

# 紅星美凱龍家居集團股份有限公司

## Red Star Macalline Group Corporation Ltd.

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)

H Share Stock Code: 01528

A Share Stock Code: 601828

## 2018 Environmental, Social and Governance Report

## ABOUT THIS REPORT

This report contains details about the performance of Red Star Macalline Group Corporation Ltd. in respect of social responsibilities for the period from 1 January 2018 to 31 December 2018 ("2018"). To facilitate presentation and reading, "Red Star Macalline Group Corporation Ltd." is referred to as "Red Star Macalline", "the Company" or "we" in this report.

This report is prepared in accordance with Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited in December 2015 and Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange issued by Shanghai Stock Exchange in May 2008 for strengthening listed companies' undertaking of social responsibilities. The Company has complied with the provisions of "Comply or Explain" set out in the Environmental, Social and Governance Reporting Guide.

Information contained in this report is from formal documents and statistic reports of Red Star Macalline Group Corporation Ltd., and summary and statistics provided by subsidiaries. As there is no assurance to the accuracy of information provided by Managed Shopping Malls, key environmental performance indicators disclosed in this report do not cover Managed Shopping Malls.

This report is available on the websites of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and Red Star Macalline Group Corporation Ltd. ([www.chinaredstar.com](http://www.chinaredstar.com)).



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## CHAIRMAN'S STATEMENT



CHE Jianxing  
Chairman of Red Star Macalline

Dear stakeholders,

For the home improvement and furnishings industry of China, the past two years marked an era of reform and innovation when market players were vying for the throne, trying every means to secure bigger market share. Despite the fierce competition, Red Star Macalline recorded steady development and ranked among the top in terms of revenue. Directed by the vision of “creating a world-top brand of Chinese nation” and the mission of improving Chinese people’s home life, Red Star Macalline, as the most well-known brand in home

improvement industry in China, tried hard to become a leader and pioneer in the home improvement and furnishings industry in China. With the enterprising spirit, Red Star Macalline consolidates all resources and power available to explore China’s home improvement market, making contributions to the ambition of building China into a strong country with world-top home improvement brand.

Aiming to develop China’s most professional and advanced “omni-channel platform provider in home improvement and furnishings industry”, Red Star Macalline keeps seeking innovation to explore new retail modes for the home furnishing industry; leverages new technologies to build smart shopping malls; advocates original design to improve Chinese people’s home life; promotes the green and environment-friendly concept to ensure eco-friendly home life for Chinese people.

While focusing on its growth, Red Star Macalline cares about shareholders, staff, customers, suppliers, communities and other stakeholders. We hope to bring the best return to shareholders when we are pursuing excellence. We improve the training mechanism and promotion channel for staff, helping them realize self-improvement and career development. We strictly control product quality, optimize service modes to provide customers with new consumption experience; upgrade the supplier management system to share benefits with suppliers; actively participate in charitable activities to support entrepreneurship, child care, livelihood, culture and education and always fulfil our corporate social responsibilities, so as to repay the society.

Looking ahead, Red Star Macalline will bring more values to its stakeholders, and forge ahead on the path to “world-top brand of Chinese nation”. Together, we will witness the glory and the ambition of China’s home improvement and furnishings industry!

**CHE Jianxing**

*Chairman*

Shanghai, 28 March 2019

## ABOUT RED STAR MACALLINE

### Corporate Profile

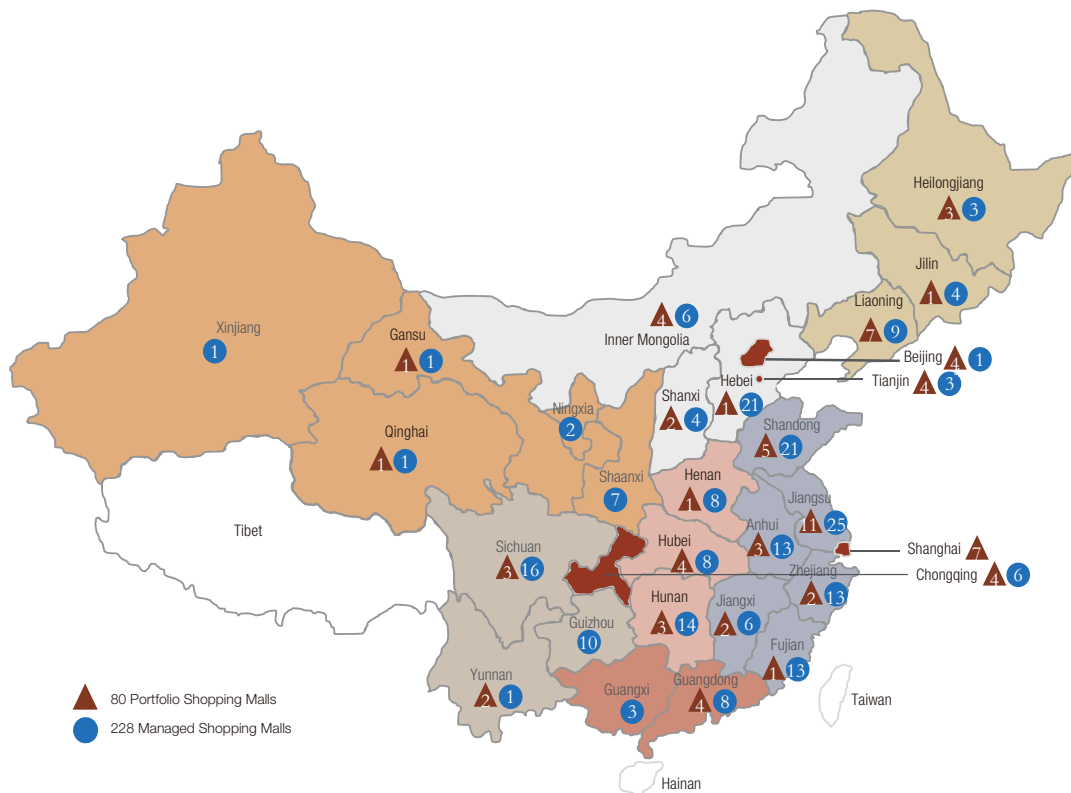
Founded in 2007, Red Star Macalline Group Corporation Ltd. is headquartered in Shanghai. It was listed on the main board of The Stock Exchange of Hong Kong Limited on 26 June 2015 (stock code: 01528.HK) and was later listed on the main board of the Shanghai Stock Exchange on 17 January 2018 (stock code: 601828.SH). It is the first company that has been listed on the A stock market and H stock market in China's home improvement and furnishings industry.

As a leading home improvement and furnishings shopping mall operator in China, Red Star Macalline mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under "Red Star Macalline" through the operation and management of both Portfolio Shopping Malls and Managed Shopping Malls. We are also involved in pan-home furnishings consumption, including Internet home decoration, Internet retail, as well as logistics and delivery services.

Directed by the vision of "creating a world-top brand of Chinese nation", we always shoulder the responsibility of "building a cosy and harmonious home, and improving the taste in shopping and home life", followed the operational management mode of "market operation and commercial management" and implemented multiple-brand strategies, including "Red Star Macalline", high-end fashion brand "Red Star • Ogloria", light-fashion life museum brand "Xingyijia" and home decoration brand "Betterhome", to meet diversified and upgrading consumption demands.

Statistics show that as of 31 December 2018, the Company had operated 80 Portfolio Shopping Malls and 228 Managed Shopping Malls. Besides, the Company had authorized the opening of 22 franchised home building material projects by franchise, bringing the total number of home building material stores/industrial streets to 359. Our Portfolio Shopping Malls and Managed Shopping Malls covered 199 cities in 29 provinces, municipalities and autonomous regions in China, with a total operating area of 18,939,341 sq.m. The malls offer more than 24,000 brands in total.

## National Strategic Layout



Data for 31 December 2018

## Major Economic Contributions in 2018

\* The following amounts are presented in RMB





## Development History

Since 2000, we have achieved many major milestones including, opening our first shopping mall, expanding our scale and businesses and becoming a dual-listed Company.

**2002**

Red Star Macalline expanded its business to North China by opening its first Portfolio Shopping Mall in Beijing

**2006**

Red Star Macalline expanded its business to West China by opening its first Portfolio Shopping Mall in Chongqing

**2008**

Red Star Macalline expanded its business to Southern China by opening its first Portfolio Shopping Mall in Shenzhen

**2000**

Red Star Macalline opened Shanghai Zhenbei Mall in Shanghai, which was the first shopping mall under the “Red Star Macalline” brand

**2007**

Shanghai Red Star Macalline Home Living and Decorating Company Limited\* (上海紅星美凱龍家居家飾品有限公司), predecessor of the Company, was established; The Company entered into the first shopping mall management agreement with its partners in relation to the opening of the first Managed Shopping Mall

## 2018

Following its listing on the Shanghai Stock Exchange, the Company became China's first home improvement and furnishings service provider being listed in both Shanghai and Hong Kong. It established a strategic partnership with Tencent and established IMP, a global intelligent home furnishing marketing platform

### 2012

The Company opened its 100th home improvement and furnishings shopping mall, following which the Company became the first company operating 100 home improvement and furnishings shopping malls in the industry;

The Company made its first presence at the Milan International Furniture Fair

### 2010

As the sole representative of the home furnishing circulation industry, the Company attended the "Love Home Day" initiated by Shanghai World Expo, becoming a model in transmitting home culture

### 2014

The Company expanded its operations across 100 cities in China, opened its 150th home improvement and furnishings shopping mall, and further expanded into new businesses of consumer financing, and delivery and logistics

### 2013

Shanghai Pudong Jinqiao Mall, the first ninth-generation shopping mall of the Company, commenced operation, which offers an updated shopping environment and high-end products, and contains more artistic elements in its decoration. The Company also started to expand into new businesses, including home design and prepaid cards

### 2016

Its 200th home improvement and furnishings shopping mall commenced operation

### 2015

The Company was listed on the Main Board of The Hong Kong Stock Exchange, and the Company launched the nationwide Red Star Macalline membership program and O2O business; established HomeFax to further expand its internet finance business





## MANAGEMENT APPROACHES

### Corporate Social Responsibilities

Standing in the position of customers, Red Star Macalline offers reliable and high quality home product circulation platform to the market, sets an example for the industry, realizes mutual development between income, the environment and the society, and earnestly fulfils corporate social responsibilities, strives to become:

**A company that serves customers with heartiness**

Red Star Macalline takes the experience and demands of customers seriously, actively responds to customers' feedback, makes adjustments according to five dimensions of the "Word of Mouth Advertising" project, and improves the service system.

**A company that contributes to the development of the home improvement and furnishings industry**

Red Star Macalline makes innovations in management system and consumption services, sets the benchmark for the home improvement and furnishings industry, promotes consolidation and optimization of upstream and downstream resources, and improves overall strength of the industry.

**A green and environment-friendly company**

Red Star Macalline earnestly fulfills the environmental responsibilities, puts great efforts to save energy and reduce emission, and contributes to improvement and protection of ecological environment. Meanwhile, it urges suppliers to fulfil their environmental and social responsibilities.

**A company with sustainable development**

Red Star Macalline improves the value creation ability to bring steady returns to shareholders; cares about the interests of staff, responds to their demands, cares for their health, and offers them a working environment as warm as home; pays attention to social demands, participate in poverty alleviation, education support and other charitable activities, and contributes to harmonious development of the society.

### Social Responsibility Governance

The Board of Directors of the Company is responsible for our social responsibility report, including evaluating and determining risks associated with social responsibilities, and ensuring an appropriate and effective system for social responsibility risk management and internal monitoring has been established. We have appointed our business departments to identify relevant social responsibility issues and evaluate the importance of relevant issues to our businesses and stakeholders by reviewing the Company's operations and holding internal discussions. The management has confirmed to the Board of Directors in respect of the effectiveness of the social responsibility risk management and internal monitoring system. According to general disclosure requirements of the Environmental, Social and Governance Reporting Guide, relevant identified major environmental, social and governance issues have been set out in this Report, with an aim to disclose the social performance of Red Star Macalline in its operations in the principle of balance.

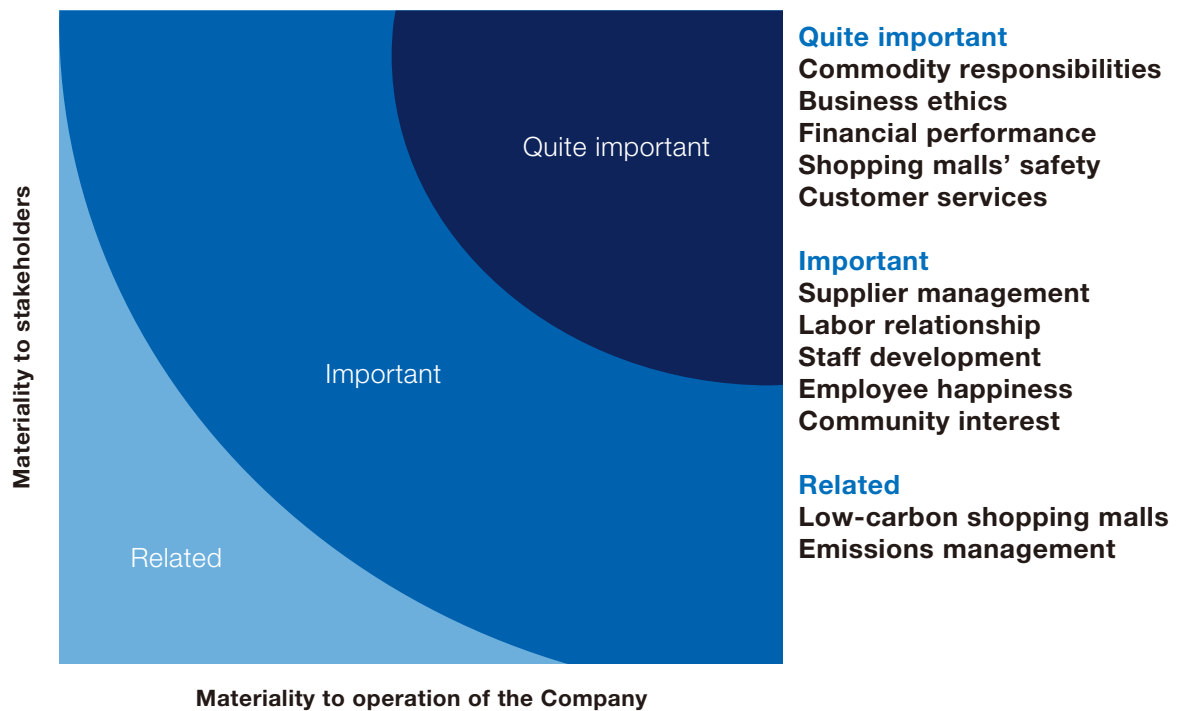
## Communication with Stakeholders

Red Star Macalline has extensive stakeholders including investors, government/regulators, staff, customers, suppliers, non-governmental organizations and communities. We give full consideration to the demands of all stakeholders and maintain formal and informal contact with stakeholders.

| Stakeholders                   | Areas of concern  | Way of communication  |
|--------------------------------|---|---|
| Investors                      | Ensuring shareholders' rights and interests; maintenance and appreciation of assets value; improvement in corporate governance; true, accurate, prompt and complete information disclosure; lawful and compliant operations | General meeting; press release and announcements; external reports; publication of information on the website of the Company; investors' meeting  |
| Government/regulators          | Legal compliance; equal employment opportunities; health and safety; environmental protection; industry development; repaying the society   | Compliance reports; site inspections; participation in meetings/seminars; special inquiry/inspection; license application   |
| Staff                          | Equal employment opportunities; remuneration and welfare; training and career development; humanistic care; staff health and safety management  | Labour contract; labour union/congress of workers and staff; leisure-time activities; voluntary activities; communication channels between enterprise and staff; collective bargaining agreements; safety and compliance meetings |
| Customers                      | Customers' satisfaction management; customers' complaints management; product responsibility; customer services; quality assurance  | Daily operation/interaction; key customer forum; customers' satisfaction survey; regular visits; customers' service center/hotline  |
| Suppliers                      | Industry development; supplier access management; suppliers' evaluation; protection of suppliers' rights and interests; cooperation with suppliers  | Management-level meetings; bidding and seminars; marketing summits; supplier access and evaluation; site visits; daily communication  |
| Non-governmental organizations | Local development investment; participation in local community projects; undertaking of environmental responsibilities; equal sharing of benefits   | Annual corporate environmental and social responsibility reports; direct communication; company visit   |
| Communities                    | Promotion of home life culture; dedication to public welfare; enthusiasm in community services; undertaking of environmental responsibilities; promotion of job opportunities   | Public benefit activities; community services; environmental protection activities; recruitment notices   |

## Selection of Material Issues

We communicated with our internal and external stakeholders, conducted surveys with them, and received plenty of suggestions. Judging by the impact on the operation of the Company and the impact on stakeholders, we selected key issues, and the management scored and sorted these key issues to reflect the material impact we have had on the environment and the society, and to better respond to expectations and demands of stakeholders. Material issues we have selected are as follows:





## MARKET

Dedicated to innovation and development of the home improvement and furnishings industry, Red Star Macalline makes efforts to build a new retail system for the home furnishing industry focusing on “technology, design and environmental protection”. Adhering to the “service-oriented” operating philosophy, we strive for improving customers’ satisfaction, improving customer complaint mechanism and enhancing customers’ engagement. Furthermore, by reinforcing cooperation with suppliers, we improve supplier management and urge suppliers to perform their social responsibilities, thereby building a safe and reliable supply chain and a synergetic development mechanism featuring common growth and mutual trust and benefit, which fosters a strong competitiveness in the market. In 2018, we, as the sole brand representative of China’s home furnishing sector, were invited to the “China’s Brand Ceremony for the 40th Anniversary of the Reform and Opening-up” and won the honour of “40 Selected Brands over the 40 Years of Reform and Opening-up”.



## NEW RETAIL FOR THE HOME FURNISHING INDUSTRY

We leverage technologies to build smart home furnishing shopping malls; disseminate design aesthetics to improve consumers' taste; and promote the environmental protection philosophy to support green development.

### Technology Leads to Smart New Retail for the Home Furnishing Sector

We apply Internet, big data, AI and other technologies in home furnishing shopping malls and promote the development of smart new retail for the home furnishing industry by setting up new retail prototype stores, building smart shopping malls and leveraging smart marketing platforms.

In 2018, we built the first new retail prototype store "Future Fit". Based on the "design + technology" model, we establish the new retail model of smart home furnishing industry centring on scenarios.

Both eyeing on "Smart Retail", we and Tencent have established a strategic partnership in such fields as establishing digital and differentiated consumption experience and building a smart home furnishing industry. We discussed on building the IMP, a global intelligent home furnishing marketing platform, based on which we sort out and verify data and look into the hidden factors such as customers' preference for home decoration and psychological price to further provide new retail consumption experience of smart home furnishing so as to promote development of smart new retail for the home furnishing industry in an all-round manner.

### Design Contributes to the High-quality New Retail for the Home Furnishing Sector

We improve the quality of home life and promote the development of high-quality new retail for the home furnishing sector by holding designers' competitions, launching online design platforms, organizing large-scale exhibitions and disseminating concepts of home aesthetics to customers.

We held the 2018 M+ China Top Design Competition, with an aim to enhance the aesthetic taste of the society and promote development of high-quality new retail for the home furnishing sector through "expertise" and "quality". It is worth noting that the competition pushed forward the space renovation project of Yulin Caves by integrating design aesthetics into public welfare, thereby passing on Dunhuang culture by means of public service design. Meanwhile, we provide customers with design services by establishing M+ Design Creator Space in 37 shopping malls. On the platform, customers can interact closely with home decoration companies and designers, participate in lectures themed on home decoration, learn about product purchasing, and enjoy free design services for home inspection, measurement and space layout.



▲ M+ designers strive to work out the optimal space renovation plan for Yulin Caves and spread the concept of design aesthetics at the same time.





Customers were listening to home designers of M+ Creators' Alliance who explained home decoration knowledge and how to identify different materials of furniture



We co-held the 42nd China International Furniture Fair (Shanghai), covering 400,000 sq.m. in area and presenting 1,314 domestic and overseas brands. Themed on “Global Home Life Model”, the fair presented new industry trends such as original design, smart manufacturing and customized furniture. During the fair, we also launched a series of international design events and exhibitions to bring customers new experience in home aesthetics. In addition, Shanghai held the first import-themed national fair in the world in 2018, where Red Star Macalline took an active part in its exhibition preparation. With more than six months of hard work and multiple rounds of in-depth negotiations, it finally signed with 12 international home design brands from six countries involving more than 2,000 sq.m. in exhibition area, which brought more international aesthetic concepts to the entire home furnishing industry, contributing to improve its quality.

We co-held the 42nd China International Furniture Fair (Shanghai)

## Environmental Protection Promotes Green New Retail for the Home Furnishing Sector

We kept holding the green week series activities and promoted the green trend in the home improvement and furnishings industry by selecting the “Leading Green Brand Campaign”, building a “Green Experience Center”, formulating and executing strict environmental standards on products and other methods to contribute to the development of green new retail for the home furnishing sector.

Red Star Macalline has cooperated with the China Quality Certification Centre in the “Leading Green Brand Campaign” brand appraisal campaign for six consecutive years. In 2018, we upgraded our selection standards by strictly defining the threshold of leader and nominee. For example, regarding the formaldehyde emission of wood-based panels,  $0.124\text{mg}/\text{m}^3$  is the national standard, while  $0.1\text{mg}/\text{m}^3$  is required for recommended brands and  $0.05\text{mg}/\text{m}^3$  is required for leader brands. At present, the project has been evaluated by industry experts as the “green evaluation system covering the whole home decoration field and representing the highest level in the industry”, receiving unanimous recognition from the home furnishing industry. Meanwhile, we also released the White Paper on Green Competitiveness of China’s Home Furnishing Industry with China Quality Certification Centre, the first white paper in China ever to propose environmental protection as core competitiveness of enterprise. Red Star Macalline hopes to help upstream and downstream home furnishing industry chains gain a clearer understanding of green home, and calls on more social forces to pay attention to the development of green undertakings in the home improvement and furnishings industry.

*The assessment committee of green home leader brand was strictly screening and grading the brands declared*



*The “Green Run among 10,000 people from 100 cities” event gathered green leader group members*

In addition, we built the “Green Experience Center”, inviting employees, customers and industry experts to visit the factories of excellent brands and core testing labs so as to understand the environmental quality management of products from the source. We worked with Nanjing Institute of Product Quality Inspection to build the “Red Star Macalline Green Experience Base”, conduct big data analysis concerning issues in the home improvement and furnishings industry and establish the credit system and standard system so as to build green new retail for the home furnishing sector.

*Red Star Macalline employees, customers and industry experts were visiting the factory production process under the guidance of interpreters*



*The shopping mall was appointing a testing organization to test the products sold and issue test reports.*



In daily management, we developed “Environmental Quality Assessment Standards for Red Star Macalline Products” and “Regulations on Environmental Quality Management of Products”, which clearly set out environmental quality management plans, including environmental requirements on shopping mall operation and inspection procedures. In 2018, we updated the standards for 11 categories to improve the environmental quality standards on products, forming a complete closed-loop green home management system featuring pre-sales brand access control, in-sales product sample check, and after-sales official enquiry. In 2018, we tested 21,667 batches of products from over 80 brands, up by 11.45% from the previous year, with 100% coverage of brand sampling.

## CUSTOMER SERVICES

Adhering to the belief that service is the foundation of an enterprise, we continue to improve after-sales repair and maintenance service, optimize the mechanism for handling customer complaints, upgrade the tenant credit management system and take customer complaints and suggestions seriously and promptly to meet customer requirements and provide efficient and high-quality services. In 2018, Red Star Macalline home furnishing shopping malls were among the first batch receiving the certification of “Shanghai Brand”, with their retail services gaining high praise.

### Improve After-sales Repair and Maintenance Services

In 2018, we arranged managers to make return visits to 251 shopping malls all over China to listen to opinions and suggestions from customers. About 1,600 managers visited about 17,000 customers on site and collected more than 13,731 effective feedbacks. As of the end of 2018, relevant shopping malls acted in response to 3,060 opinions, which improved after-sales repair and maintenance services and was recognized by customers.

Meanwhile, we upgrade home furnishing repair and maintenance services. Customers who shop at the shopping malls of Red Star Macalline can get a home furnishing maintenance card for free, and relevant shopping malls have set up professional maintenance teams to provide home furnishing repair and maintenance services. The upgrading has involved 204 shopping malls and more than 5,000 brand tenants. As of the end of 2018, the services had been available for more than 60,000 customers, with the customers’ satisfaction up to 100%.



▲ Managers made return visit to customers in person to listen to customers’ feedbacks and opinions on the use of products

### Optimize the Mechanism for Handling Customer Complaints

We have prepared a series of customer complaint treatment standards including the Detailed Implementation Rules for Treatment and Management of Customer Complaints and Standards and Basic Process of Customer Complaint Treatment Services to clearly explain the process and skills of managing complaints and the duties and responsibilities of all departments.

In 2018, we optimized the mechanism for feedbacks on customer complaints, sped up customer complaints treatment and shortened the time used in return of goods and refund. Red Star Macalline worked with the China Consumers' Association, and made four commitments to consumers on the 3.15 World Consumer Rights Day, including "no reason to return within 30 days", "compensation in advance", "punctual delivery, installation and well-defined responsibility for delay" and "responsible for first inquiry, with 24-hour reply", which improved after-sales service and consumption experience of the home furnishing materials industry.

### **Upgrade the Tenant Credit Management System**

We classify tenants by their credit, so as to provide quality service for customers more effectively. In 2018, we added customer evaluation and daily management (about 40 word segments) to data sources, and took customers' evaluation on direct experience as an important reference for credit. Meanwhile, we strengthened the construction of internal management data which customers concerned about, including tenants' quality, price, delivery, services and contract execution, and publicized tenants' comprehensive credit rating, thereby encouraging tenants to provide customers with better service.

We took an active part in the credit system-related pilot project construction in Shanghai as one of the first batch of pilot credible units and the only pilot credible unit in home furnishing industry. Our "Credit Classification Management of Tenants" was recommended by the Ministry of Commerce of the People's Republic of China as one of the "100 Renowned Experiences of Cultivating and Practicing the Socialism Core Values" cases. In 2018, we also actively participated in the activity "Benefiting People through Integrity" of Credit Shang APP (誠信上海APP), which drove Red Star to reach a new height in benefiting people through integrity.

## **SUPPLIER MANAGEMENT**

Our suppliers include brand partners and materials and service suppliers. Brand partners are responsible for providing home furnishing products sold in Red Star Macalline shopping malls, and materials and service suppliers are responsible for providing products other than home furnishing products (such as office supplies).

For tenants, we have prepared the "Commodity Qualification Management Regulations", which clearly regulates the charging standards and compliance verification for brand tenants' access qualifications. We evaluate brand partners through field visit, review of source of products, spot check of service timeliness and contents, and knock out disqualified brand partners according to the results of annual comprehensive evaluation. We implement the "Standards for Evaluation for Factory Quality Guarantee Capacity", which raises requirements for our brand partners in terms of company qualification, quality guarantee resources, quality safety/design and development of environmental protection products, procurement and receiving inspection, production process control and process inspection, factory inspection and confirmation of inspection, inspection of instruments and equipments, control of disqualified products, package transportation and storage, important environmental factors in the life cycle of products, etc.

In respect of materials and service procurement, Red Star Macalline has published a “Purchase Management Policy” to implement unified, standardized and centralized management for materials and service procurement to take advantage of centralized integration, improve purchase quality and reduce purchase costs. We have set up the materials procurement method in combination of centralized purchase and regional independent purchase to form a materials purchase network with different levels and categories. We continuously enlarge the scope of centralized purchase, integrate purchase resources and proactively seek excellent materials and service suppliers for strategic purchase to substantially reduce purchase costs and reduce transportation energy consumption and effects on the environment. In 2018, we had 520 major materials and service suppliers, most of which were from East China and one from Hong Kong. Our major materials and service suppliers are the top 520 suppliers that are ranked by trading value with Red Star Macalline during 2018 and, in aggregate, accounted for 80% of the total trading value with all suppliers.

## BUSINESS ETHICS

To create a “clean, fair and transparent” operation environment, the Company has worked out the “Supervision Management Rules” of the Red Star Macalline Group (紅星美凱龍家居集團督察管理制度), built a sound integrity supervision mechanism and established a special supervisory department to supervise and inspect the procurement, storage and usage of materials of the Company and severely punish various violations of rules and regulations, such as embezzlement of the Company’s assets, receiving or asking for commercial bribery and seeking illegitimate benefits by taking advantage of duty.

In 2018, we set up a multi-level integrity supervision network. Currently, the 351 shopping malls in operation in China, regions at provincial level and various function centres of the Group have been provided with supervisors, supervision managers and supervision department heads, respectively, thereby forming a sound supervision system. Meanwhile, we continued to improve the mechanism for handling the information reported to ensure unimpeded access to information of various shopping malls and centers and handle various types of letters, visits, reports and complaints through standardized procedures.

In 2018, the supervision department set up 8 patrol teams, including 52 team members in total, and comprehensively inspected 37 shopping malls and 15 projects. During inspection, we also held tenant representative forums and grass-roots employee forums and publicity and education sessions relating to integrity and self-discipline for leaders and cadres above middle level and studied relevant systems and processes of the Company, so as to enable managers at various levels in shopping malls to better understand the importance of compliant operation and management and guarantee of business ethics and thereby remove the potential hazard for the Company’s healthy and sustainable development.

In 2018, we have not identified any significant corruption issues and laundering behaviors in the Company, and have not been involved in any lawsuits related to the aforementioned behaviors.

*Employees of a shopping mall were attending a publicity and education session relating to integrity and self-discipline*





## STAFF



We regard staff as the most valuable asset. While protecting the basic interests of staff, we offer them competitive remuneration and improve the promotion system in accordance with relevant employment laws and regulations. Meanwhile, we create a harmonious and open working environment, respect staff, and improve staff's capability through the multi-dimensional and systematic training of the management school, and so as to realize the vision of happy growth and common development of the Company and staff. We have been awarded "CCFA Staff's Favorite Chain Enterprise" (CCFA 中國連鎖業員工最喜愛公司) and "CSTD Best Corporate University of China" (CSTD中國最佳企業大學) for consecutive years. In 2018, we won the titles of "Pioneer Employer of the Year" (年度先鋒僱主), "China Model Employer" (中國典範僱主), "Asia Best Workplace", (亞洲最佳職場), "Work Different" (變革非凡僱主) and the honor of "Top Human Resources Management 2018 Awards" (TOP HRM 2018人力資源管理傑出獎).



## LABOR RELATIONSHIP

### Labors' Rights and Interests

Red Star Macalline strictly complies with human rights, International Labor Organization Convention, the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. We adhere to equal employment, oppose employment discrimination of various forms and enter into labor contracts with employees to ensure that employees are not discriminated due to race, gender and other factors. In addition, we comply with the provisions of the Social Security Law of the People's Republic of China and Regulations on Management of Housing Provident Fund and pay old-age insurance, medical insurance, maternity insurance, work injury insurance, unemployment insurance and other social insurance. We also determine the range of salary adjustments according to the operating conditions, the changes in local consumption index, market salary situation and the employees' performance and results together with job change and the change of job nature.

We strictly prohibit the use of child labor and forced labor. According to the Red star Macalline's Recruitment management system and the Employee Manual, when recruiting new employees, we require applicants to present valid identification documents to check if they reach the legal working age. We require employees to close stores and get off work on time. If overtime work is needed, overtime application must be submitted in advance. We did not find any violations of laws and regulations relating to the employment of child labor or forced labor in 2018.

### Diversity and Inclusion

We attach great importance to the diversification of employee structure and recruit more employees with different backgrounds, and encourage them to bring diversified idea and value to the Company, thereby creating an inclusive corporate culture and enhancing the vitality of the Company and employees.

**Total number of employees and percentage of employees by gender**

|        | Number of Employees | Percentage |
|--------|---------------------|------------|
| Female | 8,956               | 36.80%     |
| Male   | 15,383              | 63.20%     |

**Total number of employees and percentage of employees by age group**

|                 | Number of Employees | Percentage |
|-----------------|---------------------|------------|
| Age 30 or below | 11,343              | 46.60%     |
| Age 30-50       | 11,801              | 48.49%     |
| Age 50 or above | 1,195               | 4.91%      |

We focus on recruiting more female employees, especially increasing the proportion of female employees in management. In 2018, our female employees make up 36.80%. Apart from Chinese nationality, our employees also include foreign individuals from France, Australia, the United States and other countries. In addition, around 4.17% of our employees are from ethnic minorities, including Manchu, the Hui nationality, the Bai Nationality, the Zhuang nationality, the Mongolian nationality, the Bouyei nationality, Dong minority, the Miao nationality, the Tujia nationality and the Yi nationality. In 2018, we had 24,339 employees.

**Total number of employees and percentage of employees by employee type**

|                   | Number of Employees | Percentage |
|-------------------|---------------------|------------|
| Senior management | 603                 | 2.48%      |
| Middle management | 4,534               | 18.63%     |
| General employees | 19,202              | 78.89%     |

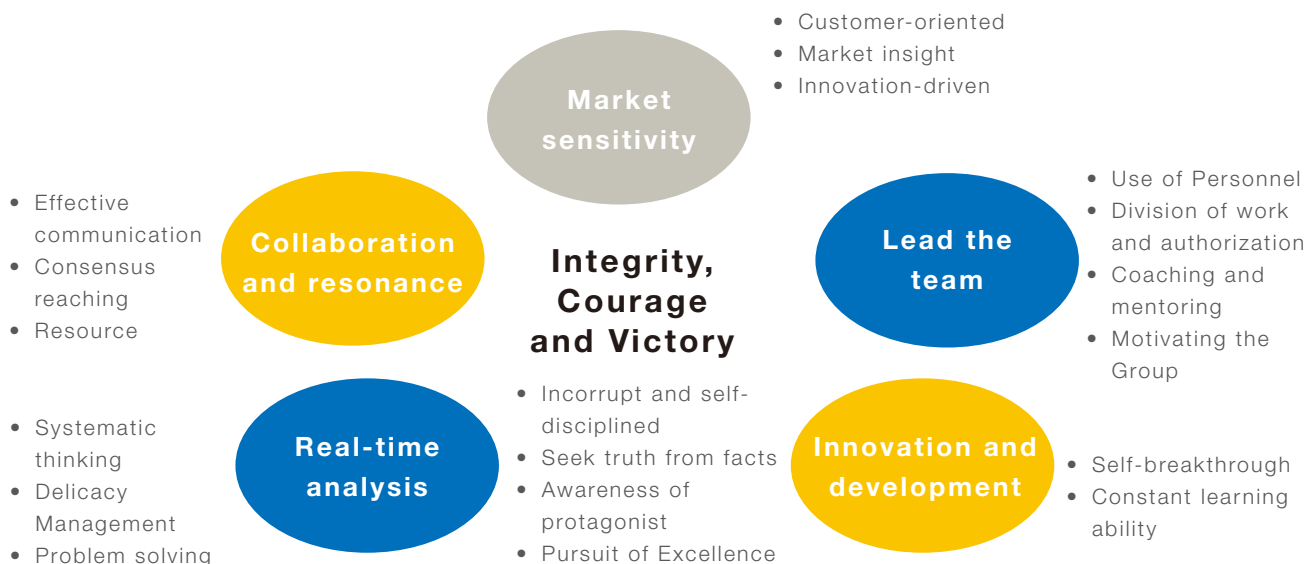
## STAFF DEVELOPMENT

Red Star Macalline concerns about staff career development and growth, and help staff understand their own performances and abilities through comprehensive evaluation mechanism, thereby advocating “happy study, happy work and happy life” accordingly. We make learning and development training programs and learning plans, encourage and help staff to continuously improve their capabilities and quality to achieve better career development and become backbones of Red Star Macalline and even the society.

### Career Development

We have established a comprehensive evaluation management system for all staff. We make a comprehensive evaluation for staff through performance and capability evaluation with performance, attitude and capability as assessment dimensions, thereby stimulating their potential and realizing their personal development. Staff can recognize their performance indicators through the performance evaluation results and recognize their own shortage of capacity through capacity evaluation, so as to carry out independent learning and achieve comprehensive development.

In addition, staff can also consult the Company’s talent development policy in real time and cross-functional and cross-regional job opportunities according to their own career development needs. The Company will give reasonable suggestions according to the needs of staff’s personal development and the actual situation of relevant departments.



### Employee Training

We have established a sound employee training system by creating a new learning model, launching a core talent training program, and cooperating with top corporate universities to provide training support for employees’ career development and help each employee improve their capability and diathesis. In 2018, the average number of training hours of employees reached 224.35 hours.



### “Digital + Fragmentation” learning mode

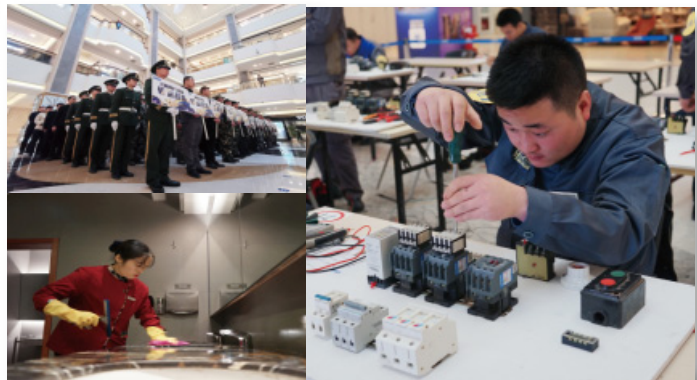
In 2018, we use the Internet and the QR code technology to convert text content of Development Knowledge Handbook (《發展知識手冊》) into online video to help employees learn through various ways. Meanwhile, we launched 353 micro lectures in total through the Red Star Macalline ELN learning platform, the accumulated learning number of which amounted over 1.3 million, and two micro lectures of which launched by the management school obtained the honor of “CCFA Top ten boutique micro lectures”(CCFA 十佳精品微課).

In addition, we launched “Red Star Zhihu” (紅星知乎), which could facilitate answering questions pertinent to business pain points for employees online. In 2018, the platform has published 3,654 questions in total which were answered 6,743 times, involving more than 280 knowledge points.

### Core talents training program

According to the competency model and business needs of different positions, we set up courses to meet their requirements. In 2018, the management school developed core talents training projects targeted at college graduates, primary and middle-level staff of shopping mall, and general managers of shopping mall and senior management of the Company.

*Approximately 3,000 primary-level employees from various shopping malls are participating in mechanical and electrical maintenance, cleaning services, military exercises and other competition*



*General Managers from various shopping malls are receiving training, working together to complete the learning task with the theme of real store scene, jointly setting action plan.*

### Targeted training programs offered for different types of employees

#### For college graduates

We continued to launch “Star Power Plan” with more than 300 Star Power employees participating each year. We have set up compulsory and optional courses this year. We have also tried to break down industry barriers and unite industry leading brands to build “Star Power Plan” into a platform for the industry “Fresh Youth” to interact with each other.

#### For primary and middle-level staff of shopping mall

The management school continued to promote “Main Force Training Camp” in 2018, launched basic skills, general knowledge of management and standardized process training. In addition, we held various skills labor competitions to provide a platform for more Red Star employees in different levels to upgrade their skills.

#### For general managers of shopping mall and senior management of the Company

We hold “Business Manager Seminar”. Students could have a more comprehensive understanding of the operating management of mall by studying 19 courses, visiting 2 malls and practicing for 1.5 day.



## Cooperation with Top Corporate Universities

We cooperated with many top corporate universities to build a development ecosystem of sustainable talent. For a long time, we have cooperated with corporate universities of Ctrip, Home Inn, Suning and other companies to jointly develop courses and organize students to visit colleges, which not only expands students' knowledge, but also promotes the interaction and communication between industries.

## EMPLOYEE HAPPINESS

We care about the difficulties of employees in work and life. We are willing to listen to the voices of employees and strengthen the sense of belonging and happiness of employees so that every employee can always feel the warmth of the Group.

In 2018, we have built a staff life circle through the "Dragon's Eyes App" (龍眼 app). Employees are able to conduct about more than 20 operations through the platform, including applying for assistance funds and receiving festival benefits and so on. In addition, employees can use the App to make suggestions and keep the communication between the Company and the employees.



Medical Green Channel



Union Membership Card



Public Rental Housing Application



Birthday Gathering



Body Check Report Inquiry



Rationalization Proposal

## Care Staff's Health

Red Star Macalline adheres to the people-oriented business value and cares for staff's health. We help employees to manage their health and enhance their vitality and motivation for the Company's development through carrying out famous doctor lectures, organizing employees for physical examinations and creating a green channel for Red Star Medical.

Since 2011, we have carried out 9 sessions of famous doctor lectures with 630 participants. We continue to cooperate with more than 10 well-known hospitals, and invite more than 40 experts, doctors and nutritionists to provide health consultation, interpretation of physical examination reports, pulse examination and other services for employees. Various health lectures are also held to raise staff's health awareness and popularize health knowledge.



Red Star Macalline employees are listening to expert lectures to learn how to prevent cervical spondylosis.

In 2018, we continued to organize employees to conduct body check to improve employees' understanding of their health. This year we have also added the TM-12 Tumor Detection and Genetic Testing Program to help employees understand what kind of disease susceptibility genes are present in themselves, so they can take proactive prevention measures. In order to solve the problem of employees' difficulties in medical treatment, we cooperated with Beijing-Shanghai First Class Hospitals to create a green channel for Red Star Medical. Employees of serious illnesses or special circumstances can enjoy expert outpatient registration, expert on-site service, professional hospital counseling and other services through this platform, which have benefited more than 20 people in 2018.

### Life and Work Balance

We hold parent-child outdoor activities irregularly, conduct interest group activities, conduct basketball, table tennis competitions and organize tours to ease the pressure of employees and help employees maintain good attitudes.

In 2018, we organized a number of parent-child activities for employees, and more than 50 employees took their children to the Aegean Sea Mall and Disneyland. Through these activities, we help our employees maintain family emotions, feel the joy of life and maintain a good attitude.

*Red Star Macalline employees actively participate in parent-child activities during Children's Day*



*Red Star Macalline employees are carrying out a series of reading activities in the staff bookstore.*

In order to meet the needs of employees for reading and cultural improvements, and to cultivate innovative thinking, we launched the "Star Reading and Enjoy Reading" program, increased the construction of staff bookstores, and launched a series of reading activities. The project won the title of "20th Shanghai Reading Festival Excellent Project" and "Excellent Staff Bookstore Demonstration Point" and received a donation of more than 1,300 books.

### Improve Employee Living Conditions

We treat our employees as our own family and provide help and care by providing employees with public rental housing, building supporting funds, and opening love mommy rooms.

## Improve employee housing conditions

In 2018, we continued to implement the “Enterprise Employee Rental Benefit Plan”. All qualified Red Star employees can apply for public rental housing through the “Dragon’s Eyes App” online. The project won the “Top Ten Innovation Case Awards of Shanghai Grassroots Industries of Union in 2018”.



In addition, we have applied to Shanghai Municipal Government to prepared 200 sets of houses with commercial quality in Hongqiao this year, providing employees with a more personal, sophisticated and comfortable living space to meet their pursuit of quality life.



▲ Red Star Macalline Hongqiao Central Business District public rental housing “Lexianju” is a charismatic community, of which brand new electrical appliances, such as TV, washing machine and refrigerator as well as furniture are provided in the rooms. Currently, some of our staff have moved in.

## Help staff with financial difficulties

In 2016, the Company set up the “Red Star Love Fund”, targeting the internal staff of Red Star Macalline and providing targeted difficulty alleviation, to provide assistance uncovered by the National Health Insurance. Red Star Love Fund has rescued 12 employees through donations, charity bazaars, investment and wealth product management, and the first, second and third industries of union and so forth. In 2018, the size of the fund has reached RMB2.5 million.

## Care for Female Staff

We pay attention to the work and life of female employees. In 2018, we continued to implement the “Love Mommy Room” project, adding 53 “Mommy Rooms”, and prepared “Love Mommy Package” to provide warm and private space for mothers. As of the end of 2018, the project has covered about 100 stores.

Shanghai Pujiang Mall Love Mommy Room is equipped with intimate equipment such as refrigerator, microwave oven, and mommy books. ▶



In 2018, We continued to celebrate the “Love Life” series of activities on Women’s Day, including lip balm making, flower arrangement, coffee dessert teaching and tasting, beauty sharing, psychological counseling and so forth, which enriched female employees’ life.

*Red Star Macalline organizes female employees to experience the art of flower arrangement at Women’s Day*



## SHOPPING MALLS’ SAFETY

The shopping malls safety management relates to the safety issues of staff, customers and surrounding communities, so we pay special attention to it. Our safety hazards are mainly the construction safety during the construction of the shopping mall, and the fire hazards in the daily operation of the shopping malls, the falling objects at heights, and the personal injury cases caused by irregular operations.

### During the construction of the shopping mall,

we followed the “Administrative Regulations on the Work Safety of Construction Projects” issued by the State Council of China and the “Standards of construction safety inspection” issued by the Ministry of Housing and Urban-Rural Development of China to establish an on-site safety management system.

### After the completion of the new shopping mall,

we strictly follow the Chinese GB/T28001-2001 “Occupational Health and Safety Management System Code”, formulate the “Detailed Rules for the Opening of New Shopping Mall Property Management”, “Property Decoration Management Detailed Rules” and other system specifications, and clarify the safety management requirements.

### In daily operation of shopping malls,

we have prepared the “Detailed Rules on Daily Management of Facilities and Equipment in Properties” and “Technical Management Manual of the Properties of Shopping Malls”, which set out the rules on safe operation and emergency plan of relevant facilities and equipments in properties.

We conduct regular safety inspections and establish safety risk files in accordance with the “Safety Risk Rating Standards”. In 2018, the store found a total of 48 risk hazards, and the main hidden dangers were equipment failures and catering management non-compliance issues. In response to these security risks, we issued 10 targeted guidance documents, requiring shopping malls to formulate rectification plans and promote rectification gradually. As a result, the completion rate for rectification reached 94%.

Major potential hazards of shopping malls lie in flammable electric circuits, construction sites, catering areas. We adopted a series of precautions against fire, thus no fire has occurred since the operation of shopping malls of the Company. In 2018, we continued the promotion of interactive mechanism and organization of fire drills, as well as updated fire alarm system, to ensure the safety of employees, customers and surrounding communities.

### Interactive mechanism

We established mutual-examination system with our neighbors, improved the investigation mechanism against potential safety hazards of adjacent properties, and organized fire drills jointly to reduce safety accidents in neighborhood communities.



## Fire drills

We organized 1,176 fire drills in 2018, with 34,421 participants in total, which improve employees' awareness of fire safety and emergency response to unexpected events. The content of fire drills this year included micro fire station firefighting drills in addition to regular emergency fire evacuations and early-stage response procedure to fires.

*Micro fire stations are distributed in various floors in the shopping malls to provide firefighting equipment to dedicated firefighters of the shopping malls by proximity in case of emergencies, thus improve the efficiency of firefighting. With Micro fire stations, the first group of firefighters will be able to arrive at the fire scene within 90 seconds following the breakout of the fire alarm, and the second group will be able to arrive at the fire scene within 3 minutes equipped with firefighting suits and emergency instruments.*



## Fire alarm system in absence

In 2018, we launched the "fire alarm system in absence" in 72 proprietary shopping malls. The system offers timely feedback of the presence of staff in fire control room, catering staff and staff responsible for construction welding in order to eliminate potential fire safety hazard caused by absence of staff on the scene.



*An employee in the property department is making adjustment and maintenance for equipments to ensure their normal function and keep the shopping mall safe, providing a safe and comfortable environment for employees of the shopping mall.*

Apart from fires, falling objects and non-standardized operation may threaten the safety of employees and customers as well. To eliminate the unnecessary loss of personnel and properties caused by falling objects, we conduct periodic stability check on pendants at height, sign boards within the shopping malls. To prevent personal injuries, we made regulations of safety practice for employees with focuses including electric technical operations, operation at heights, operations with fire-hazard and maintenance operation. No accident on personal injury of employees caused by falling objects or non-standardized operation has happened in 2018.



## COMMUNITY

Red Star Macalline insists on sharing its development achievements with society while pursuing its self-growth, and treats corporate social responsibility as one of the core strategies for the sustainable development of the Company.

As a leader in the home improvement and furnishings industry, we set up a variety of special funds to support local economic development. We adhere to sustainable development and strive to make contributions in terms of social, economic, environmental and other aspects.



We advocate being corporate citizenship with a sense of social responsibility and proactively participate in social public welfare undertakings. In 2018, we invested about RMB10.08 million in entrepreneurship and employment, children, livelihood, culture, education and others.

## ENTREPRENEURSHIP AND EMPLOYMENT

In order to help the contemporary Chinese aspirational young people to start their own business, we made a subscription of RMB20 million to the China Foundation for Youth Entrepreneurship and Employment, with a term of seven years starting from 2017. We donated another RMB3 million in 2018.



| Amount and percentage of community donation by field |                   |                                    |        |
|--|-------------------|------------------------------------|--------|
|  | Amount (RMB0'000) | Percentage                         |        |
| Entrepreneurship and employment                      | 600               | <div style="width: 59.52%;"></div> | 59.52% |
| Children   | 159               | <div style="width: 15.77%;"></div> | 15.77% |
| Livelihood   | 120               | <div style="width: 11.90%;"></div> | 11.90% |
| Culture  | 53                | <div style="width: 5.26%;"></div>  | 5.26%  |
| Education  | 40                | <div style="width: 3.97%;"></div>  | 3.97%  |
| Others   | 36                | <div style="width: 3.57%;"></div>  | 3.57%  |
| Total  | 1,008             |                                    |        |

Moreover, we carried out a series of activities to help local young talents find jobs. In 2018, Red Star Macalline and Shanghai Future Dream Public Welfare Foundation joined the “Star Alliance” and carried out a series of activities regarding psychological counselling, skills development and employment of special talents, to help autistic youth aged 18 and above participate in social work directly or indirectly.

◀ *Red Star Macalline's representative delivered a speech, saying that Red Star Macalline hoped to make use of its outlet resources nationwide to create jobs for young people with autism*

In addition, we provide employment opportunities for residents where we operate. To promote the young people to return to their hometowns for employment, representatives of Lankao Zhongshan Mall went to Zhanghuang Village, Dongbatou Town, Lankao County where we set up a designated recruitment meeting to introduce the relevant job posts to the villagers. Meanwhile, we will provide nearly 200 jobs for local talents by cooperating with 6 townships, Party branches, village committees and 2 HR companies.

## CARE FOR CHILDREN

We are concerned about children's growth and development and carry out charitable donations and public welfare activities to help children thrive in a healthy and positive environment. In 2018, we donated furniture and household supplies worth approximately RMB1.59 million to China Charities Aid Foundation for Children, to help the development of Sunvillage, Children (Orphan) Development Assistance and Jiangxi Gongqingcheng Children's Village, and thereby creating a beautiful environment for children to grow up.



Moreover, we paid particular attention to the growth of children with autism, and conducted a series of activities in various shopping malls to give them warmth and love. For example, we organized a theatrical performance and calligraphy and painting auction for children with autism in Quanzhou Huaxiang Shopping Centre. More than 300 people participated in the activity, and the donations from the activity were directly used for the education of children with autism and the construction of autism training centres.

*A theatrical performance for children with autism was organized at the shopping mall of Red Star Macalline, providing an opportunity for children with autism to perform on stage*



## IMPROVE LIVELIHOOD

We are concerned about impoverished groups and provide them with financial assistance. We also conduct a series of support programs to help people in poor areas improve their livelihood. In 2018, we continued to donate RMB700,000 to Chang Zhou Charity Federation for poverty alleviation, e.g. facilitating local infrastructure and community development.

Moreover, we donated RMB500,000 to Shanglin County to support its crayfish breeding project, which covered a total area of 360 mu. The project raised local residents' income, improved their livelihood and was expected to help them overcome poverty.

## CULTURE AND PUBLIC WELFARE

We focus on the promotion and development of Chinese traditional culture, and actively spread the traditional Chinese aesthetic culture through cooperation with the public welfare foundations.

In 2018, we set up Red Star Macalline Special Fund by cooperating with Shanghai First Financial Community Foundation, and about RMB530,000 was donated for the Dunhuang art inclusive programme "Let the Beauty of Art Return to Life".

*We have partnered with Shanghai First Financial Community Foundation to set up a special fund for a 3-year cultural public welfare project. Specifically, the plan for the first year is: selecting outstanding designers for the "Staff Home" transformation project in Yulin Caves and "translating" Dunhuang art into life itself; carrying out the "Designers in Residence — Dunhuang Programme of Red Star Macalline" and completing the design of the "Cave Rooms" and spreading it on the ground*



## SUPPORT FOR EDUCATION

We are concerned about and actively promote the development of education. In 2018, we promoted the development of education-related welfare activities via charitable donations and construction of hardware facilities.

In 2018, we partnered with Shanghai Jiaotong University, Wuhan University and Nanjing University to establish “Red Star Macalline Scholarship/Bursary” and “Red Star Macalline Teaching Award”, involving total donation of RMB400,000, to provide support for education and training.

We organized a number of activities for donation of educational materials in various shopping malls. For example, in May 2018, Red Star Macalline in central district of Sichuan and Guizhou conducted the “2018 Climbing for Love” activity, and built a team of 20 climbers to climb the summit. The funds raised were used for the development and construction of Guangyuan Jianmenguan High School, building of “Love Reading Corner”, and donation of books and various sports equipment. Red Star Macalline store in Shengli Road, Zhangzhou previously visited Pinghui Primary School, Pinghe County, Zhangzhou City and actively communicated with the school teachers, finding that the school lacked the necessary teaching equipments. So it donated class seats and other school supplies to the school in September 2018.



▲ Our staff are distributing schoolbags, stationery and other school supplies to students

Moreover, our 15 shopping malls set up special service stations to provide college entrance examinees with free herbal tea, sign pen, 2B pencil, raincoat and other stationeries, as well as emergency medicine for heatstroke.



## ENVIRONMENT



Red Star Macalline has raised the “green environmental protection” to the strategic level of the Company since 2016. Besides the “zero tolerance” for non-environmental friendly products and brands, the environmental protection policy of Red Star Macalline is also considered as priority in the level of decision-making process, management and corporate culture and is applicable to each stage and phase of business operation.

We integrate the concept of environmental protection into the planning and design of the construction projects of shopping mall, building construction, as well as property management after the completion of a project, office building management and so forth, covering green building certification, natural resource conservation, energy efficiency optimization and environmental protection procurement and so on. We strive to create a kind of corporate culture that cherishes resources, raise employees’ awareness of environmental protection, and encourage employees to actively participate in and put environmental commitments into practice. In addition, we require that brand partners must comply with the laws, regulations, and environmental requirements of the place where they are operating, and encourage them to pass certification standards such as China’s CQC environmental protection or water-saving product certification, China Environmental Labeling certification and ISO series system certification.

Red Star Macalline strictly complies with the Environmental Protection Law of the People’s Republic of China, attaches great importance to environmental protection, increases investments in environmental protection, and controls in strict compliance with the “green and environmental protection management system” of the Company. In 2018, there were no business activities and events that had a material impact on the environment and natural resources.



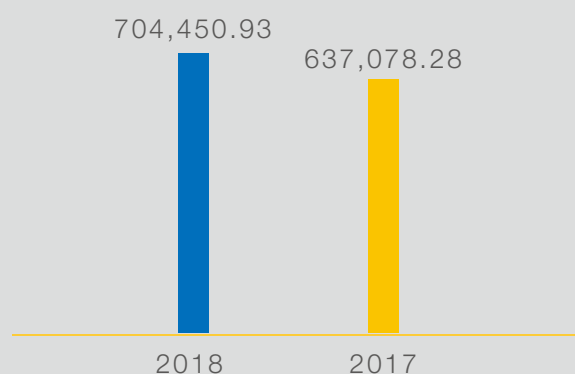
## LOW-CARBON SHOPPING MALLS

Red Star Macalline attaches great importance to resources conservation, the major energy resources consumed by shopping malls and offices are electricity and natural gas, so we have developed a series of energy saving strategies. In 2018, as a result of business expansion, our total energy consumption increased by approximately 10.58% compared to FY2017 and amounted to 704,450.93 MWh, but the energy consumption density decreased by approximately 8.81% compared to FY2017.

**Volume and percentage of energy consumption by category**

|             | Consumption (MWh) | Percentage |
|-------------|-------------------|------------|
| Electricity | 469,349.34        | 66.63%     |
| Natural gas | 233,487.38        | 33.14%     |
| Gasoline    | 1,614.21          | 0.23%      |
| Total       | 704,450.93        |            |

**Total energy consumption (MWh)**

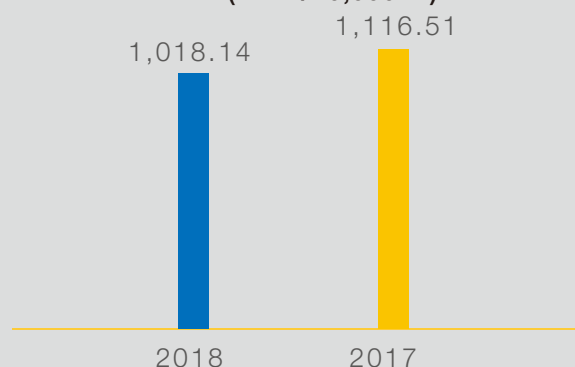


In 2018, our total emissions volume of greenhouse gas was 374,864.98 tonnes, and the percentage of greenhouse gas emissions (scope 2) was 87.16%. The emission density decreased by approximately 9.73% compared to FY2017.

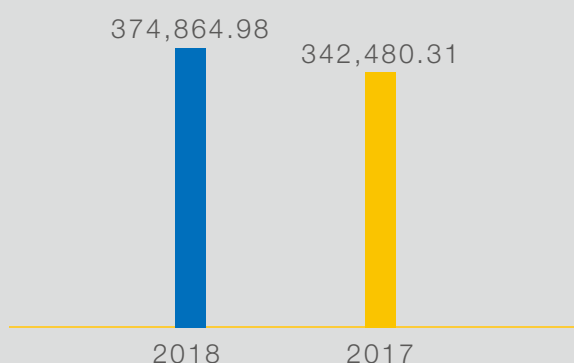
**Emission volume and percentage of greenhouse gas (scope 1 /scope 2)**

|         | Emission Volume (tonnes) | Percentage |
|---------|--------------------------|------------|
| Scope 1 | 48,141.03                | 12.84%     |
| Scope 2 | 326,723.95               | 87.16%     |
| Total   | 374,864.98               |            |

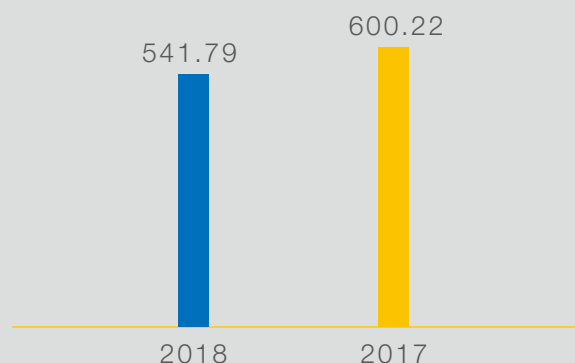
**Energy consumption intensity (MWh/10,000m<sup>2</sup>)**



**Total emission volume of greenhouse gas (tonnes)**

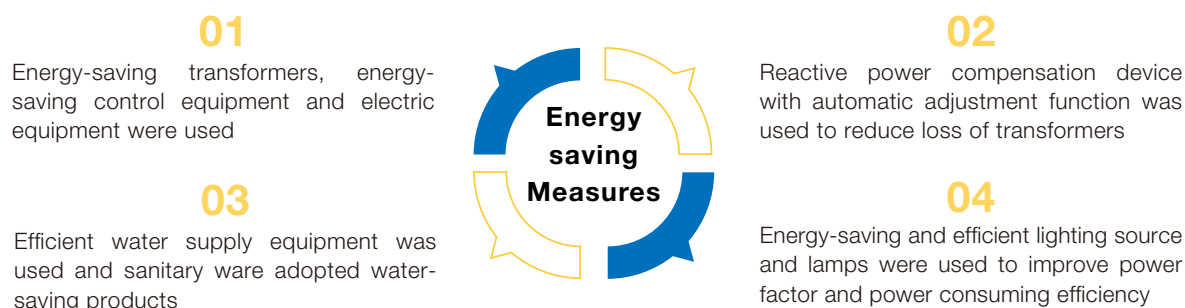


**Greenhouse gas emissions intensity (tonnes/10,000 m<sup>2</sup>)**



## Energy Saving of Shopping Malls

In order to reduce energy consumption, we set the goal of improving energy efficiency in the stage of project planning and design. In 2018, when the Company was launching its construction projects of shopping malls, energy saving was considered as a principal element.



A time-controlled system was used for the lighting for landscape, garages and common aisles and the acoustooptic controlled switch was applied for staircase lighting to reduce waste. In addition, in 2018, we also implemented a parking lot charging piles project. In order to spread the concept of green travel, reduce the gasoline consumption, and thus reduce the environmental pollution caused by vehicle exhaust emissions, we cooperated with NEXTEV, TGOOD, Potevio Energy (普天能源) and other companies to vigorously promote the construction of charging piles. In 2018, we have completed the construction of 600 charging piles.

## Energy Saving of Office

We continue to improve energy saving management system of office buildings with modern energy saving technologies. The Company optimizes daily management process, and conducts analysis on energy saving for existing key energy using equipment or systems and proposes plans for technical transformation of energy conservation. Relevant technical transformations projects of energy conservation can be applied to offices affordable for them in accordance with the actual conditions, e.g. LED lights, installation of frequency conversion escalator, air-conditioning transformation, photovoltaic power and so forth. At the end of October 2018, Shanghai Pujiang Shopping Mall completed the energy-saving renovation of LED lamps in office area and four central halls from the first to fourth floor. The number of renovation of lamps was 9,510 and the total saving of electricity in November and December 2018 was 74,000KWh.

## EMISSIONS MANAGEMENT

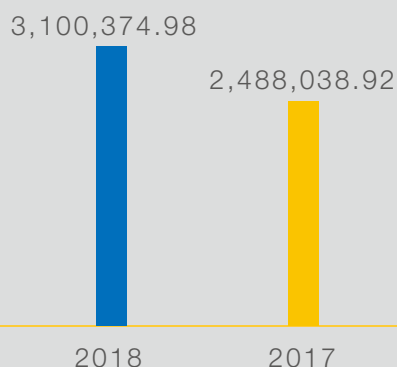
While advocating energy saving, Red Star Macalline is also trying its best to reduce the waste emission to reduce damages to and effects on the ecological environment. The treatment and emission of waste of the Company comply with the regulatory standards of the places of operations. Our waste mainly includes domestic garbage, construction waste, waste steel bars, sewage and so forth.

### Waste Water Management

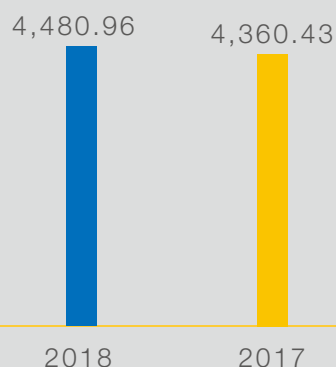
The waste water produced by us is mainly domestic sewage. In accordance with the Prevention and Control of Water Pollution Law issued by the state and its supporting national standard Waste Water Quality Standards for Discharge to Municipal Sewers (GB/T 31962-2015), we require that all waste water must be neutralized and discharged after passing the test.

The shopping malls of Red Star Macalline are set with septic tanks for pre-treatment (primary treatment) and sedimentation of impurities for domestic sewage to hydrolyze larger molecular organics into smaller molecular organics including acids, alcohols, etc., improving subsequent waste water treatment. The shopping malls with catering industry are set with oil separators for separation of oil, and only the waste water passing treatment acceptance can be discharged to reduce pollution of the environment.

**Water consumption (cubic meters)**



**Water consumption intensity  
(cubic meters/10,000 m<sup>2</sup>)**





## Waste Disposal

Wastes mainly included construction wastes and household wastes throughout the development of shopping malls of Red Star Macalline. We strictly abide by the Prevention and Control of Environmental Pollution by Solid Waste Law of the People's Republic of China, continuously conduct proactive waste management in every stage of the life cycle of buildings and strengthen waste management on construction sites and waste recovery of shopping malls to reduce the generation of waste. Construction waste decreased as a result of the reduction of civil engineering projects, the total amount of waste generated in 2018 is 10,043.20 tones, representing a decrease of approximately 96.10% as compared with that in 2017.

Upon completion of shopping mall projects, we proactively recover waste cables, waste reinforcing steel bars and other waste materials for recycling or secondary sales to increase sales revenue and substantially reduce the use of resources.

In property management, we proactively reduce waste, comply with the principle of environmental protection of "waste renovation and used things recycling" and implement classified management for household garbage and construction waste in shopping malls which are set with appropriate garbage chambers. Garbage is discharged on a daily basis. The household garbage is sealed and construction wastes are bagged before being cleared up by professional cleaning companies each day. Meanwhile, we conduct the classification of designated household garbage according to government requirements and encourage that waste can be converted into useful materials after treatment to increase resource recycling and utilization rate.

## Noise Treatment

Noise generated from the operation of Red Star Macalline mainly comes from the power equipment including air conditioning units, air compressors, cooling towers and heat treatment equipment. We strictly comply with the Prevention and Control of Noise Pollution Law of the People's Republic of China, and control the noise by using environmental friendly equipment, installing noise-abatement equipment surrounding equipment and other measures. The noise measurement results of Red Star Macalline can reach the limits of the places of operations. Main noise reduction measures of Red Star Macalline include:

- Outdoor units of air conditioning, ventilators, etc. apply efficient and low noise products;
- The inlet and outlet ducts of ventilators and air conditioners are set with muffler, and the air intakes and air outlets are set with mufflers or silencing shutters;
- The water inlet and outlet pipes of pumps and cabinet air conditioners are equipped with vibration damping connectors; refrigerators, fans, pumps, etc. are set with a vibration damping foundation.



## DATA OVERVIEW

| Environmental and social data overview   |            |            |
|--|------------|------------|
|  | 2018       | 2017       |
| <b>Number of employees</b>   | 24,339     | 22,621     |
| By gender  |            |            |
| Female   | 8,956      | 8,425      |
| Male   | 15,383     | 14,196     |
| By age group   |            |            |
| Below 30   | 11,343     | 9,815      |
| Between 30 to 50   | 11,801     | 11,830     |
| Above 50   | 1,195      | 976        |
| By type of employees   |            |            |
| Senior management  | 603        | 504        |
| Middle management  | 4,534      | 4,095      |
| General employees  | 19,202     | 18,022     |
| <b>Development</b>   |            |            |
| Percentage of employees trained  | 100%       | 100%       |
| By gender  |            |            |
| Female   | 100%       | 100%       |
| Male   | 100%       | 100%       |
| By type of employees   |            |            |
| Senior management  | 100%       | 100%       |
| Middle management  | 100%       | 100%       |
| General employees  | 100%       | 100%       |
| Average hours of training completed per staff  | 224        | 219        |
| By gender  |            |            |
| Female   | 226        | 219        |
| Male   | 224        | 219        |
| By type of employees   |            |            |
| Senior management  | 192        | 192        |
| Middle management  | 264        | 264        |
| General employees  | 216        | 216        |
| <b>Emissions</b>   |            |            |
| Total emission of greenhouse gas (scope 1 & 2) (tonnes)  | 374,864.98 | 342,480.31 |
| Total emission of direct greenhouse gas (scope 1)  | 48,141.03  | 43,648.67  |
| Total emission of indirect greenhouse gas (scope 2)  | 326,723.95 | 298,831.64 |
| Emission of greenhouse gas per 10,000 m <sup>2</sup> operating area of self-operated shopping mall (tonnes/10,000 m <sup>2</sup> ) | 541.79     | 600.22     |

|   | 2018                     | 2017         |
|---|--------------------------|--------------|
| Total emission of waste gas (kg)  | 89.18 <sup>(1)</sup>     | 14.49        |
| NO <sub>x</sub>   | 80.70                    | 13.10        |
| SO <sub>x</sub>   | 2.54                     | 0.28         |
| PM  | 5.94                     | 1.11         |
| Total emission of hazardous garbage (tonnes)  | 7.50 <sup>(2)</sup>      | 1.42         |
| Oil paint   | 1.80                     | 0.89         |
| Glue  | 5.70                     | 0.53         |
| Total emission of non-hazardous garbage (tonnes)  | 10,035.70 <sup>(3)</sup> | 257,516.77   |
| Domestic garbage  | 1,752.00                 | 50,858.70    |
| Construction garbage  | 7,980.00                 | 206,046.00   |
| Scrap steel   | 17.30                    | 23.71        |
| Scrap cable   | 286.40                   | 588.36       |
| Emission of non-hazardous garbage per 10,000 m <sup>2</sup> operating area of self-operated shopping mall (tonnes/10,000 m <sup>2</sup> ) | 14.50                    | 451.31       |
| <b>Water resource consumption</b>   |                          |              |
| Total water consumption (m <sup>3</sup> )   | 3,100,374.98             | 2,488,038.92 |
| Fresh tap water   | 3,100,374.98             | 2,488,038.92 |
| Water consumption per 10,000 m <sup>2</sup> operating area of self-operated shopping mall (m <sup>3</sup> /10,000 m <sup>2</sup> )        | 4,480.96                 | 4,360.43     |
| <b>Energy consumption</b>   |                          |              |
| Total energy consumption (MWh)  | 704,450.93               | 637,078.28   |
| Electricity   | 469,349.34               | 423,595.30   |
| Natural gas   | 233,487.38               | 213,323.94   |
| Gasoline  | 1,614.21 <sup>(1)</sup>  | 159.04       |
| Energy consumption per 10,000 m <sup>2</sup> operating area of self-operated shopping mall (MWh/10,000 m <sup>2</sup> )                   | 1,018.14                 | 1,116.51     |
| <b>Social investment</b>  |                          |              |
| Social investment (RMB'0000)  | 1,008                    | 1,085        |

Notes:

- (1) Emission of waste gas and gasoline discharge increased as more vehicles were used in 2018.
- (2) Emission of non-hazardous garbage, e.g. oil paint and glue, increased due to the increase in the decoration projects in 2018.
- (3) Emission of non-hazardous garbage, e.g. domestic garbage and construction waste, reduced as a result of the reduction in civil works in 2018.

# APPENDIX I – THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

| Aspect   | Description  | Place/notes |
|--|--|-------------|
| <b>A. Environment</b>                            |  |             |
| Aspect A1: Emissions                             |  |             |
| General Disclosure                               | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste   | Environment |
| A1.1   | The types of emissions and respective emissions data   | Environment |
| A1.2   | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)   | Environment |
| A1.3   | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)  | Environment |
| A1.4   | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)  | Environment |
| A1.5   | Description of measures to mitigate emissions and results achieved   | Environment |
| A1.6   | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved  | Environment |
| Aspect A2: Use of Resources                      |  |             |
| General Disclosure                               | Policies on the efficient use of resources, including energy, water and other raw materials  | Environment |
| A2.1   | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)  | Environment |
| A2.2   | Water consumption in total and intensity (e.g. per unit of production volume, per facility)  | Environment |
| A2.3   | Description of energy use efficiency initiatives and results achieved  | Environment |
| A2.4   | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved   | Environment |
| A2.5   | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced  | N/A         |
| Aspect A3: The Environment and Natural Resources |  |             |
| General Disclosure                               | Policies on minimising the issuer's significant impact on the environment and natural resources  | Environment |
| A3.1   | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them   | Environment |
| <b>B. Social</b>                                 |  |             |
| Aspect B1: Employment                            |  |             |
| General Disclosure                               | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to remuneration and dismissal, recruitment and promotion, working hours, vacations, equal opportunities, diversity, anti-discrimination and other benefits and welfare | Staff       |
| Aspect B2: Health and Safety                     |  |             |
| General Disclosure                               | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards   | Staff       |
| Aspect B3: Development and Training              |  |             |
| General Disclosure                               | Policies on the improvement of knowledge and skills for employees to perform their duties. Description about training activities   | Staff       |
| Aspect B4: Labor Standards                       |  |             |
| General Disclosure                               | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour  | Staff       |
| Aspect B5: Supply Chain Management               |  |             |
| General Disclosure                               | Policies on managing environmental and social risks of the supply chain  | Market      |
| Aspect B6: Product Responsibility                |  |             |
| General Disclosure                               | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress                                     | Market      |
| Aspect B7: Anti-corruption                       |  |             |
| General Disclosure                               | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering  | Market      |
| Aspect B8: Community                             |  |             |
| General Disclosure                               | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests  | Community   |