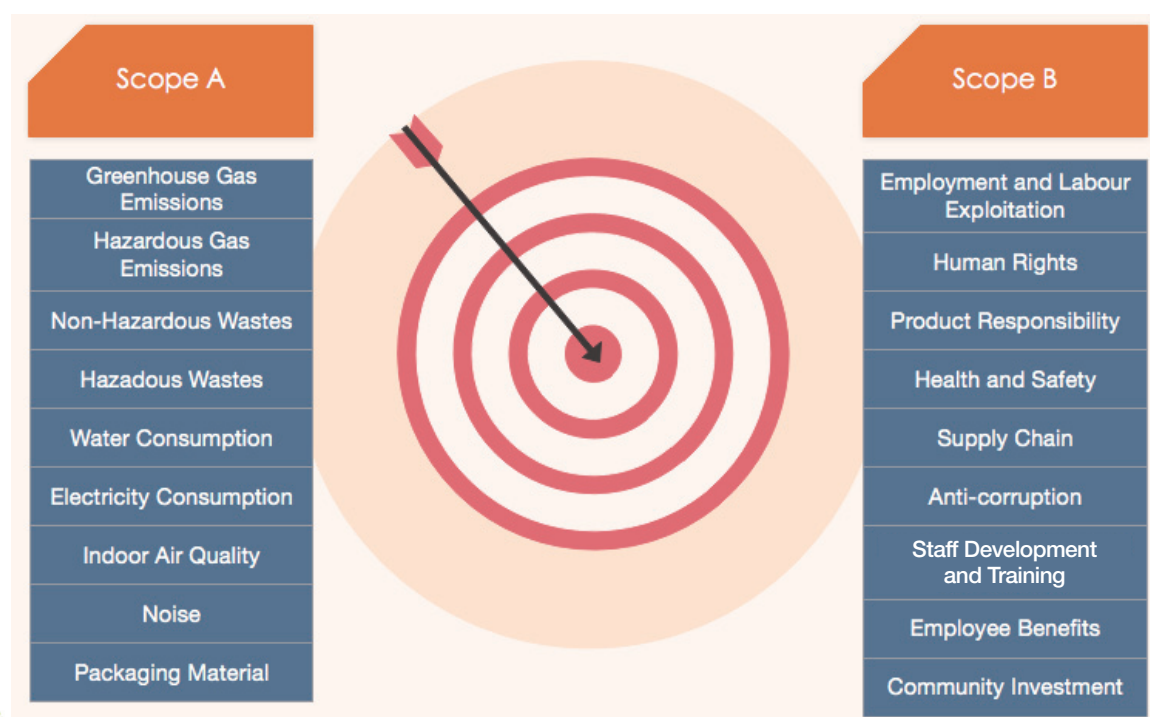
During the year, the Group communicated with stakeholders from all walks of life through staff meetings, supplier conferences, investor conferences and shareholders’ meetings. It is expected that the opinions of stakeholders from all parties can be heard and integrated into the Group’s operations and become the direction for the Group’s long-term development goals.

STAKEHOLDERS RELATED TO THE GROUP'S MAIN BUSINESS



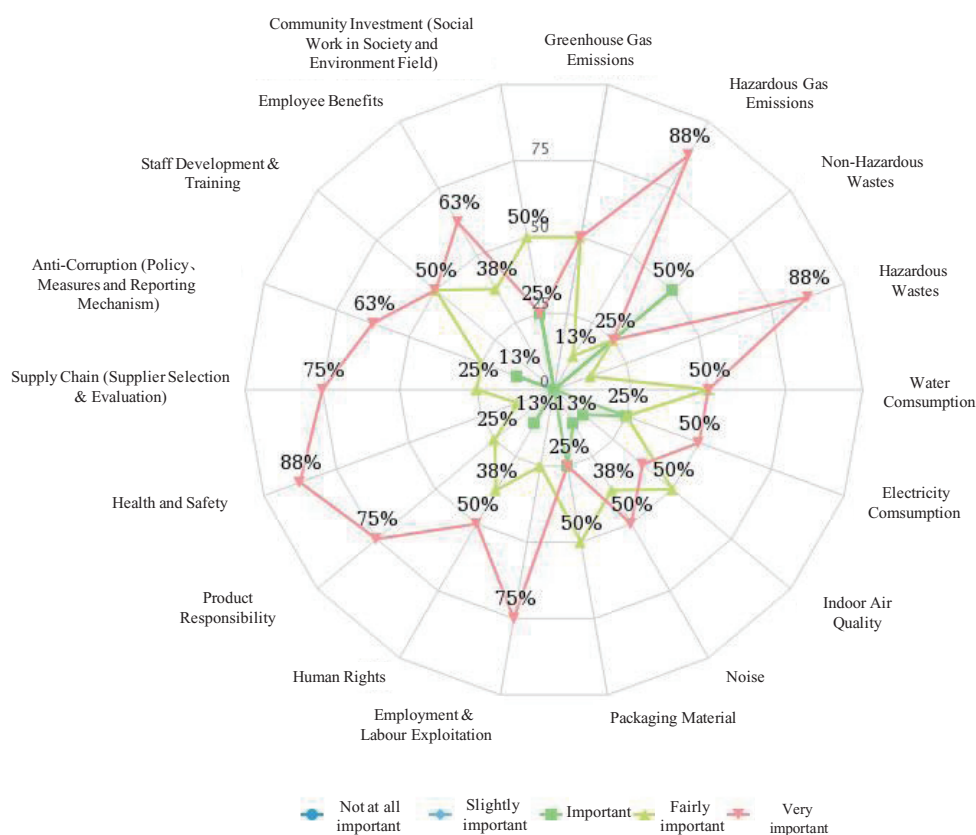
ORDER OF IMPORTANCE

The Group invited some stakeholders to complete the “Environmental, Social and Governance Importance Assessment Questionnaire” and collected their opinions on the degree of impact of the following sustainability issues on the company. The Group compiled the importance matrix based on the questionnaire survey results.



On the basis of the importance assessment and its conclusions, we determine the focus of this year's disclosure. Among them, we will focus on reporting areas that stakeholders consider to be "very important" and secondly on reporting "important" content.

We understand that there are differences in the opinions for each topic due to the different backgrounds and perspectives of each stakeholder. We are committed to balancing the interests of all parties and improving the company's operational performance in the long run. Considering this year is the first time that C.banner Group has conducted a stakeholder survey, we will focus on communication with internal stakeholders and hope to gradually expand the scope and number of participating stakeholders in the future.



5. ENVIRONMENT

Environmental changes pose challenges to our business environment. The greenhouse effect and global climate change have affected the public's consumption patterns, and directly affected our inherent methods of design, production, packaging and sales. It is necessary to conduct internal inspections to address the changes brought about by environmental changes. In the meantime, based on the continuous improvement of social environmental awareness, all stakeholders are more concerned about the Group's environmental protection attitude, hoping that while the Group is making profit, we can shoulder more social responsibilities and contribute to the protection of the environment.

ENVIRONMENTAL MANAGEMENT SYSTEM

During the year, the Group continued to fulfil its environmental obligations and is committed to energy conservation and emission reduction. We have strictly complied with the latest environmental laws and regulations in the place where we operate, and strictly follow the rules and regulations to ensure that all activities of the company comply with the law.

Environmental assessment and report

The Group commissioned a professional organization to conduct environmental testing on its production plants. The main tests include: pH, ammonia nitrogen, animal and vegetable oils, chemical oxygen demand, suspended solids, total nitrogen, total phosphorus and daytime factory ambient noise. All test results meet the recommended national standards.

In the toy business segment, Hamleys strictly follows the compliance requirements of the Energy Savings Opportunity Scheme (“ESOS”), employs professional third-party organizations to conduct energy consumption assessments, and issue the ESOS Summary Report, which meets the British government requirement.

Compliance and appeal

In 2017, no environmental pollution accidents or illegal incidents occurred, and there were no confirmed violations or any complaints related to environmental protection and having significant impact on the Group.

Management organization structure

To ensure that we can properly minimize the impact on the environment, the Group and its subsidiaries are actively involved in environmental work to address overall environmental management, energy, water, waste and food waste. All production related departments carry out production in strict accordance with laws and regulations in daily operations, ensuring that all production activities of the company meet environmental protection requirements and are committed to fulfilling environmental protection obligations.

ENVIRONMENTAL INFORMATION

The environmental information mainly covers our footwear business segment and the toy business segment. The footwear industry line includes our administrative offices and factories in Mainland China. The toy lines include Hamleys stores. The information is mainly estimated by internal staff, based on internal files and records. During this year, our business activities have no significant impacts on the environment and natural resources.

Emissions

Our main emissions are generated by vehicle usage, including nitrogen oxides, SO₂ and particulate matters (PM), all of which have declined from the previous year.

Emissions	2017 Emission data (Unit: gram)	2016 Emission data (Unit: gram)
Nitrogen oxides	1,957,127.51	1,976,544.97
PM	170,614.62	185,786.46
SO ₂	3,083.90	3,741.45

Greenhouse gas emission

C.banner Group’s greenhouse gas emission mainly consists of the waste gas from gas fuel, exhaust emission from automobile usage, indirect emission from purchased electricity and coal, and those from paper usage. In 2017, we discharged 10,200.44 tons of CO₂ in total, a decrease of 18.82% from the previous year.

	2017 Emission data (Unit: ton)	2016 Emission data (Unit: ton)
Scope 1	2,263.44	2,297.06
Scope 2	7,922.09	10,152.76
Scope 3	14.91	115.02

Remarks:

- ✧ Scope 1 – Direct emissions from operations that are owned or controlled by the company;
- ✧ Scope 2 – “Energy indirect” emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the company; and
- ✧ Scope 3 – All other indirect emissions that occur outside the company, including both upstream and downstream emissions.

Waste

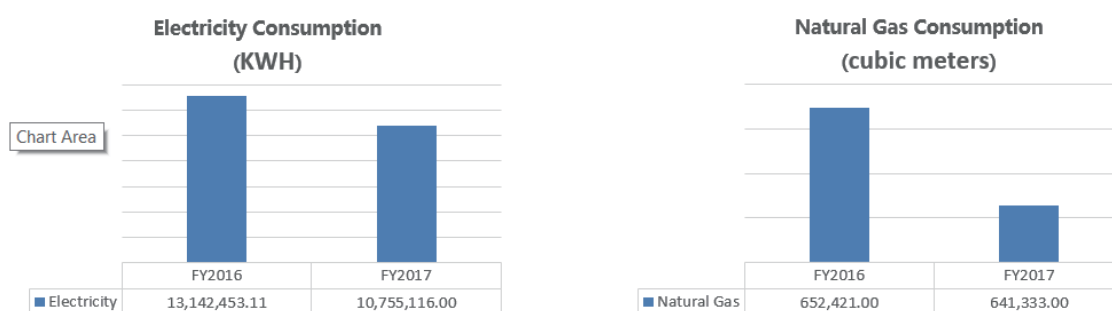
In the footwear business segment, purchasing raw materials for reprocessing is our primary production method, which would not discharge any harmful substance; as for toy business, there is no industrial process, leading to zero discharge of waste.

RESOURCE UTILIZATION

The main resources C.banner Group uses include electricity, natural gas and water. We value and encourage resource conservation, efficient resource utilization and resource cost saving, avoiding the waste of resources.

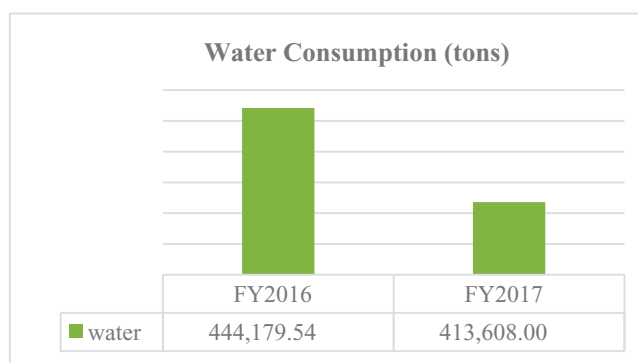
Energy (electricity, natural gas)

The energy C.banner Group consumes include electricity, natural gas, etc. By the end of 2017, we have consumed 10,755,116kWh of electricity, a decrease of 18% from 2016 and natural gas consumption of 641,333 cubic meters, a decrease of 2% from 2016.



Water resources

The water C.banner Group consumes are taken from urban water supply system, mainly used for business and living with little for production. Thus, we would not have severe impact on rivers, lakes, underground water and glacier. We consumed a total of 413,608 tons of water in 2017, a decrease of 7% as compared to 2016 (excluding foreign business).



Packaging materials

C.banner Group attaches great importance to the greenness of packaging materials, encouraging suppliers to use recyclable materials to pack goods. The packaging materials we use include EPE, inner box, wrapping paper, copy paper, outer box and plastic bag, all of which have passed the testing of SGS and met the national or EU standards. During this year, we used a total of approximately 90 tons of packaging materials.

ENVIRONMENTAL PROTECTION MEASURES

Upstream environmental protection measures (Procurement and Development)

The Group is committed to innovation in product development, expecting to meet the changing needs of consumers and bring better products to customers, and we are actively improving the development process to cope with the growing environmental needs. During the year, the Group's production department vigorously promoted the application of big data technology in the footwear production business, and modularized the shoe last data to facilitate the development of new shoe types more conveniently and quickly. The project is still in progress in batches, it will greatly improve the company's research and development process after full scale implementation.

We also put forward environmental requirements for suppliers. The environmental friendliness of materials is taken into consideration when purchasing raw materials and accessories. Each year, the Group employs external professional testing organizations to conduct chemical testing of materials from all suppliers. Each supplier checks at least one type of material to ensure the safety and environmental protection of raw materials. We will also provide relevant environmental protection advice during the daily cooperation with suppliers. In addition, the company will arrange regular inspection on the supplier's factory to ensure that the supplier is committed to environmental protection in the production process. At the same time, we will provide various support to suppliers to create a friendly environment and contribute to environmental protection. In the toy business segment, we also require all supplier factories to implement adequate controls to minimize the impact on the local environment.

Mid-stream environmental protection measures (Production and Operation)

As a manufacturing company, the production process has always incurred the most impact on the ecological environment. For this reason, we try our best to improve the production methods and materials, and hope to make contribution to environmental protection and emission reduction between production and emissions.

Material use

During the year, we further advocated the use of water-based PU glue to replace traditional oil-based PU glue (such as: JY-1607/09-water-based PU glue to replace JY55-1-oily PU glue), further reduced the production of volatiles and pungent odors on the basis of eliminating harmful gases, to ensure that the products purchased by consumers are harmless to the human body and enhance the work experience of employees.

Production efficiency

In addition to the use of water-based PU glue, we further improved the assembly line in 2017 and transformed the original large line into circular assembly lines with fewer employees. At present, the three factories of the Group have a total of 7 circular assembly lines, and increased effectiveness of about 18% compared with the original; at the same time, we also carried out the "100-day rectification plan" in the production plant, "6S management" (SEITON, SEISO, SEIKETSU, SHITSUKE, SECURITY and SAFETY) and "fine management" in the production workshop, in order to improve multi-faceted production process, reduce energy consumption and cost, and improve production levels.

Resource use

At the production level, we have specified that all machines and equipment in the production line must be turned off at rest time. After work, there are patrols to ensure that all power equipment is turned off, ensuring the safety of the equipment in the plant and avoiding the waste of energy consumed by the equipment. At the toy retail store, we ensure that the elevator facilities are closed after all customers have left, and the elevator is stopped for about 11 hours a day, avoiding unnecessary power consumption.

At the office life level, we planted trees outside the plant area, and the trees and shrubs were layered and greened to both beautify the plant environment and absorb carbon emissions. We use energy-saving LED lighting to improve electricity efficiency and reduce power consumption. We also require that the indoor average temperature setting be maintained at 25 degrees Celsius, and energy-saving publicity signs and power consumption details should be set at the air-conditioning and lighting power switch to raise employees' energy-saving awareness.

In terms of water conservation, we try our best to use water-saving equipment, such as the use of efficient water supply equipment, sanitary appliances and water-saving products. Our cleaning staff and canteen kitchen staff also recycle water during cleaning. At the same time, we promote awareness of water consumption and water conservation by posting slogans and other publicity education.

Green operation

Paper products are also one of the materials we use a lot. In order to reduce the carbon emissions caused by paper use and disposal, C.banner Group vigorously promotes paperless office, encourages double-sided printing and reuse of waste paper, and transmits data and communicates by the company's LAN platform system and internal communication software. At the beginning of 2017, in order to standardize the use of office paper, reduce paper waste and office costs, and protect the environment, the company formulated the "Provisional Management Regulations for Headquarters Office Paper Use", paper is provided to each department, and is no longer stored in the printer or copier. Staff have to bring their own paper to do the printing/copying work. After practicing for one year, the effect was obvious. In 2017, the amount of paper we used was reduced by approximately 24% from the previous year (excluding foreign business). We also communicate within the Group through video teleconferences, etc., to reduce the number of business trips and continuously reduce the energy consumption and carbon emissions of vehicles.

Waste water, waste, waste gas treatment

The waste water we produced is mainly from office toilets and kitchen drainage, without toxic, hazardous substances or special substances. The oily wastewater generated in the kitchen is pretreated by the cleaning pool filter to remove solid impurities, and then discharged into urban sewage pipe network. At the same time, the use of detergents containing phosphorus is prohibited.

We set up waste disposal sites in the plant area and promote the classification of waste. For wastes containing hazardous materials such as used glue drums and discarded counters, we have reached an agreement with a qualified supplier to recycle all empty containers for disposal. For the food residue produced in kitchen, we signed an agreement with a farm which was responsible for recycling. During the year, the total amount of hazardous waste generated by us was approximately 1.05 tons, and the total amount for non-hazardous waste was approximately 33 tons (excluding foreign business).

For the exhaust gas part, our main exhaust gas emissions come from the canteen kitchen lampblack, which is discharged to the roof through the oil smoke exhauster to ensure that the smoke reaches the standard to be discharged into the atmosphere. In the toy business segment, Hamleys does not use any corporate vehicles and encourages employees to take public transport.

In the toy business segment, Hamleys has taken due responsibility for the waste of toy resources, fully complying with the WEEE (Waste Electrical and Electronic Equipment) Regulations 2006 and the Waste Battery Disposal Regulations. In order to actually implement these regulations, we have employed Valpak Retail WEEE Services to run the entire abandoned toy recycling program. Valpak Retail Services allocates funds to municipal convenience facilities in various locations and is committed to increasing our level of recyclability.

Noise processing

The noise sources in our factory mainly come from air conditioning units, air compressors, cutting equipment, heat treatment equipment, etc. Since our production lines mainly carry out processing work, the noise level is basically low; for some posts exposed to noise, earplugs will be distributed to protect employees' health and safety.

Downstream environmental protection measures (Sales and Company System)

We are committed to reducing waste and pollution in store decoration and sales.

In the decoration of stores, we have established clear "Selection Standards for Display Companies and Implementation Standards for the Use of Materials", which expressly stipulate the selection of decoration materials for the stores to ensure that there are rules to follow by the decoration companies. For example, we clearly stipulate in the Standards that the plates used in each store must be E1 grade environmentally-friendly MDF, which reduces formaldehyde emissions, reduces pungent odor, and enhances consumer and employee consumption and work experience.

In the toy business segment, the packing of every toy sold by Hamleys is recyclable. Our plastic shopping bags are made of 100% recyclable materials and are fully recyclable. We are committed to providing greener alternatives to plastic shopping bags in all stores. For the footwear sales business, we encourage customers to bring their own shopping bags and actively contribute to environmental protection.

In terms of management system, we strictly abide by the newly revised national laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and other relevant regulations. We implement environmental management systems in offices and factories, set environmental management objectives, and monitor emissions performance to improve environmental performance.

6. SOCIETY

OUR EMPLOYEES

C.banner International Holdings Limited is an investment holding company principally engaged in the manufacture and sale of fashion brand footwear business. The company operates through three business segments: the footwear retail and wholesale division, the footwear contract production division and the toy retail division.

The operation of C.banner Group is mainly labor-intensive in nature, especially in the footwear production and retail of goods. Employees are recruited at different levels. They are very important to our development and are indispensable in the realization of our corporate goals. Therefore, employees are the most important resources and most valuable assets of the C.banner Group. Providing a safe and healthy working environment for employees and creating a harmonious human environment are essential for promoting the company's development.

The company's success is inseparable from the solidarity and cooperation of employees. We have an established promotion mechanism in place to reward employees who have made great contributions to the success of the company. We encourage, reward and promote these contributors; we are committed to creating a harmonious working atmosphere to make employees work with pleasure; we also advocate equal employment and ensure that employees will not face discrimination based on factors such as race, nationality, color, religion, physical disability, gender, sexual orientation, social group or marital status.

Employment information

C.banner Group has set up a human resources management center to manage recruitment, promotion, compensation and benefit and other related processes. We have compiled a “C.banner International and Mayflower Enterprise Employee Handbook”, which sets clear rules about equal employment, prohibition of child labor and forced labour, various salary and benefit packages, etc.

Strictly adhering to policies and regulations, C.banner Group forbids any employment discrimination and forced labour. We strictly follow international conventions on human rights and labour, and employment laws and relevant policies of the locations where we operate business. Under the principle of non-involvement of relatives, we ensure equal competition and avoid impact of kinship on management impartiality.

We have developed the “Management Process of Prohibition against Discrimination” which forbids any forcing, threatening, insulting or exploitative acts, including gestures, languages and actual contact. We also respect the right of all employees to join trade associations and labour unions.

Meanwhile, we forbid child labour and any form of forced labour. Strictly abiding by the relevant rules during the corporate management, the Group prevents employing children under 16 via measures including checking ID cards and comparing the information with that provided by the government platform. We forbid hard labour or forced labour and ensure that all employees work of their own free will.

In our toy business segment, in response to the emphasis by Theresa May, the Prime Minister of UK, of the importance of Modern Slavery Act to urge companies of all industries to solve this important issue as soon as possible, Hamleys forbids any slavery or forced labour, in compliance with relevant rules and regulations. The company has provided relevant trainings to encourage employees to report to Human Resources or the line manager and general manager via the reporting channels once relevant issues are identified.

We did not identify any discrimination, child labour or forced labour issues in the Company in 2017.

Sticking to equal employment, C.banner Group has established an employment mechanism that selects outstanding talents under a fair and equal principle. Our employment information in 2017 is set forth below:

Classification by age:

	Number	Percent
Under 30	3,248	31%
30-45	6,196	59%
Over 45	990	9%

Classification by gender:

	Number	Percent
Male	2,081	20%
Female	8,353	80%

Classification by segment:

Footwear business segment:

	Number	Percent
Management	1,760	19%
Logistics	395	4%
Shopping assistants	5,552	59%
Workers	1,696	18%

Toy business segment:

	Number	Percent
Senior executives	16	2%
Managers	107	10%
Supervisors	55	5%
Others	853	83%

Compensation and benefit

The Group is committed to ensuring that employees' contributions are properly rewarded. In addition to strict compliance with national regulations and policies, including the implementation of minimum wages, provision of statutory holidays, payment of social insurance and other social security, we also provide employees with competitive compensation, our compensation consists of fixed salary and variable salary. The company determines the salary of employees based on employee position value, personal ability, employee's performance and other factors.

Strictly following the national social security policies, we pay various social insurances including pension scheme, medical insurance, work-related injury insurance, maternity insurance as well as housing funds in a timely manner.

In April 2017, the Group adjusted its employee remuneration, adjusted the salary according to the results of the performance appraisal of the employee in the previous year; workers, shopping assistants, management and other levels employees were all involved in the adjustment, and the average increase rate reached about 7%.

C.banner Group provides our employees with a diversity of benefit plans, including health examination, annual leave, free lunch, and allowances to prevent heatstroke, holiday benefits, etc. Staff and management in special positions will be provided with commercial insurances.

Appropriate and safe working environment

In order to express our concern for our employees, we have established and implemented a series of policies and procedures to create a safe and healthy working environment for our employees. We have strengthened our safety awareness and ensured healthy and safe production through various measures such as technology upgrade, capital investment, supervision and assessment.

Security Principle

C.banner Group has established the “Work Safety Management System” and relevant operating procedures, including “Hidden Danger Prevention Measures”, “Workshop Management Regulations”, “Fire Protection Management System”, etc., which specify the company’s management requirements and operation procedures.

We develop and strictly implement precautions and rules for work safety, policies for position responsibilities and operating rules to institutionalize health and safety management, standardize operating processes and define responsibilities. Our production plants are certified as enterprises with the 3rd-tier standardization of work safety (light industry) by the local administrations of work safety, with the credential of Occupational Health Service Organization (Level B) issued by the administrations.

C.banner Group implements work safety responsibility system and defines the safety responsibilities of personnel at every level via policies and rules. Functions and personnel at every level, as well as shift leaders and heads of departments, shall all be liable for the work safety under their management.

We also develop “Emergency Preparedness and Response Management Procedures” in which explicit processes for potential accidents or emergencies are provided to minimize potential consequences and economic losses. Additionally, the company set up a fire safety committee to provide fire-fighting facilities as required and conduct regular fire prevention inspections and annual fire drills.

Security Measures

C.banner Group highly concerns about employees’ health and safety. We commission third party professional institutions to inspect and report risk factors of occupational diseases by examining hazardous substances and dust in the production places in line with the national occupational health standards. For the operation of certain equipment (e.g. cutting machines) during production, two-handed operation is required to avoid potential risks and accidents. The air compressors we use are equipped with dust collectors to avoid health risks for employees caused by dust during operation.

We provide factory front-line staff protection equipment including PVC gloves, respirators, dust masks and earplugs, and supervise and check their wearing. Meanwhile, every production plant is equipped with emergency medical supplies for first aid in accidents. We are committed to creating a comfortable, healthy and safe working and living environment for our employees.

We provide free health check for all employees and professional occupational health check for employees at positions with occupational hazards to ensure that employees meet relevant regulations and contribute to their health. Moreover, we provide trainings of occupational disease prevention and promote the use of labour protection supplies to enhance employees’ occupational health awareness.

Safety Training

C.banner Group emphasizes that “Safety always comes first”. We use various approaches to raise the safety awareness of employees, such as induction safety trainings, pre-job training, warning labels on equipment, and bulletin boards in plant areas. We continue to improve safety management to ensure the realization of safe production goals.

Security incident data disclosure

The Company had no liability for any major safety incident nor fatal injury in 2017, which indicates the effectiveness of our safety and health measures.

Harmonious working environment

In the living environment, we have a staff canteen to provide balanced diets, with constant improvements made in terms of dining environment, service mode, and consumer demand to provide better dining experience to our staff. We also have sports field established in production base to hold occasional sports events, helping staff enhance physical fitness, alleviate stress, and strike a balance between work and life. In addition, we hold summer camp for the children of our employees to experience the working environment of their parents, which will enhance our staff’s sense of belonging.

The Company has been actively involved in creating a pleasant, open, healthy, friendly and harmonious atmosphere. In daily work, the Company is committed to weakening corporate hierarchy by calling each other in English name or full name, and providing both the management and the general staff in its production base with equal accommodations and dining facilities.

We have also set up the C.banner International Love Fund, mainly comprised of donations from the staff and the Company, supplemented with external donations. This Love Fund with centralized management, provides a platform for C.banner’s staff to help each other and facilitates the endeavor to provide for a healthy life of all staff. In addition, the Fund has also brought about some social benefits.

Employee development

Training policy

Led by the human resources department, C.banner Group has established a staff training system. All business departments work together to carry out various trainings to improve the skills and quality of employees, meet the professional needs of employees at different stages, and consolidate the career development channels of employees.

Training information disclosure

We provide various trainings on different subjects. In 2017, in addition to regular training for new employees, pre-job training, etc., we also provided “Special Training for Shopping Assistant Salary System”, “Non-financial manager’s financial management”, “HR job training in marketing system”, “Operation of factory store”, “Innovative thinking and operation of new media” and other trainings for company management personnel. For the shopping assistants in the branch companies, we also provide new knowledge introduction, sales skills improvement, shop operation training courses, etc. We hold various types of training courses and activities for our employees. In 2017, in the footwear business segment, about 500 person-times of the management staff participated in a total of 330 class hours of training, and about 7,200 person-times of the sales staff participated in a total of 6,500 class hours of training.

Recruitment process and career ladder

C.banner Group is committed to fostering industrial elites and leaders, improving core competition advantages. In terms of career ladder, C.banner Group has set up a fair and open assessment system, which will provide employees with equal opportunities for promotion and development according to their work performance and internal assessment results to explore their potential for work.

There is promotion channel for each position in C.banner. Based on the post requirements and employee's capabilities, we create diversified development platform for those who have outstanding performance and build human resources framework which is aligned with our corporate development strategy.

Corporate culture

Internal communication

Through the "Beauty" program in the company's internal Wechat Account "XueYuan", the company keeps in touch with the employees on the company's development. The account regularly sends various newsletters, publishes company news, and promotes our corporate culture. At the same time, the company's management will conduct field visits from time to time, exchange ideas with employees face to face, which will help to better understand the challenges faced by employees.

C.banner Group holds staff meeting every half year to mobilize more than 300 employees from front line staff to the management team to summarize and discuss their work for the past six months, and look forward to the next stage of the company's development and work arrangements.

The company also regularly conducts the "Dedication Survey" to enhance the dedication of employees through encouraging self-awareness and self-reflection about their own work.

Awards and Incentives

At the beginning of each year, C.banner Group commends the outstanding employees of the previous year, involving the first-line employees, shopping assistants, management and so on. At the same time, the company also commends the team with outstanding cooperation performance. For those outstanding employees and teams, the company will award them with medals and bonuses. At the same time, the sales line will reward the excellent shopping assistants on a quarterly basis to encourage their contribution to the company.

OUR CLIENTS

Customer opinions

C.banner values the experience and feelings of all customers. In addition to strict control over product quality, we are committed to listening to our customers and optimizing our products based on our customers' opinions and developing targeted improvement plans. During the year, we continued to follow the "Regulations on C.banner Online/Offline Customer Complaint and Maintenance Treatment Process". Customers can communicate directly with customer service personnel through online and offline channels to reflect their opinions. Our customer service staff will file the customer's complaints and opinions under the company's rules, and then forward them to the relevant departments for follow-up to ensure that the customer's complaints are properly handled. We also have a return visit system for customer complaints, requiring after-sales customer service personnel to follow up the complaints with proper handling for customer satisfaction.

We attach great importance to customer opinions. If batches of the same type of complaints are received, we will organize the heads of production departments to review the overall product quality, carry out full-scale investigation for improvement, and conduct comprehensive product recovery if necessary.

C.banner has been committed to building a complete product repair & return system and customer feedback pipeline, aiming at protecting consumer rights. We believe that only by making customers feel valued can we build stable customer loyalty and allow us to continue to move forward.

The number of customer complaints we received in 2017 only accounted for 1.03% of the total sales (excluding foreign business).

Product quality

C.banner Group attaches great importance to the quality and reputation of our products. Our products are subject to stringent testing before being introduced to the market to ensure that all products will not affect the health of customers. Our Quality Inspection Department and Quality Control Department strictly implement relevant quality management systems, including the “Quality Management Regulations of Quality Assurance Department” to ensure the provision of quality products to customers.

In 2017, we further strengthened the management of quality control and implemented various measures, including the elimination of second-class products in all workshops, the elimination of intermediate-end inspection personnel, strengthening of whole-process management, and increase of management personnel throughout the inspection process. Through multiple inspections at the factory, the safety and health risks of the products are minimized to ensure that only the highest quality products can be delivered to the customers.

C.banner Group also attaches great importance to the inspection of raw materials. We have established a stringent testing process to set detailed and targeted operation procedures for different types of raw materials to ensure the quality of raw materials and their impact on the environment. Taking leather testing as an example, firstly, we require to identify the sample by factors including grade, utilization, color, and style. Upon arrival of the goods, we require detailed inspections in terms of quantity, appearance, physical properties, and chemical environmental protection.

In the toy business segment, Hamleys compiled the Quality and Supplier Operations Manual. All products of self-developed branding are required to undergo stringent technical inspection from the materials used, product safety and storage to ensure every toy sold is of good quality. For other branded products, we require suppliers to provide relevant documents certifying that the product has passed all quality inspections. Besides, Hamleys, as a member of British Toy & Hobby Association (BTHA), always takes quality of toys as the top priority. We have entered into memorandum of understanding with International Council of Toy Industries (ICTI). Passing the ICTI certificate is a prerequisite for suppliers to do business with us.

In order to improve product quality and enhance customer experience, C.banner Group puts massive resources into product R&D and upgrading in order to improve customer experience. We are committed to R&D of products meeting customer demand based on our understanding of the mass market. Technology enhancements not only bring new product experience to customers, but also help us continuously improve and transform different series of existing products.

Customer privacy

Protecting customer privacy is one of our priorities. We establish Data Protection Policy for VIP Customers and input all customer data into our CRM system for central management by CRM department. Terminal stores could only check these data, having no right to use or obtain related consumption data privately. We promise to strictly abide by all relevant laws and regulations as well as keep all the customer data under supervision, while ensuring no third parties could have access to the data privately.

As for the security management of the system, we specify security requirements in related policies of information security management and engage external examination bodies to conduct supervision and review to ensure smoothness and security of the system.

OUR SUPPLIERS

Management policy

C.banner Group emphasizes the establishment of a standardized process system, carefully manages each sub-process of supply chain management, and ensures that the management of supply chain work is carried out in an orderly manner.

In 2017, C.banner Group continued to emphasize green supply chain management and fixed purchasing processes, for which we developed the Purchasing Center Working Manual for footwear business segment and the Quality and Supplier Operations Manual for toy business segment. “Replacing rule by man with rule by law”, we strengthened supply chain management by improving systems and processes as well as implemented supply chain process management based on a series of specific instructions on supplier selection, supplier catalog, cost management, delivery management, quality management, and supplier evaluation, in order to make sure that there are rules to follow and evidence to rely on for every part of the supply chain.

Supplier selection and evaluation process

Supplier Admission and evaluation mechanism

C.banner Group's purchasing center carries out centralized procurement of required materials for production such as fabrics, linings and hardware. We have an objective, rigorous and fair supplier access evaluation system. Suppliers must pass internal audits. All partner suppliers have relevant records and regular reviews to maintain a long-term, high-quality supply chain system and partnership.

We implement strict and impartial supplier access procedures to select the best cost-effective suppliers into our supplier list by means of competitive bidding. Supplier selection needs to be subject to strict evaluation processes, in which the Finance Department, Merchandise Department, R&D Department, Cost Control Department, and Purchasing Department need to take part. The main considerations for supplier selection are:

- 1) Performance in terms of credit status, creditworthiness and delivery status;
- 2) Performance in product development capability, production capacity, and equipment management capability; and
- 3) Performance in product quality control.

Meanwhile, we formulate the material testing plan to carry out sampling inspection on appearance, physical performance, and chemical performance in order to guarantee product quality and improve the standard of supply chain management.

For the toy business segment, Hamleys is committed to providing best-quality products for customers, so Hamleys only chooses those suppliers with sound quality systems for cooperation. All suppliers need to provide copies of International Council of Toy Industries (ICTI) certification and ISO 9000 certification or other third-party audit reports with equal authenticity to Hamleys' technical experts or Quality Assurance Department.

Raw material price database

We set up a team for raw material price evaluation in the purchasing center and build the raw material price database through data collection and field visits, which not only ensures that purchasing work is carried out in an orderly manner, but also avoids unethical conducts and protects the interests of the company and stakeholders.

Sunshine agreement

In order to create a healthy business environment, maintain fair competition order, and enable normal and healthy development of business partnership, C.banner Group adheres to the principles of openness, impartiality, integrity, and transparency in its business activities. We sign the Sunshine Agreements with all suppliers on legal compliance, integrity management, and business morality, requiring suppliers not to be engaged in commercial bribery behaviours violating the laws.

Purchasing accountability system

We set up a sound purchasing accountability system to determine approval hierarchy and refine approval processes of supply chain management, which not only guarantees the segregation of duties and avoids unethical conducts, but also defines process flows and improves the efficiency of supply chain management.

Supplier diversity

As an excellent footwear brand in the Chinese market, C.banner Group has a quality supply chain system. We encourage suppliers of different regions, nationalities, cultures, and races to join our supply chain system based on the principles of fairness and impartiality. Meanwhile, our production bases around the world work on local procurement and actively seek for excellent local suppliers in order to lower purchasing cost greatly, promote local economic development, lessen transportation energy consumption, and reduce carbon emissions.

Promotion of suppliers' development

C.banner Group deeply believes that we must develop together with our suppliers. For this reason, in addition to stringent selection of partners, we will also help suppliers to upgrade their governance, production and operation. In order to encourage the continuous improvement of suppliers, we hold supplier conferences every quarter; according to the characteristics of different types of suppliers, we evaluate the supplier's product delivery, quality and other aspects, and calculate the total score and ranking. Suppliers with high rankings will receive additional resources and assistance to encourage them to improve their performance.

COMMUNITY ENGAGEMENT

Internal administration enhancement

C.banner Group and our employees are in strict compliance with related laws and code of ethics. There were no cases regarding corruption, bribery, blackmail and money laundering occurred in 2017.

We have developed and implemented an audit and report system as well as hired independent auditors to conduct external audit to prevent and control the occurrence of fraud and wrongdoings. C.banner Group keeps the promise to abide by business operation-related laws and regulations. To combat corruption, we firstly strengthened management and control in the business process, and a whistleblowing policy was also implemented. With the establishment of General Manager Mailbox, employees could report alleged breaches of national laws, regulations and policies, corporate internal control issues and other frauds or violations. Meanwhile, the Group must hold the information of the whistleblower strictly confidential, ensuring he/she would not suffer from any form of illegal retaliation or discrimination.

In the toy business segment, we regulate anti-corruption and reporting measures in the Staff Code of Conduct. We strictly prohibit any kinds of soliciting and accepting bribes, and also establish confidential reporting channel for employees to report any alleged corruption and fraud.

Corporate governance improvement

C.banner Group believes that good corporate governance is an important cornerstone for building corporate credibility. The company's management and each employee are committed to fulfilling their corporate responsibilities and ensuring that the company is well managed to meet the interests of all stakeholders. For this purpose, the company has established a governance structure for all levels of personnel. Board members are responsible for overseeing the company's strategy and direction of development. The company's executive management is responsible for formulating and implementing the required policies and systems, and employees at all levels work together to achieve a good company management.

Charity activities

C.banner Group highly values the harmonious relationship with the community. We learn about what the community needs through active participation in local activities and ensure our business activities are in the interest of the community with concrete actions.

Stores of Hamleys in the UK also hold a number of public service activities, such as charity sales of toys to help children who spend their Christmas in hospital and star war-themed activities to raise fund for charity organizations, etc.

We care for the people who are in need, offering them necessary help. We also donate money to local charities every year.

In 2017, C.banner Group actively participated in a variety of charity activities and made donations and condolences to poor college students, regional charitable funds, disabled people's foundations, army officers and soldiers.

In the UK, Hamleys also actively supports various charities and participates in various charitable campaigns through store activities.

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