



GOME RETAIL HOLDINGS LIMITED
國美零售控股有限公司 *

(Incorporated in Bermuda with limited liability)

Stock Code: 493



2018

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT

* For identification purpose only

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GOME Retail Holdings Limited

Environmental, Social and Governance Report 2018

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 response to the government policies on green consumption and in line with the “Home • Living” strategy and the strategic initiatives of “New Markets, New Business, New Technology”, GOME strives to evolve into an integrated home solution, service solution and supply chain provider. Based on the existing culture of “Trust”, GOME continues to deepen and advocate the enterprise’s core values. Integrated efforts have been made to promote the concept of green consumption through its industry practice, customer education and product marketing in a bid to contribute to environmental protection.

Based on the idea of “green consumption and quality life”, GOME continuously pursues low-carbon emission and promotes environmental protection. A green ecosystem covering the entire industry chain, ranging from procurement, promotion and sales to after-sales services, has been built. Capitalizing on its unique offline and internet models, GOME will continue to provide its customers with better shopping experience and introduce green home lifestyle to the public, taking the lead in promoting sustainable development in the industry.

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

As a retail enterprise committed to sustainable development, apart from its efforts put in innovation and transformation, GOME is also devoted to promoting green stores and developing technology that realizes the goal of energy saving, emission reduction and protection of the environment. As part of its continuous effort to promote environmental-friendly and sustainable development, a green ecosystem covering the entire industrial chain, ranging from procurement and operation to after-sales services, has been established.

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.

Total amount of indirect carbon emissions of the Group



A2, A3 USE OF RESOURCES

I. ENERGY CONSERVATION

Electricity Saving

During its operations, GOME exercises stringent control over the use of electricity to minimize the cost of electricity and 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 with the use of natural light and energy saving lamps;
- No unnecessary daytime lamps and ever-burning lamps were used, and strengthened the monitoring of daily electricity consumption;
- Reduced electricity usage, switched off unused equipments in offices and turned on automatic "sleep" mode for computers.

ENVIRONMENTAL

In terms of electricity consumption at the stores, the total power consumption by the Group was approximately 591,333,000 kWh during 2018.

Electricity consumption by the Group	2017	2018	Change
Electricity expenses (RMB)	621,587,000	614,986,000	(1.1%)
Electricity consumption (kWh)	597,680,000	591,333,000	(1.1%)
Average electricity consumption per month per store (kWh)	31,050	23,222	(25.2%)

In respect of store transformation for energy conservation, LED energy-saving lamps were used in all the stores of GOME, saving huge amount of energy as compared with the halogen lamps used previously.

With the launch of the “Shen Zhou Middle-End Data Platform Project”, GOME has completed the integration of its online and offline operation. As such, procedures were systemized and automated while the number of staff and computers in the stores was reduced, resulting in lower electricity consumption. In 2018, the number of computers used by the Group had reduced by approximately 4,800 in total.

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 the stores’ decorations or in routine maintenance (for example, automatic faucets were used as a replacement);
- Fixed quantity control was applied based on the historical amount used by each unit, the size of the stores and the number of restrooms;
- Daily inspections were carried out to avoid water waste due to evaporation, water emission, dripping or leaking.

The total water consumption of the Group was approximately 3,335,000 cubic meters during 2018. Besides, the Group has no major problems in sourcing water.

Water consumption by the Group	2017	2018	Change
Water expenses (RMB)	11,910,000	11,273,000	(5.3%)
Water consumption (cubic meters)	3,524,000	3,335,000	(5.4%)
Average water consumption per month per store (cubic meters)	183.1	131.0	(28.5%)

ENVIRONMENTAL

Paper Saving and Green Office

The Group promotes paperless operations to protect the environment. E-manual, e-warranty card and e-invoice were introduced in the sales of electrical appliances and electronic products, reducing paper consumption significantly.

The Group has standardized the use of office supplies to extend their service lives. The Group encourages and promotes paperless office to reduce the use of paper and the wastes so generated. Documents are mainly transmitted, reviewed and approved electronically. In addition, the Group also classifies the discarded wastes within the office.

Warehouse and Logistics Management

In 2018, the Group continued to strengthen the coverage of its logistics distribution network and developed a four-level warehouse system that consists of regional central warehouses, Tier-1 warehouses, Tier-2 warehouses and county-level distribution stations. As at the end of 2018, the Group had over 2,000 warehouses with a total storage area of around 3,000,000 square meters, covering 92% of cities in China. The storage network enables the delivery of goods and products to customers in a timely manner through digitalized and automated management.

Moreover, the Group has 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	2017	2018
Fuel expense (RMB)	129,015,000	148,153,000
Gasoline usage (L)	19,848,000	20,955,000

Packaging Materials

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

II. SALES OF GREEN PRODUCTS AND RECYCLING

Green Sales

GOME is committed to energy conservation. It cooperates with major suppliers to develop and integrate product customization business with a focus on the supply chain. Upon receiving information on market demand, factories will produce customized products, achieving an effective supply of products. Following such practice, a business model of green production and sales can be established.

ENVIRONMENTAL

Product Recycling

Leveraging its nationwide after-sales service network and more than 2,000 stores, GOME provides its users with recycling services for a variety of electrical appliances and electronic products. In addition, GOME makes its platform accessible and seeks cooperation with third parties actively to improve its recycling services.

III. SUPPORTING ENVIRONMENTAL PROTECTION ACTIVITIES

Besides its promotion of environmental protection and energy conservation, GOME also acts as a corporate citizen, actively participating in various environmental activities.

In January 2018, The 7th World Economic and Environmental Conference and the International Carbon-Value Award Honorary Ceremony (第七屆世界環保(經濟與環境)大會暨國際碳金獎榮譽盛典) was jointly held by the United Nations Industrial Development Organization, UNESCO and the International Ecological Economy Promotion Association in Beijing. GOME was awarded the Carbon-Value Ecological Practice Award (碳金生態實踐獎) for its continuous effort for green and sustainable development. It was the fourth time that GOME has won this award for its contribution to environmental protection.



Carbon-Value Ecological Practice Award

In June 2018, the 9th “Green Development • Low Carbon Living” Charity Work Exhibition hosted by China Newsweek of China News Service (中國新聞社《中國新聞周刊》) was officially held in Beijing. The theme of this event was “Green Future”. GOME was honored with the 2018 “Low Carbon Model” award (2018年“綠色低碳榜樣”獎) for its positive and leading role in low carbon practice and innovative green development.



The 9th “Green Development • Low Carbon Living” Charity Work Exhibition

IV. RESPONDING TO GOVERNMENT POLICIES

Exchange Old for New

In addition to active participation in environmental protection activities, GOME promotes the Exchange Old For New program in response to government policies. Through selected recycling channels, GOME links up all supply chain platforms. With the use of professional evaluation systems, recycling prices of old home appliances have been maximized, best selling price for old home appliances could be offered to the consumers, which facilitated the operation of Exchange Old For New program.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

VISION OF WORKING ENVIRONMENT

GOME has always regarded employees as valuable assets of the company. It has provided many training programs for its employees and has been active in recruiting outstanding and competent talents. Moreover, the Group has always aimed to build a good working environment by 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.

A harmonious and friendly working environment enables employees to develop a strong sense of belonging; a diverse, scientific employee development channel boosts employees' enthusiasm in work; 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 valuable feedback from employees. As a result, it has always been GOME's focuses to carry out comprehensive trainings for its employees,

encourage them to be more innovative and facilitate their development so as to make them truly become the primary asset of GOME.

B1 EMPLOYMENT

I. EQUAL OPPORTUNITY

In terms of talent recruitment and employment, the Group strictly prohibits all types of discrimination, including discrimination on the basis of race, gender, birthplace, age, pregnancy and disability. Regarding employees' career paths, it adheres to the principles of fairness, impartiality and openness and promotes its staff according to their abilities, quality and performance. The Group has also organized make-up classes for employees who have not met the standard of performance required. Those who failed to improve after attending the make-up classes are either transferred to other positions or dismissed. Those who are dismissed are entitled to reasonable compensation (if any) in accordance with relevant national regulations. The Group maintains strict compliance with relevant laws and its policies for staff compensation, benefits, working hours and rest periods, treating all employees equally without discriminations.

Basic information about the Group's staff	2017	2018
Number of employees	40,176	42,269
Male-female ratio	1:1.07	1:1.08
Proportion of minority employees	3.7%	4.1%
Proportion of disabled employees	0.7%	0.3%

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Categorization by type of employment

Type of employment	2017		2018	
	Total number of employees	Proportion	Total number of employees	Proportion
Long-term employees	39,847	99.2%	41,753	98.8%
Interns	115	0.3%	314	0.7%
Temporary employees	214	0.5%	202	0.5%
Total	40,176	100.0%	42,269	100.0%

Categorization by gender

Gender	2017			2018		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Male	19,409	48.3%	1.6%	20,357	48.2%	2.2%
Female	20,767	51.7%	1.6%	21,912	51.8%	2.2%
Total	40,176	100.0%	1.6%	42,269	100.0%	2.2%

Categorization by age

Age	2017			2018		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Below 25	3,504	8.7%	1.4%	4,027	9.5%	3.7%
25-35	18,824	46.9%	2.1%	18,361	43.4%	2.9%
35-45	12,534	31.2%	1.1%	14,320	33.9%	1.3%
Above 45	5,314	13.2%	0.7%	5,561	13.2%	1.1%
Total	40,176	100.0%	1.6%	42,269	100.0%	2.2%

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Categorization by geographical regions

Geographical regions (Note 2)	2017			2018		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Headquarters of the Group	1,810	4.5%	1.3%	8,749	20.7%	1.9%
The Northeast Region	3,394	8.4%	1.4%	2,565	6.1%	2.2%
The Northern China Region	9,598	23.9%	1.5%	8,952	21.2%	2.3%
The Eastern China Region	9,547	23.8%	1.7%	8,871	21.0%	2.1%
The Southern China Region	8,131	20.2%	2.0%	6,087	14.4%	2.1%
The Western China Region	7,696	19.2%	1.0%	7,045	16.6%	1.8%
Total	40,176	100.0%	1.6%	42,269	100%	2.2%

Note 1: Average monthly turnover rate = number of resigned staff / (resigned staff + total number of employees) / 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 has 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 different 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. The Group also offers statutory holidays, annual leave, marriage leave, compassionate leave, maternity leave, occupational injury leave and parental leave in accordance with national laws and regulations.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Other benefits

The Group grants meal subsidies, telecommunication fees, travel expenses, transportation subsidies, heating fees, high-temperature subsidies and cooling fees to employees. It also offers an annual 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.

Furthermore, the Group 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 does not only ensure smooth communication between the Group and its employees, but also allow the Group to obtain valuable feedbacks from its employees.

General manager reception day

The Group has been running the "General Manager Reception Day" since 2007, and it's now both a regular activity and an important communication channel of the Group. The event allows the management to get closer to its employees to learn about their work and life, so that they can 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 relevant data to prepare an analysis report, which is then further 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 open exchanges platform for staff. The channels allow employees to make suggestions, report issues and give opinions about the company's daily operations.

IV. STAFF CARE

GOME has always strived to create a harmonious and warm corporate atmosphere, which is highlighted by its continued improvement on the working environment and commitment to satisfying 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 2018, a total of RMB1,057,000 was raised by the fund, which benefited a total of 203 employees in need (2017: RMB859,400 for 163 employees).

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Staff activities

In order to implement a culture of “Trust” and boost employees’ morale, 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 to cope with their homesickness.



“GOME Year” annual celebration



Mid-autumn festival activity



Birthday party



Christmas celebration

Date	Event	Awards received by GOME
November 2018	2018 CCFA New Consumption Forum – China National Retail Congress	GOME received the “CCFA China Employees’ Favorite Chain Store Company” award and the “CCFA Top Ten Corporate Universities” award for four consecutive years, and was honored with the Reform and Opening of China for 40 Years Ever Green Award for Chain Store Enterprise (改革開放四十周年連鎖企業長青獎)

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



Award for CCFA China Employees' Favorite Chain Store Company



Award for CCFA Top Ten Corporate Universities



Reform and Opening of China for 40 Years Ever Green Award for Chain Store Enterprise (改革开放四十周年连锁企业长青奖)

B2 HEALTH AND SAFETY

I. OCCUPATIONAL SAFETY AND HEALTH

The Group attaches great importance to the building of 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 the case of having to work under 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 its 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 in our corporate culture development, with the aim to promote 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 boost their enthusiasm and foster a stronger sense of belonging.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Senior Executives Club

Comprising all personnel at our headquarters at and above director level, the Senior Executives Club organizes regular activities for the senior management to sharpen their professional skills, strengthen inter-departmental communication, build rapport between colleagues and improve their physical health.

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.

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 colleges and universities across the country every year. By offering targeted career development paths and plans to the graduates, it serves as the future talent reserve for the enterprise and the channel for young people to start their career. In 2018, the Group gave campus talks at over 30 colleges and universities in the country, and attracted more graduates to the "Reservoir" project.

Summary of the Group's "Reservoir" project	2017	2018
Number of employees recruited	902	346

Introducing middle and senior level talents

In order to support its strategic implementation, the Group makes various 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	2017	2018
Number of employees recruited	307	383

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

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 organizational structure of the Group.

Summary of the Group's introduction of new talents	2017	2018
Internet technical staff	318	361
Logistics system staff	3,841	3,826

II. STAFF DEVELOPMENT

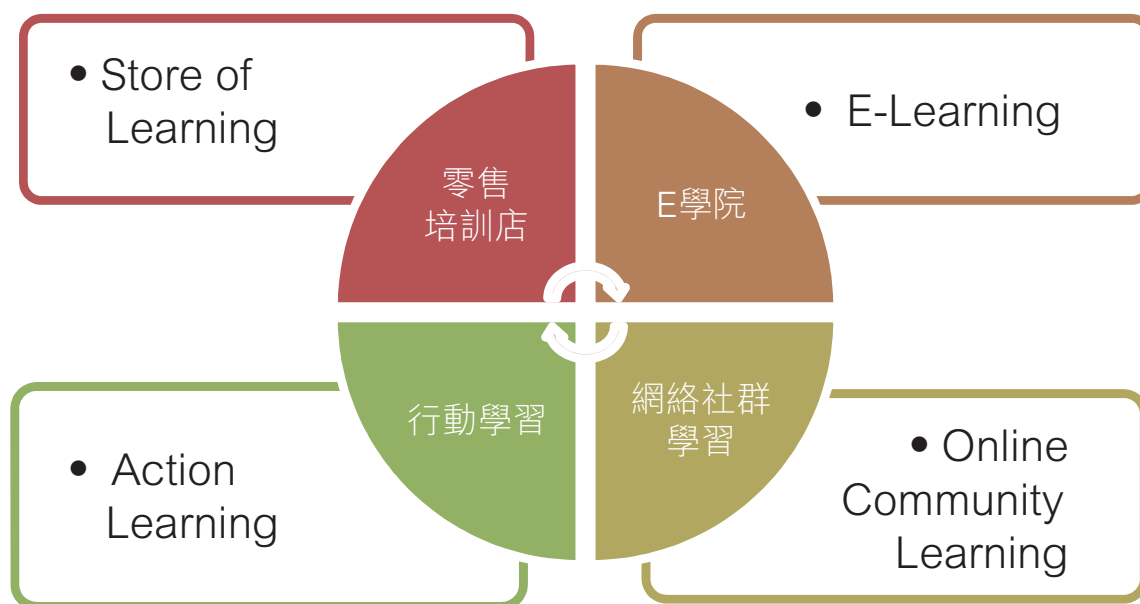
In 2018, in order to accomplish the goal of strategic transformation of the Group, the Group's training center promoted the ideology of "thinking from the perspective of a customer with corporate goals in mind", and enhanced the leadership skills and the ability of the employees to drive new businesses. Following the core value of "Customer First" from the GOME Leadership Principles, the Group further developed its training programs, including "Reservoir Training", "Workplace Acceleration Program" and "Senior Executives Succession Plan", which fulfilled the Group's guidelines of "Choose the Right Person and Train the Capable Person", as well as motivated the employees' self-demand of "Learning to be Innovative and Inclusive". These training programs have also perfected the career ladders from entry-level staff to senior management, and incubated talents for new projects and new businesses.

In terms of training systems, the Group continued to explore breakthroughs and innovation, and has launched various training programs such as the "Funnel Filter Mechanism", "Business Simulation Trainings", "Online Learning + Think Out-of-the-box Seminars" and "Action Learning", which enhanced training efficiency and efficacy.

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 (SOL), E-Learning, Action Learning and Online Community Learning.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



● "4L" training model

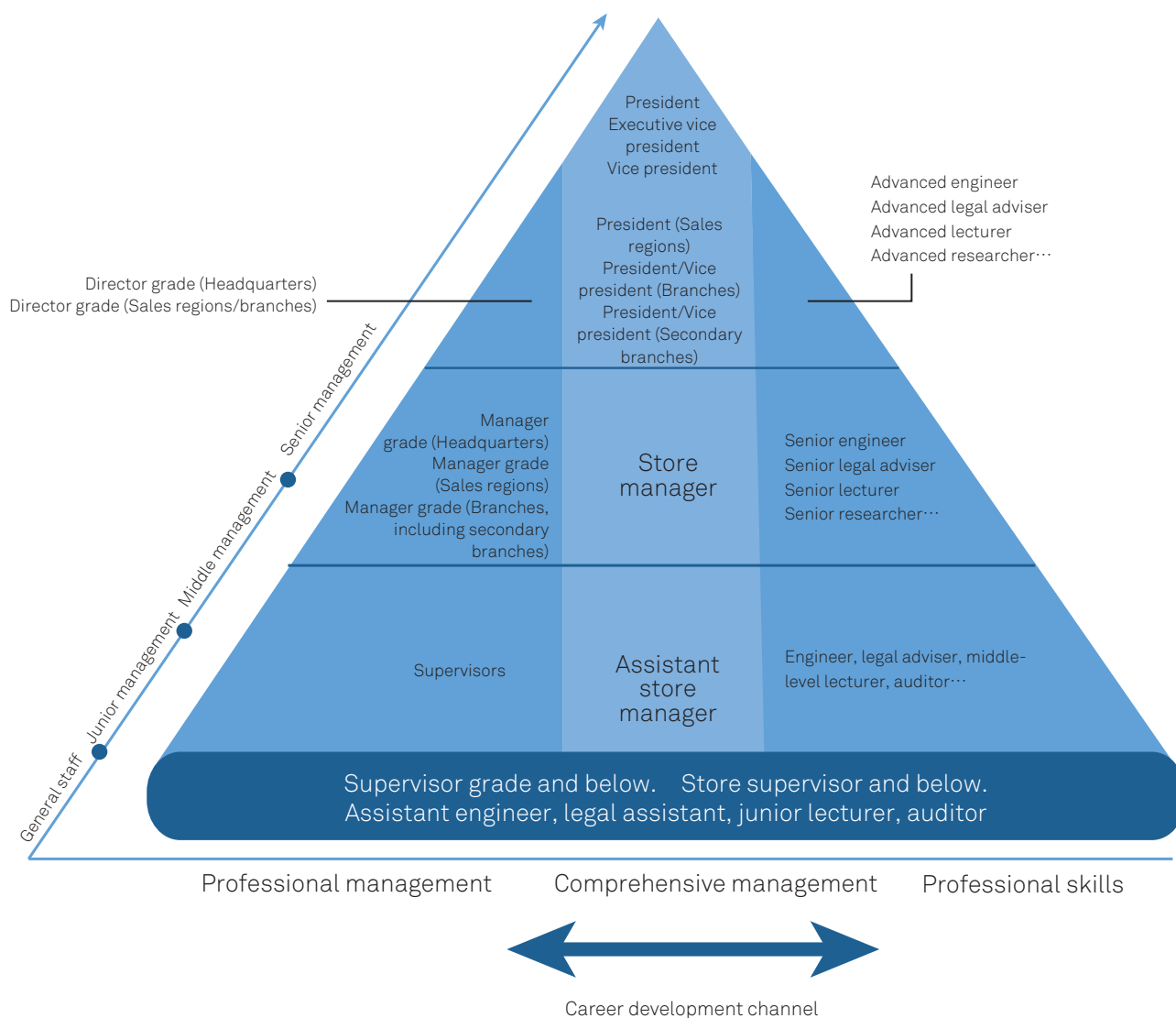
Mature talent development channels

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 have provided the Group with a source of talents;
- At the middle level, the "Workplace Acceleration Program" and the "Golden Eagle Reservoir Training" have established the career path for key middle management personnel;
- The Group has launched the "Pilot Program" to boost leadership skills and comprehensive operational capability of flagship managers across the country, which has played a significant supporting role in new businesses and setting new shopping scenarios. It has also rolled out the "Future Program" and the "Reserved Store Manager Training" program to develop the management talent pool for flagship stores nationwide. Moreover, the "Thousand Store Upgrade" and "Star Lecture" projects have been 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" has 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.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

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.



In 2018, a total of 49,364 employees participated in GOME's training programs with a total of 3,799,374 training hours. The average training hours per employee was 77.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



The 2018 national “Reservoir Training” activities



The 2018 “Workplace Acceleration Program”



2018 “Future Store Manager Training” program

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



2018 "Senior Executives Succession Plan"

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 relevant laws and regulations from time to time to 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 is 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 priorities 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	2017	2018
The ratio of working days/holidays	Over 10 years	2.090	1.916
	10 years or below	1.970	2.090

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

VISION OF SUPPLY CHAIN

As technological advancement changes the living style of people, GOME is committed to developing more effective cooperation with its partners in the age of information. Endeavoring to set foot in the “Home • Living” market, it will establish an ecosystem of “Home • Living”. GOME strives to transform itself into an integrated home solution, service solution and supply chain provider based on the concept of “Home”. Great efforts have also been made to explore online and offline cooperation

models with suppliers. Interaction among customers, products and services have also been enhanced in the “ME Shop” to enable consumers’ extensive participation in shared retailing as well as enjoyment of integrated home experience.

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 and emission reduction initiatives.

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 ensure they can always supply the best quality goods and services to the Group.

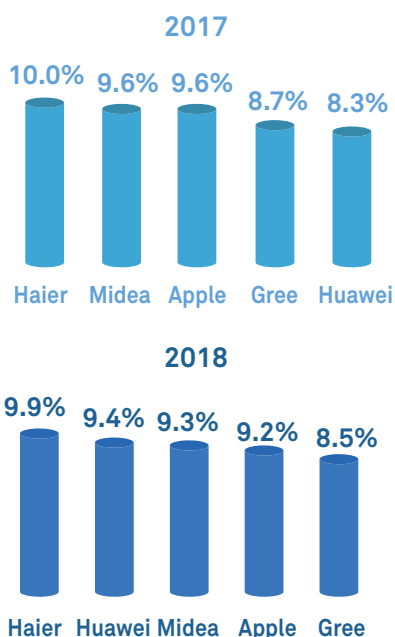
Summary of suppliers of the Group	2017		2018	
	Total number of suppliers	Proportion	Total number of suppliers	Proportion
Geographical regions				
The Northeast Region	1,161	11.6%	1,255	13.0%
The Northern China Region	2,831	28.4%	2,695	28.0%
The Eastern China Region	2,265	22.7%	2,111	21.9%
The Southern China Region	1,643	16.5%	1,686	17.5%
The Western China Region	1,988	19.9%	1,563	16.2%
Others	89	0.9%	331	3.4%
Total	9,977	100.0%	9,641	100%

II. INFORMATION SHARING

In the age of information, GOME has always been committed to connecting with suppliers effectively. Through information sharing, upstream suppliers are able to be informed of sales, inventory and logistic status anytime and support the formulation of targeted production, sales and distribution plans. With stronger overall competitiveness in the industry and less waste of resources, GOME enjoys higher retail efficiency while meeting the demand of its consumers.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

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



B6 PRODUCT RESPONSIBILITY

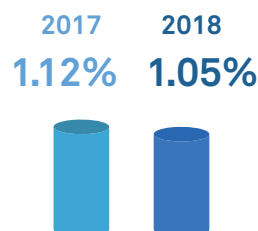
I. QUALITY CONTROL OF PRODUCTS

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, examine the quality certificates and check 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 also apply 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 higher than the designated percentage, the whole batch will be disqualified and will be returned to the supplier.

The Defective Rate



II. ADVERTISING AND PUBLICITY

The following practices 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, its scope, providers, 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 for legal responsibility 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 the publishing of false advertisements, which are deceiving or misleading to our customers. The Group guarantees the rights and the benefits of its customers who have purchased its goods or have enjoyed its services.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

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. 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 leaked, 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

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 their shopping experience.

GOME continues to develop its after-sales service system, "GOME House Manager", which provides full product life cycle services of "purchase, cleaning, repairing, recycling and repurchase". In addition, GOME provides smart home services, which enable its users to enjoy a comprehensive "Home • Living" after-sales service.

VI. COMPLAINTS HANDLING

Under the "Home • Living" strategy, GOME continues to optimize its after-sales services. Customers can provide their feedback on products and services through various channels, including telephone, online customer service and GOME APP. As part of its customer-oriented after-sales services, GOME has introduced online customer evaluation system. This enables the public to monitor the Group's services and encourages the Group to give prompt response to customers' needs.



"2018 Best Reputation Customer Contact Centre"

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

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 is not only a requirement for professional ethics, but also a responsibility and an obligation for GOME employees.

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 stipulates strict regulations on unethical behavior such as bribery, extortion, fraud, money laundering, etc. The Group also keeps a record of the commitments in each employees’ profile as an attachment of the labour contract.

II. INTEGRITY POLICY

The GOME Staff Integrity Policy have been promoted 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 in accordance with to adjustments to the Group’s 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 management system against corruption, 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.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

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 has 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 has helped tens of millions of people.

B8 COMMUNITY INVESTMENT

I. PROMOTING EMPLOYMENT

GOME continues to establish large-scale integrated flagship stores in the first- and second-tier cities, providing integrated smart solutions of “Home • Living” for consumers. With its rapid network expansion in the third- to sixth-tier cities, GOME

has opened 513 county stores by the end of 2018, bringing more green and smart electrical appliances into the cities. These initiatives also have satisfied the needs for enhanced consumption and has boosted local employment opportunities.

II. DRIVING ECONOMIC DEVELOPMENT

With more than 2,000 stores in over 600 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 Guizhou, Yunnan, Gansu, Xi’an and Xinjiang for a number of years. As of the end of December 2018, GOME has opened a total of 272 stores in the above-mentioned areas (2017: 208 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	2017	2018
Guizhou	15	20
Kunming	31	38
Lanzhou	23	38
Xi’an	107	133
Xinjiang	32	43
Total	208	272

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

III. DISASTER RELIEF

Since its establishment, GOME has incorporated the idea of charitable work into its business operation and has been committed to its social responsibilities. Its charity work include emergency relief, education and poverty alleviation, employment assistance of the disabled and elderly care. Capitalizing on its resources, supply chain and ecosystem development experience, GOME has established an open charity ecosystem.

Date	Event	Disaster relief
September 2018	Flood in Shantou	In order to meet their urgent needs, GOME donated antiseptics, disinfectant powder and other aid materials to the flood-affected communities in Simapu Town and Tongyu Town, Chaonan.
September 2018	Typhoon Mangkhut in southern areas	After the disaster, GOME offered free inspection, cleaning, repairing and replacement services for electrical appliances damaged by the typhoon in Guangdong, Guangxi and Hainan, providing free and high quality after-sales services for consumers with its professional expertise.



Flood relief event



Typhoon relief event

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

IV. YOUTH EDUCATION

Future Space

GOME has been dedicated to the development of youth education and health services 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 the people it helps.

The “Buy and Donate” program was a charity marketing campaign jointly launched by GOME and China Foundation for Poverty Alleviation. The program lasted for approximately a year. During the campaign, for each purchase of refrigerator or washing machine of a designated brand from GOME, GOME would donate RMB50 to China Foundation for Poverty Alleviation for the “Future Space” project. All the proceeds from the campaign will be used for the construction of the ten classrooms under the “Future Space” project in Hezhang County, Guizhou Province.

Ten major brands, including Haier, Casarte, Midea, LittleSwan, MeiLing, Hisense, Ronshen, Sanyo, Panasonic and Siemens participated in the campaign with their selected refrigerators or washing machines. Through the campaign, more families were able to directly participate in charity work to help rural children.

As at 2018, 20 multi-media classrooms have been built under the “Future Space” project in Sichuan, Yunnan and other places. Approximately 30,000 students benefit from the project each year.



有买有善
为梦想创造可能

您每购买一台指定冰箱洗衣机类产品，国美将捐赠 50元
打造“未来空间”教室，助力贫困地区儿童的全面发展。

Future Space – the “Buy and Donate” program

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Other campaigns relating to youth education:

Date	Event
June 2018	“Education Assistance Tour in Rural Area” (最美支教團) campaign was launched. GOME joined hands with Guang Ming Daily and university students to address the education problems of rural students.
July 2018	In “2018 Documentary of Education Assistance Tour in Rural Area” campaign (2018 鏡頭中的最美支教團), volunteers visited Yunnan, Guangxi, Tibet and other rural areas to bring knowledge and hope to the local children. This helped to widen their horizons.
December 2018	Xi'an branch of GOME donated about 400 computers to the rural children for the construction of multi-media classrooms through the Xi'an Charity Association.



Campaigns relating to youth education

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

V. ELDERLY CARE

Elderly care activities:

Date	Event
May 2018	A free lunch charity campaign called “Great love from GOME-FOTILE” was jointly launched by GOME and Fotile. During the campaign, for each product of Fotile sold in GOME stores, one free lunch would be offered to the rural children.
July 2018	During the 9th National Day of Disabled Persons, GOME visited and brought comfort to several families of disabled people under the leadership of the Wuzhou Association of Persons with Physical Disability (梧州市肢殘協會).
September 2018	GOME participated in the “99 Charity Day” (99公益日), calling upon people to support the education charity work of the disaster affected areas and poverty-stricken rural areas.
October 2018	The poverty alleviation channel of GOME was officially launched. The first batch of selected companies started their business. GOME provided the platform free of charge, aiming to revitalize rural areas through the promotion of their agricultural products.
December 2018	The 1st e-commerce technology poverty alleviation and training course was jointly held by GOME, Rural Development Center of Beijing Municipal Commission of Science and Technology (北京市科委農村發展中心) and Chicheng County People’s Government of Hebei Province (河北省赤城縣人民政府).

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



“Great love from GOME-FOTILE”



The poverty alleviation channel of GOME



E-commerce technology poverty alleviation and training course



美丽中国支教项目十周年
一起举手，一起改变未来。



“99 Charity Day”

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

Awards:

Date	Event	Awards received by GOME
December 2018	GOME was awarded the certificate of honor by China Foundation for Poverty Alleviation in recognition of its achievements in the “Buy and Donate” education aid program	Award from China Foundation for Poverty Alleviation
December 2018	The 2nd New Era Capital Forum held by Securities Daily	Sky Horse - Charity Pioneer Award for the Most Socially Responsible Listed Company (金駿馬最具社會責任上市公司之公益先鋒獎)
January 2019	The 8th Charity Festival “Because of Love” Ceremony in 2018 (第八屆中國公益節暨“因為愛”2018致敬盛典) held by the Mass Media Association (大眾媒體聯會)	Charity Team Award of 2018 (2018年度公益集體獎)



Certificate awarded by China Foundation for Poverty Alleviation



Sky Horse Award



Charity Team Award of 2018



Charity Team Award of 2018