



國美零售控股有限公司 *

Stock Code:493



2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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GOME Retail Holdings Limited

Environmental, Social and Governance Report 2017

INTRODUCTION

GOME Retail Holdings Limited (the “Company”) has been listed on The Hong Kong Stock Exchange (stock code: 493) since July 2004 (together with its subsidiaries, hereinafter referred to as “GOME” or the “Group”). GOME was founded in China in 1987 and is engaging in the retail business of electrical appliances and consumer electronics in China. It is a leading electrical appliances and consumer electronics retail chain enterprise in China.

In line with its concept that “one’s actions shape the way he is recounted and remembered by later generations”, GOME believes the most valuable wealth is one that comes with a warm heart, and the most competitive and vibrant companies are the ones playing an active role in undertaking social responsibility. As a good corporate citizen, GOME’s business philosophy is to achieve a win-win result in both economic and social benefits. While creating its economic values, GOME takes initiatives to assume corporate social responsibility and create a greater corporate value.

Responding positively to government policies, GOME is evolving from an electrical appliance retailer to a one-stop home solution provider. Based on its “Home • Living” strategy, and by providing eco-friendly products and delivering eco-friendly solutions, Gome helps to develop green living habits. GOME is a pioneer in the home appliance retail chain enterprise in China. The Group integrates the green and low-carbon emission concept into its various sectors such as daily operations, product sales and supply chain management, as well as promotes green and sustainable development in all aspects of the product, customer and industry sides to create sustainable, ecological wealth.

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

ENVIRONMENTAL

VISION OF ENVIRONMENTAL PROTECTION

GOME, an iconic Chinese retail company, is fulfilling its corporate social responsibility for energy conservation and environmental protection. In terms of supply chain, GOME has essential connections with upstream and downstream companies and achieves strategic cooperation with them. It carries out information exchanges with suppliers by transmitting the market's product demand to factories to make customized products. This creates an environment that moves towards green productions and green consumptions. For business operations, GOME has always been committed to low-carbon development. Through green procurement, operations, sales, logistics and after-sales, it builds an eco-friendly and closed-loop model to promote sustainable development throughout the entire process. At the consumer level, it effectively introduces users to a green living space by transforming its stores, and promotes green consumption by changing customer's

behaviour, consumption patterns and products. In the future, GOME will continue to positively respond to government policies, adhere to the green and low-carbon development strategy and accelerate the popularization of the green living concept, growing into an eco-friendly and sustainable company that sets the benchmark.

A1 EMISSIONS

The principal business of GOME is the operation and management of networks 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 from production. It generates emissions indirectly during its operations due to the use of resources such as electricity and gasoline. GOME has been working hard in reducing the consumption of resources and cutting emissions through an array of measures, details of which are set out in the following chapters.

Indirect carbon emission by the Group

Indirect carbon
emission in 2016



412,295 tones

Indirect carbon
emission in 2017



428,422 tones

Note: The increase in indirect carbon emission in 2017 was mainly due to the Group's acquisition of Artway Development Limited and its subsidiaries (the "Artway Group") on 31 March 2016. The data for 2016 did not include those from the Target Group during January to March in 2016.

ENVIRONMENTAL

A2, A3 USE OF RESOURCES

I. ENERGY CONSERVATION

Electricity Saving

During its operations, GOME exercises stringent control over the amount of electricity it uses to minimize the cost of electricity, and to reduce energy consumption. The following measures were taken:

- Promoted energy-saving electrical products as well as eco-friendly lighting products and technologies;
- Carried out energy-saving renovation at stores by replacing halogen lamps with LED lamps;
- No unnecessary daytime lamps and ever-burning lamps were used, and strengthened the monitoring of daily electricity consumption;
- Reduced electricity usage and switched off unused equipment in offices.

In terms of electricity consumption at the stores, the total power consumption by the Group was approximately 597,680,000 kWh during 2017.

Electricity consumption by the Group	2016	2017	Change
Electricity costs (RMB)	603,896,000	621,587,000	2.9%
Electricity consumption (kWh) (Note 1)	580,670,000	597,680,000	2.9%
Average electricity consumption per month per store (kWh)	32,420	31,050	(4.2)%

Note 1: The increase in electricity consumption in 2017 was mainly due to the data in 2016, which did not include those from the Target Group during January to March in 2016. However, the average electricity consumption per month per store in 2017 showed a downward trend.

In respect of store transformation for energy conservation, LED energy-saving lamps were used in all the stores of GOME, huge amount of energy has been saved as compared to using the old halogen lamps.

ENVIRONMENTAL

Water Saving

GOME actively responds to the government's energy and water saving initiatives and places emphasis on energy and water saving at its stores, controlling energy consumption while saving water costs. The main measures were as follows:

- Energy-saving equipment was used in stores' decorations or for routine maintenance;
- Fixed quantity control was applied based on the historical amount used by each unit, the size of stores and the number of restrooms;
- Daily inspections were carried out to avoid water waste due to evaporation, water emitting, dripping or leaking.

The total water consumption of the Group was approximately 3,524,000 cubic meters during 2017. Besides, the Group has no major problems in obtaining applicable water sources.

Water consumption by the Group	2016	2017	Change
Water costs (RMB)	11,571,000	11,910,000	2.9%
Water consumption (cubic meters) (Note 1)	3,423,000	3,524,000	3.0%
Average water consumption per month per store (cubic meters)	191.11	183.06	(4.2)%

Note 1: The increase of water consumption in 2017 was mainly due to the data in 2016, which did not include those from the Target Group during January to March in 2016. However, the average water consumption per month per store in 2017 showed a downward trend.

The Group promotes paperless operations to save the environment.

- GOME House Manager



产品型号

KFR-26GWWEAB2、KFR-26GWWEAB2

产品特点

- 1、防着凉，精心呵护
- 2、卡通外观，新颜可爱
- 3、物联网，智能控制

结构名称

室内机

温度传感器
 温度湿度空气流通监测（左右各一个）
 冷触媒过滤网（C-1）

排水口
 上下风网出风口
 左右风网出风口（内藏）

显示屏

睡眠模式
 风速
 模式
 全关/睡眠
 电源开关
 电源指示灯
 电源锁死

排水管、排水管固定卡

自由拆卸排水管固定卡
 1. 将排水管固定卡从排水管上取下
 2. 将排水管固定卡插入排水管固定卡槽内
 3. 将排水管固定卡从排水管上取下

接上图

- E-manual

E-invoice: E-invoices, which replaced formerly-used paper invoices, can be kept permanently. Users can check invoices directly on their mobile phones, reducing the amount of paper used for printing invoices.



- E-warranty card



- E-invoice

ENVIRONMENTAL

Logistics Management

To improve the efficiency of its supply chain in 2017, the Group vigorously built a number of regional warehouses (warehouses with delivery capability covering multiple regions) for bulky goods in Shanghai, Xi'an, Chengdu, Wuhan and Guangzhou to assist the surrounding warehouses in solving the supply shortage of high-end and bestselling products. By means of digitized and automated management at the central warehouses, the Group was able to deliver large items of goods needed for city warehouses or stores quickly while ensuring

the supply of goods to consumers in a timely and effective manner.

Moreover, the Group carried out optimal arrangements and planning on transportation routes for goods delivery by making use of the information system to shorten the overall distance of transportation. Vehicles were used effectively by increasing their loading rate and other means to reduce travel distance, so as to achieve the goal of energy conservation and emission reduction.

Gasoline usage of the Group	2016	2017
Fuel expense (RMB)	115,560,000	129,015,000
Gasoline usage (L) (Note 1)	17,779,000	19,848,000

Note1: The increase of gasoline usage in 2017 was mainly due to the data in 2016, which did not include those from the Target Group during January to March in 2016.

Packaging Materials

The principal business of the Group is retailing, and not manufacturing of products. Therefore, the Group does not keep any records on the packaging materials of the products sold.

such as TV sets, refrigerators, washing machines, air conditioners, water heaters, range hoods, air purifiers, toilets and bicycles. As a key industry player, GOME always adheres to the government's policies with practical actions by encouraging consumers to shift to energy-saving home appliances in an inclusive manner.

II. SALES OF GREEN PRODUCTS AND RECYCLING

Sales of Energy-saving Products

2017 was the fourth year for the energy-saving subsidy program for home appliances and the number of subsidized categories had been increased. Products eligible for energy-saving subsidies were not limited to home appliances, but were also covered under nine categories of product that met the national quality standards,

By means of product iteration, GOME helped boosted the energy-saving upgrade in the home appliance industry, advocated the promotion of energy-efficient products and continuously increasing the sales proportion of such products. The proportion of the sales of energy saving and environmentally-friendly products increased by 1 percentage point year-on-year to 99% in 2017 as compared with 98% in 2016.

Percentage of the sales of eco-friendly products of the Group	2016	2017
Percentage of sales of eco-friendly products	98%	99%

ENVIRONMENTAL

III. SUPPORTING ENVIRONMENTAL PROTECTION ACTIVITIES

“Blue, Here We Come” event

For seven years in a row, GOME has been promoting the “Earth Hour” charity event in the PRC to convey the environmental concept to consumers and the public while fulfilling its corporate environmental responsibilities. In March 2017, the “Earth Hour” global charity event, initiated by the World Wide Fund for Nature (WWF) and featuring the theme of “Blue, Here We Come”, was kicked off in Beijing. Ms. Du Juan from GOME Holdings Group has been setting an example by expressing concerns for and offering support to environmental charity projects. She invited many well-known entrepreneurs, celebrities and caring people in the PRC to call on the public to participate in the “Earth Hour” event and to cheer for “Blue, Here We Come”. At the venue of the event, Ms. Du called on the public: “In daily life, turn off lights when leaving, save water, sort out waste and use energy-saving home appliances to create a more beautiful earth together. For the sake of “Blue, Here We Come”, let’s work together!”. Moreover, GOME also interacted with its members through setting up an initiative signature wall in stores, calling on the public to enhance environmental awareness and apply environmental concepts with practical actions.



● Blue, Here We Come

Eco-friendly, Sustainable Consumption Awareness Week

The “2017 Eco-friendly, Sustainable Consumption Awareness Week” featuring the theme of “Eco-friendly Consumption, Quality Life” was launched across the country in August 2017. The event was jointly organized by the China Chain Store & Franchise Association (CCFA), the World Wide Fund for Nature (WWF) and members of the China Sustainable Retail Roundtable (CSRR). GOME, one of the initiators of CSRR, has actively participated in this event by playing videos on sustainable consumption in more than 400 stores in Beijing, Chengdu, Guangzhou, Shanghai, Shenzhen, Xi’an and Chongqing. Moreover, various events were organized in stores on a regular basis, such as “Green Living Classroom” as well as visits to green homes, providing consumers with tips on using green home appliances and advocating a green home lifestyle.



● Eco-friendly, Sustainable Consumption Awareness Week

ENVIRONMENTAL

IV. RESPONDING TO GOVERNMENT POLICIES

Providing channels for scrap home appliances

The State Council issued the “Measures Governing the Collection and Use of Funds for Disposing Scrap Electrical and Electronic Products” to include five types of scrap products such as television sets, refrigerators, computers, air conditioners and washing machines for recycling, and to establish standards for levies and subsidies for these scrap products respectively. The implementation of these measures has sparked widespread concerns as the scrap products under those five categories will amount to tens of millions each year based on the volume of major electrical and electronic products owned by the households in the PRC.

GOME, which acts as a bridge to link up upstream home appliance manufacturers with downstream recycling companies, actively provides channel support for qualified companies engaged in the recycling services. When consumers need to dispose of old electrical appliances for recycling through GOME stores or telephone hotlines, GOME will immediately inform recycling companies to collect these appliances at their houses, and the recycling companies will then give the customers subsidies accordingly.



● Carbon-Value Ecological Practice Award

GOME views the recycling of old home appliances as a long-term green action. It continuously integrates environmental performance targets into various aspects such as its supply chain, operations, product sales and recycling based on a wealth of experience already built up, prior to the recycling service, from various rounds of state-led policies including the “Go Rural” and the “Exchange Old For New” programs. As upgrading home appliance is about to reach its pinnacle, GOME will make full use of the advantages of its leading home appliance retail platform in the PRC, to collaborate with industrial chain resources such as associations and manufacturers, and to explore an innovative model for recycling scrap electrical appliances, so as to enhance the industry’s ability to recreate values.

Date	Event	Awards received by GOME
January 2018	The 7th World Economic and Environmental Conference and the International Carbon-Value Award Honorary Ceremony	<ul style="list-style-type: none"> Carbon-Value Ecological Practice Award GOME has won the International Carbon-Value Award four times in a row

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

VISION OF WORKING ENVIRONMENT

GOME has always regarded employees as valuable assets of the company and places emphasis on providing many training programs for its employees on the one hand, and by actively recruiting more outstanding and competent talents externally on the other hand. Moreover, the Group always aims to build a good working environment, creating a harmonious and friendly working atmosphere for employees and taking care of employees' physical and mental health and long-term development, so as to achieve the goal of maximizing both corporate value and employee value simultaneously.

A harmonious and warm work atmosphere allows employees to experience a strong sense of belonging; a diverse, scientific employee development channel boosts employees' work enthusiasm; while a transparent communication mechanism ensures smooth communication between employees and the company, deepens the mutual trust between them and therefore, enables the company to receive a lot of valuable feedback from employees. As a result, GOME always focuses on carrying out comprehensive trainings for its

employees, encouraging them to be more innovative and facilitating their good development so as to make them truly become the primary wealth of GOME.

B1 EMPLOYMENT

I. EQUAL OPPORTUNITY

In terms of talent recruitment and employment, the Group strictly prohibits all types of discrimination, including race, gender, birthplace, age, pregnancy and disability. Regarding employees' career paths, it adheres to the principles of fairness, impartiality and openness while promoting staff according to their abilities, quality and performance. The Group organizes training for employees who have not met the standard of performance required. Those who fail to improve after the training are transferred to different positions or dismissed. They are entitled to reasonable compensation (if any) in accordance with relevant national regulations. The Group maintains strict compliance with relevant laws and its policy for staff compensation, benefits, working hours and rest periods, and treats all employees equally without discriminations.

Basic information about the Group's staff	2016	2017
Number of employees	43,013	40,176
Male-female ratio	1:1.06	1:1.07
Proportion of minority employees	3.4%	3.7%
Proportion of disabled employees	0.7%	0.7%

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Categorization by type of employment

Type of employment	2016		2017	
	Total number of employees	Proportion	Total number of employees	Proportion
Long-term employees	42,389	98.6%	39,847	99.2%
Interns	130	0.3%	115	0.3%
Temporary employees	494	1.1%	214	0.5%
Total	43,013	100.0%	40,176	100.0%

Categorization by gender

Gender	2016			2017		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Male	20,848	48.5%	1.8%	19,409	48.3%	1.6%
Female	22,165	51.5%	1.6%	20,767	51.7%	1.6%
Total	43,013	100.0%	1.7%	40,176	100.0%	1.6%

Categorization by age

Age	2016			2017		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Below 25	3,955	9.2%	1.7%	3,504	8.7%	1.4%
25-35	21,788	50.7%	2.1%	18,824	46.9%	2.1%
35-45	12,700	29.5%	1.1%	12,534	31.2%	1.1%
Above 45	4,570	10.6%	0.7%	5,314	13.2%	0.7%
Total	43,013	100.0%	1.7%	40,176	100.0%	1.6%

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Categorization by geographical regions

Geographical regions (Note 2)	2016			2017		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Headquarters of the Group	1,765	4.1%	1.6%	1,810	4.5%	1.3%
The Northeast Region	3,835	8.9%	1.4%	3,394	8.4%	1.4%
The Northern China Region	10,751	25.0%	1.5%	9,598	23.9%	1.5%
The Eastern China Region	10,647	24.8%	1.9%	9,547	23.8%	1.7%
The Southern China Region	8,215	19.1%	2.2%	8,131	20.2%	2.0%
The Western China Region	7,800	18.1%	1.1%	7,696	19.2%	1.0%
Total	43,013	100.0%	1.7%	40,176	100.0%	1.6%

Note 1: Average monthly turnover rate = number of resigned staff / (total number of employees + resigned staff) / 12

Note 2: The headquarters of the Group is based in Beijing

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

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

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

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

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

II. STAFF WELFARE

Share award scheme

In order to align the personal interests of the senior management with the long-term development goal of the Group and encourage senior executives to achieve corporate targets and maximize their contribution, the Group implemented a “Restricted Share Award Scheme” for senior executives above director grade at the headquarters and general manager grade at the branches, which accounted for approximately 30% of the total number of senior management members.

Statutory benefits

The Group makes contributions to social insurances, including pension, unemployment, occupational injury insurance, medical and maternity insurance, as well as housing provident fund in accordance with national requirements and local regulations relating to social security.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Standard benefits

The Group grants meal subsidies, communication fees, travel expenses, transportation subsidies, heating fees, high-temperature subsidies and cooling fees to employees. It also offers an annual health body check to promote their physical well-being. To enrich employees' life and strengthen corporate cohesion, the Group also organizes various cultural, recreational and sports activities.

Special benefits

The Group offers statutory holiday, annual leave, marriage leave, compassionate leave, maternity leave, occupational injury leave and parental leave according to national laws and regulations. Furthermore, it sends festive gifts to store staff and provides designated vehicles and travel allowance to certain senior management members as benefits. Housing and living allowances are also offered to staff who are relocated.

III. STAFF COMMUNICATIONS

The Group has established a communication platform to facilitate dialogue with staff, to better understand their needs, help them solve problems and strengthen mutual trust between employees and the Group. The transparent mechanism not only ensures smooth communication between the Group and its employees, but also allows the Group to obtain valuable feedbacks from the employees.

General manager reception day

The Group has run the "General Manager Reception Day" since 2007, and it's now a regular activity and an important communication channel of the Group. The event allows management to get closer to employees to learn about their work and life, keep abreast of issues in corporate management and explain the Group's strategic plannings and development directions to the staff.

Employee career development survey

The Group carries out the "Employee Career Development Survey" for key positions on an annual basis. It compiles and analyzes the data to prepare an analysis report, which is submitted to relevant functional departments and division leaders. Moreover, the Group also formulates and implements detailed and feasible career development plans based on employees' preferences.

Green channels

The Group has internal communication channels in place, which serve as an open exchange platform for staff. The channels allow employees to make suggestions, report issues and give opinions about the company's daily operation.

IV. STAFF CARE

GOME always strives to create a harmonious and warm corporate atmosphere, which is highlighted by continuing improvement on the working environment and commitment to meeting employees' daily needs.

GOME love mutual fund

Initiated by the Group and with staff participating voluntarily, GOME love mutual fund supports colleagues in need. In 2017, a total of RMB859,400 was raised by the fund, which benefited a total of 163 employees in need (2016: RMB954,800 for 208 employees).

Staff activities

In order to implement a culture of "Trust" and enhance employees' dedication, the Group actively organizes diverse functions centering on cultural and sports activities, staff care and team building. These events enrich the working life and leisure time of staff while improving their working experience. During major holidays, the Group organizes festive staff activities and offers gifts. It also offers birthday presents to employees, thereby creating a family-like atmosphere in the workplace and helping them deal with homesickness.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



● Supporting sales event



● Gift distribution at the sales event



● Mid-autumn festival activity



● Christmas celebration

Date	Event	Awards received by GOME
November 2017	2017 China National Retail Congress and the 19th China Retail Trade Fair	GOME received the "CCFA China Employees' Favorite Chain Store Company" award and the "CCFA Top Ten Corporate Universities" award for the third consecutive year



● 2017 CCFA China Employees' Favorite Chain Store Company



● 2017 CCFA Top Ten Corporate Universities

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

B2 HEALTH AND SAFETY

I. OCCUPATIONAL SAFETY AND HEALTH

The Group attaches great importance to building a safe working environment and the management of mental health for its employees. To ensure staff safety and to stay in line with relevant national regulations, the Group maintains suitable insurances, organizes regular trainings on operation standards and skills and organizes in-house competitions, with the aim of maximizing employees' safety awareness and preventing occupational hazard. In case of extreme weather (e.g. high temperature, heavy rainfall or typhoon), the Group provides allowances or other welfare goods to address employees' needs. It also makes flexible adjustments to work arrangements or requirements for staff to cope with emergencies. The Group devotes substantial manpower, resources, time and costs to the abovementioned initiatives every year.

II. WORK-LIFE BALANCE

To help staff achieve a work-life balance, GOME organizes and encourages them to join the art troupe, various clubs, workout classes and family-friendly activities as a way to relieve stress at work.

GOME art troupe

The GOME art troupe is a highlight feature in our corporate culture development, aiming at promoting GOME's corporate culture through art performances. The art troupe delivers astonishing performances at various events of the Group, with employees participating in the shows. The troupe will inspire their enthusiasm and foster a stronger sense of belonging.

Senior executives club

Comprising all personnel at our headquarters at and above director level, the senior executives club rolls out regular activities for the senior management

to sharpen professional skills, strengthen inter-departmental communication, build rapport with colleagues and improve physical health.



● The "Power of Walk" campaign of the senior executives club

Staff health care

Established in 2009, GOME's health club organizes and encourages employees to join a wide range of sports events and competitions that are designed to enhance their physical well-being. In addition, the Group organizes free medical check-ups for staff on a regular basis, so that they are well aware of their health status. This effectively prevents diseases and keeps them healthy. The Group also forms an inspection team to monitor the workplace regularly, thereby offering employees a pleasant and comfortable office environment.



● GOME "Happy Work and Happy Life" Beidaihe outward bound for administrative department

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

B3 DEVELOPMENT AND TRAINING

I. INTRODUCING TALENTS

Campus recruitment

The Group initiated the “Reservoir” project in 2002. Since its launch, it has recruited outstanding graduates from high schools across the country every year. By offering targeted career development paths and plans to nurture graduates, it serves as the future talent reserve for the enterprise and the channel for young people to start their career. In 2017, the Group gave campus talks at over 30 high schools in the country, and added more graduates to the “Reservoir” project.

Summary of the Group’s “Reservoir” project	2016	2017
Number of employees recruited	657	902

Introducing middle and senior level talents

In order to support strategic implementation, the Group makes great efforts to bring in middle and senior level talents with professional backgrounds through public recruitment.

Summary of the Group’s recruitment of middle and senior level talents	2016	2017
Number of employees recruited	110	307

Introducing new talents

In recent years, the Group stepped up the recruitment of internet IT and logistics talents, in line with its strategic planning. The comprehensive upgrade of the workforce has optimized the staff structure of the Group.

Summary of the Group’s introduction of new talents	2016	2017
Internet technical staff	451	318
Logistics system staff	4,428	3,841

II. STAFF DEVELOPMENT

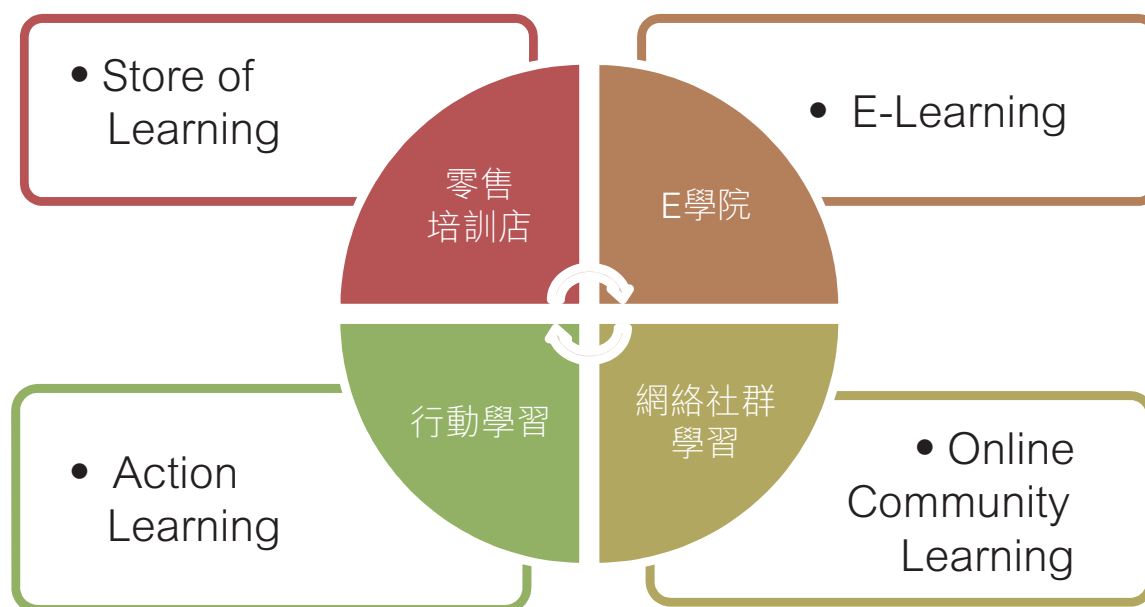
As the leading enterprise in the PRC retail industry, the Group has always attached great importance to the nurturing and development of talent. The Group has a sound talent pipeline and training system, a well-established training curriculum and long-term cooperation with various top-notch training agencies. The training programs cover a wide range of topics such as business, operation, finance, management, information technology and other aspects.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Original 4L training system

In view of the business needs and job characteristics of the retail industry, the Group has created the “4L” training model. Based on the training model, it built a talent development platform to ensure the full integration of nurturing talent and corporate strategy. The 4Ls are referring to Store of Learning, E-Learning, Action Learning and Online Community Learning.

- In 2017, there were 158 SOL training schools in the country (2016: 170 schools), offering 80,639 hours of training in total (2016: 115,420 hours);
- The E-Learning of GOME uploaded 77 courses in 2017, which covered corporate culture, management and professional topics, with a total duration of 22,009 learning hours;
- The Group developed 519 micro lectures through the online learning platform in 2017, which were attended by 68,809 times in total.



● “4L” training model

Mature talent development channels

The Group has always focused on the training and development of key employees at all levels, and has established a hierarchical talent training system.

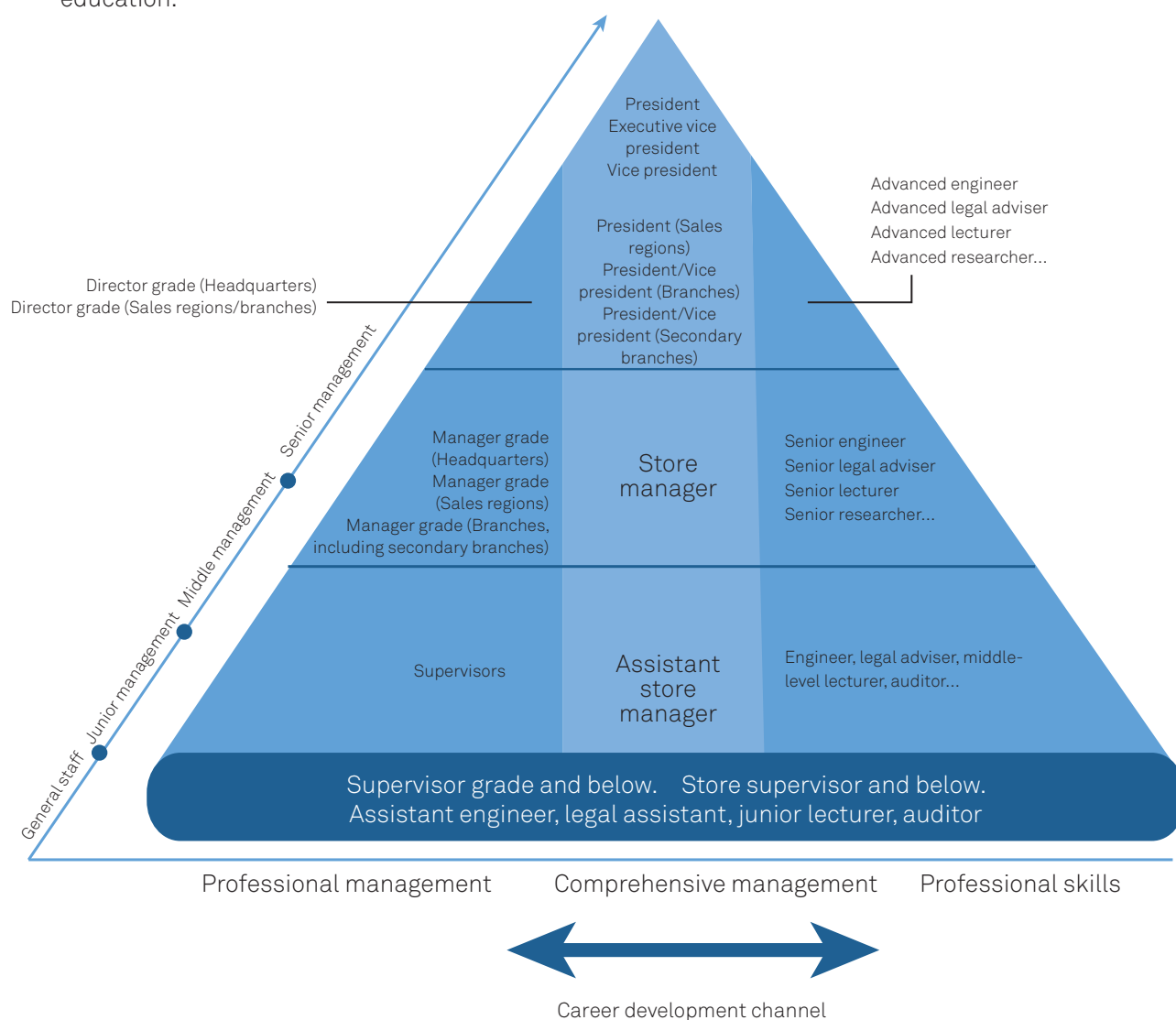
- At the basic level, the “Reservoir” project and the “Officer Pipeline Development” project provided the Group with a source of talents;
- At the middle level, the “Workplace Acceleration Program” and the “Golden Eagle Reservoir Training” established the career path for key middle management personnel;
- The Group launched the “Pilot Program” to boost leadership skills and comprehensive operational capability of flagship managers across the country, which played a significant supporting role in new businesses and setting new shopping scenarios. It also rolled out the “Future Program” and the “Reserved Store Manager Training” program to develop

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

the management talent pool for flagship stores nationwide. Moreover, the “Thousand Store Upgrade” and “Star Lecture” projects were launched for store managers within the country, which also offered high-quality courses on improving store operations;

- At the top level, the “Senior Executives Succession Plan” provided the senior management team with a reliable talent reserve. Furthermore, senior executives also participated 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 Group, further improved the professional and comprehensive management abilities of staff at all levels, opened up the channel for their career development, and supported them in realizing their greatest value and potential.



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● The “Reservoir” project



● 6th “Golden Eagle Reservoir Training”



● The “Pilot Program”



● The “Workplace Acceleration Program”



● The “Future Program”

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● 2017 “Reserved Store Manager Training” program

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, which prohibits the recruitment of minors under the age of 16. Furthermore, it provides HR staff with training on the relevant laws and regulations from time to time, to enhance their legal knowledge, strengthen their legal awareness, and fundamentally eliminate the legal risks of hiring child workers. Meanwhile, the Group strictly

implements the Paid Annual Leave Regulations and promotes efficient working practices. It encourages employees to complete their tasks within working hours and does not recommend working overtime. Managers at all levels are responsible for making reasonable arrangements for staff's working hours. Overtime work based on actual operational needs are subject to a stringent approval process and the overtime working hours of any employee shall not exceed 36 hours per month. Employees who work overtime on working days and public holidays are given priority for days off. The Group is dedicated to putting an end to the “overtime work culture”.

Summary of working days and holidays of the Group	Seniority	2016	2017
The ratio of working days/holidays	Over 10 years	1.870	2.090
	10 years or below	1.986	1.970

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VISION OF SUPPLY CHAIN

GOME has always been committed to building up and innovating its supply chain capabilities. Through sharing commodities, logistics, data and cloud service technologies, GOME has provided a highly efficient supply chain platform for the industry, effectively speeding up the development of storage, transportation, delivery and information services as a whole, while also enhancing the core competitiveness and service quality of both upstream and downstream enterprises. Relying on the internet-based shared retail strategy, GOME will continue to work actively to facilitate a deep integration between the internet, big data, artificial intelligence and the real economy as part of its efforts to boost the quality of manufacturing in China while helping hundreds of millions of Chinese families live a better life.

In its daily operation, GOME follows strict standards in screening suppliers, their products and services to ensure they are of the highest quality. The Group also encourages its suppliers to provide green products as part of its energy conservation bid.

B5 SUPPLY CHAIN MANAGEMENT

I. SCREENING OF SUPPLIERS

The Group follows the principles of openness, fairness and transparency in selecting suppliers and service providers and has established a supplier assessment system to assess suppliers' performance in terms of price, quality, cost, logistics and after-sales services, etc. The Group will maintain long-term cooperations with qualified suppliers. In addition, the Group also implements a long-term monitoring system to keep an eye on the quality of suppliers and ensure they can always supply quality goods and services to the Group.

Summary of suppliers of the Group	2016		2017	
	Total number of suppliers	Proportion	Total number of suppliers	Proportion
The Northeast Region	1,028	11.5%	1,161	11.6%
The Northern China Region	2,051	22.9%	2,831	28.4%
The Eastern China Region	2,196	24.5%	2,265	22.7%
The Southern China Region	1,691	18.9%	1,643	16.5%
The Western China Region	1,192	13.3%	1,988	19.9%
Others	797	8.9%	89	0.9%
Total	8,955	100.0%	9,977	100.0%

II. SUPPLY CHAIN ECOLOGICAL COLLABORATIVE PLATFORM

Based on strong supply chain management capabilities built up over 30 years, GOME's supply chain platform has connections to almost all business data of well-known brands on the upstream end. Downstream, GOME has obtained a massive number of user-end data through more than 1,600 stores and

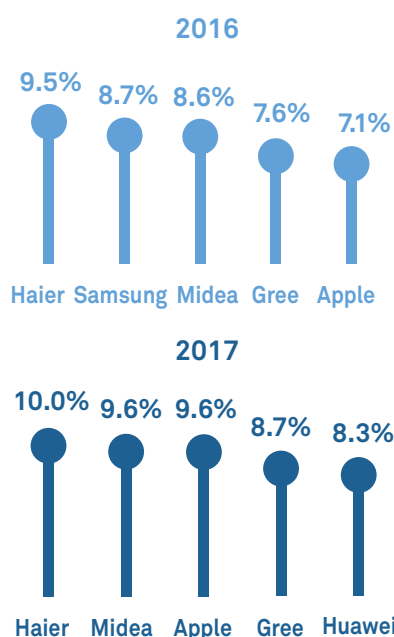
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the GOME APP. This “Supply Chain Ecological Collaborative Platform” of GOME maintains transparent end-to-end information and data through fully integrating of external and internal resources.

- Demand side: The “Supply Chain Ecological Collaborative Platform” analyzes collected user data by using artificial intelligence algorithms, predicts user preferences, and provides personalized consumer services;
- Supply side: The “Supply Chain Ecological Collaborative Platform” collects and analyzes the big data and forwards them to the sales staff. With direct connections of the ordering systems between GOME and its suppliers, the platform will automatically push the purchase requests, and the suppliers will be able to arrange production and delivery according to the actual demands.

The “Supply Chain Ecological Collaborative Platform” has allowed GOME to effectively connect its supply and demand, reduce the waste of resources and improve retail efficiency.

The proportion of total procurement of top 5 suppliers of the Group



certificates and check for the labeling. A seller must adopt measures to keep the products for sale in good condition. Sellers are not allowed to sell any product that has been officially prohibited by the State and are not allowed to sell invalid or deteriorated products. Any marks on the seller’s products must conform to the provisions of Article 27 of the above-mentioned Law.

In order to comply with regulatory requirements and to guarantee the quality of our merchandise, GOME requires its suppliers to provide third-party quality inspection reports for every batch of supplies, which measure and test the quality of the products and compare the results with the standard quality requirements to determine whether the requirements have been fulfilled.

Before accepting stock, GOME adheres to a strict sampling test and acceptance regulation, where the name, type, quantity and other information of the products are examined. If there’s any damage or obvious stain, deformation, moisture, mildew or wet stain on the packaging, the product will be treated as an unqualified product. The same strict quality control measures are also applied to the accessories and attachments of the in-stock products. If the defective rate of the initial sampling test is higher than a designated percentage, we double the number of items we test in accordance to the sampling rule. If the defective rate is still

B6 PRODUCT RESPONSIBILITY

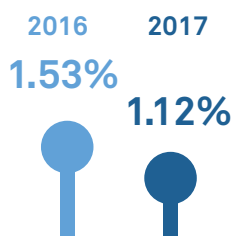
I. QUALITY CONTROL OF PRODUCTS

The Product Quality Law of the People’s Republic of China stipulates the seller’s responsibility and obligation regarding product quality. A seller must practice a check-for-acceptance system while replenishing stock, and examine the quality

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higher than the designated percentage, the whole batch will be disqualified and return to the supplier.

The Defective Rate



II. ADVERTISING AND PUBLICITY

The following areas are regarded as false advertising: the misrepresentation of commodity performance, function, origin, usage, quality, specifications, ingredients/components, price, manufacturer, valid period, sales and awards; and in the case of service items, the provider, format, quality, price, sales and awards, and promise related to the commodity or service and has a material influence on the purchase decision. When an advertisement cheats or misleads consumers by using false or misleading content, the advertiser shall be investigated in accordance with Advertising Law of the People's Republic of China.

The Group strictly complies with the law mentioned above and formulates strict advertising regulations to avoid publishing of false advertisements, which are deceiving or misleading to our customers. We guarantee the legitimate rights and the benefits of the customers who purchase our goods or enjoy our services.

III. PRODUCT IDENTIFICATION

According to Article 27 of the Product Quality Law of the People's Republic of China, all labeling on products or packages must be authentic and must meet the following requirements: 1) come with certification to show the product has passed quality inspection; 2) name of the product, name and

address of the factory that produced the product, all being marked in Chinese; 3) corresponding Chinese indications regarding the specifications, grade of the product, the main ingredients and their quantities contained in the product, are to be indicated according to the special nature and instructions for use of the product; 4) relevant information to be indicated on the outer packaging or provided in advance if such information needs to be acknowledged by the consumers; 5) production date, safe-use period or date of invalidity to be indicated in a prominent position if the product is to be used within a time limit; 6) warning marks or warning statements to be indicated in Chinese for products which, if improperly used, may cause damage to the products or may endanger the safety of human life or property.

For home appliances produced and sold in China, the marking of their product identifications shall comply with the Provisions on Product Identification. In addition, the products should also meet the requirements on the identification labeling, packaging and user's guide set in the product standard GB 4706 series. The Group strictly complies with the relevant product identification provisions, establishes and implements the inspection and acceptance system for incoming goods, and verifies product qualifications.

IV. PRIVACY PROTECTION

The Law of the People's Republic of China on the Protection of Consumer Rights and Interests stipulates the legal protection for consumers' personal information. It stipulates the obligations of business operators in collecting personal information of consumers, and business operators are not allowed to disclose and buy or sell personal information of consumers at will. If the personal information of consumers is infringed, remedial measures should be taken in a timely manner. At the same time, commercial messages should not be sent to consumers without consent. With the development of e-commerce, the security

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of consumers' personal information becomes more and more important. The Group strictly complies with relevant laws and regulations in the maintenance of consumer information security.

V. AFTER-SALES SERVICES

Based on the Group's strategy of online and offline integration, it has formulated the "Manual of Service Quality Standards", along with supporting training plans to ensure its implementation, so that customers can truly enjoy shopping.

In response to customers' needs, the Group has implemented the service of "9 Promises to Ensure a Pleasant Shopping Experience", which include the Commitment to Enjoy Shopping, Commitment to Authenticity, Commitment to Fair Price, Commitment to On-time Delivery, Commitment to Fair Charging, Commitment to Maintenance,

Commitment to Extended Warranty, Commitment to Return and Exchange, and Commitment to Respond to Customers' Needs. All of which are meant to provide customers with adequate after-sales guarantees.

VI. COMPLAINTS HANDLING

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 ensure proper communication. The high-efficiency and high-standard service platform of GOME enhances customers' shopping experiences.

Date	Event	Award received by GOME
November 2017	China Customer Contact Center Industry Development Annual Meeting 2017	2017 Award for Best Word of Mouth Contact Center



● 2017 Award for Best Word of Mouth Contact Center

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CULTURE AND VISION OF INTEGRITY

GOME believes that integrity is a core part of its culture of “Trust” and that an honest cultural atmosphere is vital for the company’s sustainable and healthy development. Integrity and red line management constitute the moral foundation for all GOME employees around which their daily work is organized. This standard is not only a requirement for professional ethics, but also a responsibility and an obligation.

B7 FIGHT AGAINST CORRUPTION

I. EDUCATION ON INTEGRITY

In order to build a highly efficient and ethical team, GOME implements education and training sessions on integrity throughout the process of its staff’s employment, promotion, demotion and transfers. GOME also formulates the regulation in accordance with the relevant laws of China, and signs the GOME Ethical Commitments with every member of management staff, which establishes strict regulations on unethical behavior such as bribery, extortion, fraud, money laundering, etc. and keeps a record in the employee profile as an attachment of the labour contract.

II. INTEGRITY POLICY

The GOME Staff Integrity Policy have been explained regularly at morning meetings, regular business meetings, regular management meetings, and annual meetings of stores, branches, regions, and headquarters. At the same time, supplements and updates have been made regularly according to adjustments to the corporate strategies and management philosophy.

III. DEPARTMENT AGAINST CORRUPTION

In order to comprehensively supervise and deal with all violations in daily operations, the Surveillance Center at the headquarters was established in 2002. It has two divisions: disciplinary inspection department and audit department. In addition, local surveillance sub-divisions were also set up in every branch.

IV. MEASURES AGAINST CORRUPTION

In order to strengthen the moral system, the Group set up green channels for whistle-blowing, by means of hotlines, short messages and emails, etc. The Group also formulated an all-rounded moral system, including reporting reward system, integrity interview system, 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 offenses by staff of the Group, the Group will carry out an investigation and judge the non-compliances and disciplinary offenses 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 relevant regulations of the Group according to the severity of such non-compliances and disciplinary offenses. Staff will also be given the right to make an appeal. The Group believes that punishment is an educational method, and it helps staff of the Group to avoid improper behavior.

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VISION OF COMMUNITY ENGAGEMENT

As a leading retail enterprise with over three decades of experience, GOME has always viewed social responsibility as an important duty. As a believer in public welfare, the Group has achieved simultaneous growth of its own benefits and social benefits and become a driving force in the continuous advancement of social welfare. Leveraging its own strengths, GOME has taken the lead to provide continuous support for public welfare projects through various channels, management skills, and experience. The Group has helped with education, poverty alleviation, emergency disaster relief, disability employment, caring for the elderly and other fields. In all, the Group has organized over tens of thousands public welfare activities and helped tens of millions of people.

B8 COMMUNITY INVESTMENT

I. PROMOTING EMPLOYMENT

In addition to regular recruitment activities, GOME holds a number of campus recruitment events each year, encouraging fresh graduates to join the GOME family. The Group provides various job opportunities for veterans, people with disabilities

and other disadvantaged groups in need of help every year. For example, GOME was a participator in the “Made by Mama” project initiated by China Women’s Development Foundation in 2017, which was intended to solve the employment problems of stay-behind mothers of Bai nationality.

II. DRIVING ECONOMIC DEVELOPMENT

With more than 1,600 stores in over 400 cities across the country, GOME continues to boost the economic development of various regions. Furthermore, in response to the country’s “West Development Strategy”, GOME has been actively opening new stores and extending the logistics and distribution system to remote areas, including Gansu, Xinjiang, Guizhou and Yunnan for a number of years. As of the end of December 2017, GOME had opened a total of 208 stores in the above-mentioned areas (2016: 211 stores).

Supported by a strong supply chain and taking into account the vast territory of the western region and the huge difference in consumer demand, GOME has built an ecological chain for new businesses, setting a benchmark for the transformation of the real economy in the western region and supporting the country’s strategy for western development with prompt actions.

Number of stores established by the Group in western China	2016	2017
Lanzhou	20	23
Guizhou	16	15
Kunming	33	31
Xi’an	109	107
Xinjiang	33	32
Total	211	208

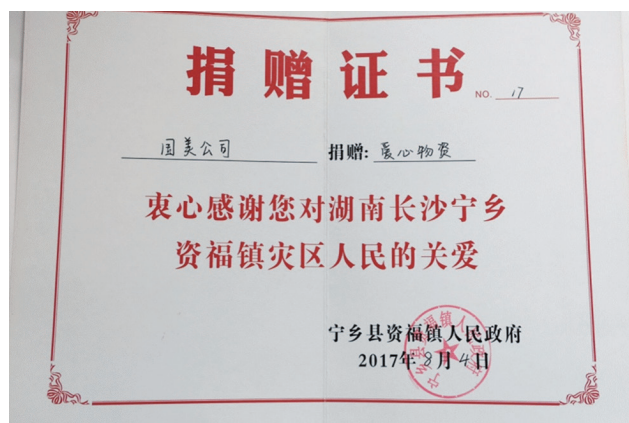
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III. DISASTER RELIEF

The development of an enterprise is not only a process to pursue growth of its own economic value, but also a process to contribute to the society. During our development over the years, GOME has not only generated profits, but also established itself as an “excellent corporate citizen”, taking social responsibility as its duty and promoting the sustainable development of society as a whole.

With its extensive store network nationwide, GOME has sealed a presence in almost every corner of the country. Whenever a disaster occurs, GOME loses no time in organizing disaster relief activities. From the earthquakes in Ya'an and Wenchuan of Sichuan Province, Yushu of Qinghai Province, and Ludian of Yunnan Province, to the tornadoes in Yancheng and the sudden floods in southern areas this year, GOME helped wherever it was needed. GOME's disaster relief and post-disaster reconstruction efforts have helped affected people rebuild their lives as soon as possible.

Date	Event	Disaster relief
June 2017	Heavy rains hit many places in southern China	GOME purchased and shipped rice and edible oil to affected areas, distributing disaster relief materials worth a total of RMB1 million.
July 2017	Rainstorm hit many places in Jilin Province	A total of 450 packs of rice and edible oil and 450 boxes of mineral water were distributed. At the same time, local GOME stores in Jilin Province provided shelter for those affected by the storm. <ul style="list-style-type: none"> • Provided rest areas for affected people and disaster-relief workers.
August 2017	A 7.0 magnitude earthquake jolted Jiuzhaigou County, Sichuan Province	<ul style="list-style-type: none"> • Supported disaster-relief teams with drinking water and food. • Raised nearly RMB100,000 for disaster relief.



● Donated materials to rainstorm-hit Hunan Province.

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● "GOME is on the move during Jilin flood disaster"



● "Donation for earthquake relief in Jiuzhaigou"



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Date	Event	Award received by GOME
January 2017	The 7 th China Charity Festival – “Because of Love” Ceremony 2017	<ul style="list-style-type: none"> 2017 Special Tribute Award GOME received China Charity Festival award for the fourth consecutive year
November 2017	“Responsibility for Major Power”- China Corporate Social Responsibility Summit Forum 2017	Award for Best Social Responsibility Practice
November 2017	Innovation and Development Summit for China’s Listed Companies in the Financial Industry 2017-“Golden Wisdom Award” and Listed Company Valuation Ceremony	2017 China Most Social Responsible Listed Company Award
November 2017	2017 Symposium on Disaster Relief and Poverty Alleviation and Launching Ceremony for Warm Winter Campaign	Pioneering Unit in Disaster Relief among Social Forces 2017



● 2017 Special Tribute Award



● Pioneering Unit in Disaster Relief among Social Forces 2017

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IV. YOUTH EDUCATION

Future Space

GOME has helped with youth education and health since it was founded. GOME joined hands with China Foundation for Poverty Alleviation since 2013 to launch the “Future Space” project, which focuses on improving education facilities in disaster-hit and poor areas. Apart from providing material assistance, the “Future Space” project also cares about the future development of people it helps.

Date	Event
May 2017	To boost its “Future Space” project, GOME launched the online campaign -“Running on 520”.
August 2017	GOME invited a number of caring volunteers from Beijing, Guizhou and other places to visit the “Future Space” multimedia classroom built in Ludian, Yunnan Province by GOME.
September 2017	GOME kicked off the third “99 Charity Day” campaign.



● “Future Space” project and “Future Fund”

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In addition to public welfare activities surrounding the “Future Space” project, staff members from GOME and other caring people have taken steps to visit the mountainous regions in an effort to improve the education of local children through book donations and student subsidies. In November 2017,

the Group, together with China Europe International Business College, donated more than 5,500 books to children in Xiatang Town, Lushan County, Henan Province, opening a gate to the outside world for children living in the remote mountains with extracurricular books full of warmth and love.



● “Three Books” project

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V. TARGETED POVERTY ALLEVIATION

Regarding the theme of charitable activities, teaching a person to fish is better than giving him/her the fish. The ultimate goal of social welfare is to help beneficiaries acquire the skills needed for self-sufficiency and attain social integration via social assistance. In turn, they will eventually contribute to the society. GOME has always hoped to influence more people by leveraging the results it has achieved in helping a small group of people, thereby enhancing regional economic capabilities as well as people's living standards in the territory.

The “Made by Mama” public welfare program, initiated by China Women’s Development Foundation in 2015, intends to provide training on handicraft skills for poor women. Since the launch of the project, GOME has supported the development of local handmade tie-dyeing cooperatives through various channels, effectively solving the unemployment issues for stay-behind mothers of Bai nationality in the village.



● “Made by Mama” project