

# 金猫银猫CSmall

## 金猫银猫集团有限公司 CSMALL Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1815



## Environmental, Social and Governance Report 2018



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



## ABOUT THIS REPORT

CSMall Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to present its Environmental, Social and Governance Report for the period from 1 January 2018 to 31 December 2018 (the “**Reporting Period**”). This report illustrates the impact of the principal operating activities of the Group on the environment and society, which include the design and sales of gold, silver and jewellery products in the People’s Republic of China (the “**PRC**”).

This report was prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Reporting Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Content Index is part of the sustainability report, which provides information on how we comply with the “comply or explain” provisions in the Environmental, Social and Governance Reporting Guide as well as our responses to the proposed disclosure. This report focuses on the policies and performance of the Group in the four main areas, namely environmental protection, employment and labour practices, operating practices and community investment, during the Reporting Period.

## GROUP PROFILE

The Group completed its global offering and listing on the Main Board of the Stock Exchange on 13 March 2018. The Group plans to maintain its online-offline integrated jewellery retail model, which is different from the traditional jewellery retail brands, as it takes advantage of the comprehensive benefits of the platform, technology, supply chain and new online-offline integrated retail platform to integrate, optimize and empower traditional jewellery retail franchisees, so as to complement our respective strengths for mutual development. As a leading online-offline integrated Internet-based jewellery retailer in the PRC, the Group appreciates diversified design and brand value, and currently has 19 registered and valid design patents.

The Group adopts stringent quality control policies and management control and provide high-quality products and excellent after-sales services. We have good insights into the market trends of the gold, silver and jewellery industry and adjust our strategies accordingly, so as to achieve reasonable gross profits and create maximum sustainable value for our stakeholders.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### MATERIALITY ASSESSMENT

The Group has identified the issues that are relevant to its stakeholders in respect of the characteristics of its main activities. Based on materiality, this report illustrates the impact of our business on the environment and society. The Group's major stakeholders are listed below.

Major Stakeholders	Areas of Concern	Engagement Channels
The Stock Exchange	Compliance with the Listing Rules	Announcements published on the Stock Exchange's website Meetings as necessary Phone calls and emails
Government/ regulatory authorities	Compliance with laws and regulations Proper tax payment	Site visits and audits Regular declarations Announcements of new laws and regulations in the Gazette Annual reports and other publications on its website
Shareholders and investors	Return on investments Transparent information disclosure Protection on rights and interests of shareholders and fair treatment of shareholders	Annual and other general meetings of shareholders Annual reports, announcements and other publications Group website/Disclosure on the Stock Exchange's website Company email managed by designated personnel
Employees	Salaries and welfares Protection on Employee's rights and interests Health and safety Feedback opportunities	Regular meetings Comprehensive employee trainings Intranet and emails Regular employee activities
Customers	Safety and product quality Customer satisfaction Business ethics After-sales services	Website Television boardcast Wechat Interactive customer evaluation
Suppliers	Long-term business relationship Fair competition	Procurement contracts, emails, telephone calls, interviews Interactive supplier evaluation
Media	Corporate governance Environmental protection	Explanatory documents on key issues
Public and community	Environmental issues Contribution to the community	Community activities

### FEEDBACK

We sincerely encourage our stakeholders to provide us with their comments and suggestions. If you have any comments on this report or the Group's sustainability performance, please email us at [cs@csmall.cn](mailto:cs@csmall.cn) and the Group will keep reviewing our performance and making improvements.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL PROTECTION

The Group is committed to continuously enhancing its environmental and social responsibilities to achieve sustainable development of the Group. Our target is to reduce hazardous greenhouse gas emissions and unnecessary waste disposal in our daily business processes. At the same time, the Group has formulated a number of environmentally sensible policies and guidelines while establishing, tracking and closely monitoring the key performance indicators for continuous improvement. We regularly update and notify the management of the Group with the work results and key performance indicators to ensure that the Group follows the direction of the policies and upholds the same philosophy.

During the Reporting Period, the Group complied with the relevant laws and regulations relating to greenhouse gas emissions, discharges to water and land, and generation of hazardous and non-hazardous wastes, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Environmental Protection Management Regulations for Construction Projects (《建設項目環境保護管理條例》), which had material impacts on the Group. During the Reporting Period, the Group did not violate any PRC environmental protection laws and regulations and was not subject to any material fines, non-monetary penalties or litigation relating to environmental violations.

### A.1 Emissions and Wastes

As an online-offline integrated internet-based jewellery retailer, the Group did not have any manufacturing business during the Reporting Period, and therefore no hazardous waste was generated in the course of our business. However, our employees used private cars for the purpose of visiting customers. The Group generally concludes transactions and hands the products to the customers in its physical stores or hires third-party logistics companies for the delivery of its products.

#### A.1.1 Emissions

##### Emission by vehicle

Type	Private car
Number	1 vehicle
Mileage	61,789 km
Type of fuel	Unleaded petrol
Fuel consumption by vehicles	6,137 litres
Emission of NO <sub>x</sub>	4,615.64 g
Emission of SO <sub>x</sub>	90.21 g
Emission of particles	339.84 g

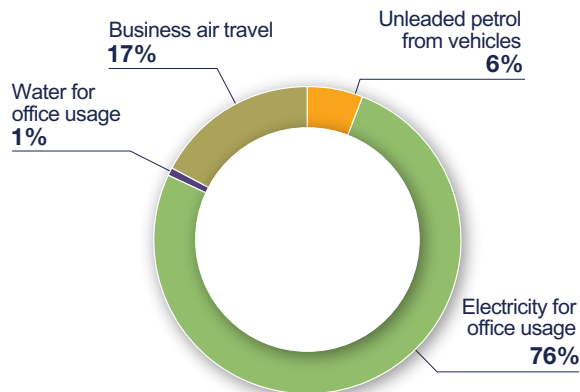
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A.1.2 Greenhouse Gas Emissions

Since the Group does not have any manufacturing facilities, the gas emissions generated by the Group mainly come from the electricity purchased for our office, the business air travel by employees, the private cars we used for the purpose of visiting our customers and water consumption. The Group's greenhouse gas emissions during the Reporting Period were mainly carbon dioxide (CO<sub>2</sub>), with emission data and diagram detailed below.

	Mobile combustion sources	Unit	Consumption	Intensity (for each one million RMB revenue)	CO <sub>2</sub> e (tonnes)	Intensity (for each one million RMB revenue)
Scope 1 – Direct emissions and removals from greenhouse gas emissions						
Greenhouse gas emissions from mobile combustion sources	Unleaded petrol	litres	6,137	2.46	16.62	0.01
Scope 2 – Energy indirect emissions						
Mainly come from the electricity purchased	Electricity	kWh	334,432	133.89	218	0.09
Scope 3 – Other indirect emissions						
Electricity used for processing fresh water and sewage by government department	Fresh water	m <sup>3</sup>	3,128	1.25	1.56	0.00
Business air travel by employees	Domestic airline	trips	368	0.15	48.86	0.02
					284.67	0.11

### Proportions of CO<sub>2</sub>e emissions



Electricity consumed in the business accounts for 76% of total gas emissions.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A.1.3 Total amount and density of waste and non-hazardous waste generated

The Group's business does not involve discharge of pollutants and hazardous waste to the water and land. The key non-hazardous waste generated by us is the small amount of general waste such as stationeries. As assessed by the Group, such disposal is limited, and no relevant disclosure has been made accordingly.

### A.1.4 Disposal of hazardous and non-hazardous wastes

The Group's principal business activity is sales, which does not involve waste disposal. The Group adopts appropriate and economical policies concerning the waste generated in the office during daily operation, for example, we encourage our employees to use recycled paper, and most of our internal administrative documents are published electronically instead of printing out on paper, putting our philosophy of being economical into practice.

### A.1.5 Measures for and achievement in reducing emissions

During the course of our operations, we always bear in mind environmental protection and resource efficiency, for example, we recommend the use of teleconferencing and videoconferencing instead of business trips, encourage our employees to use recycled paper, streamline inventory and delivery process to reduce the frequency of transportation, as an effort to reduce emissions from our daily operations in a versatile and effective way.

## A.2 Resource Utilization

### A.2.1 Direct and indirect energy

We encourage our employees to use electricity effectively. We have taken various measures to improve energy efficiency, such as reducing electricity usage, keeping indoor temperature at a reasonable level, and using energy-efficient equipment. During the Reporting Period, the Group's energy usage is as follows:

Resource utilization	Unit	Usage	Density (Note 1)
Electricity consumption	kW/h	334,432	133.89

(Note 1: Density is based on the Group's revenue per RMB100 million, which was RMB2,498 million during the Reporting Period)

### A.2.2 Total water consumption and density

During the Reporting Period, our total water consumption in the office was 3,128 m<sup>3</sup>, representing a density of 1.25 m<sup>3</sup> per RMB1 million.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A.2.3 Energy use and proper water use plan

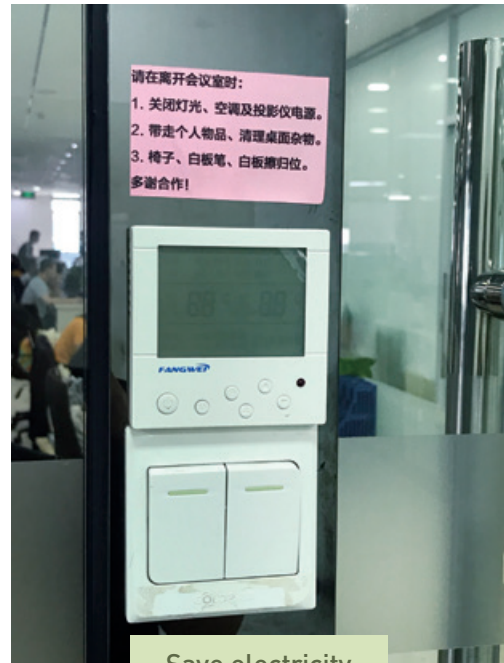
The Group understands that the greenhouse gas emissions and energy footprints in our operations are mainly from power consumption. Therefore, the Group has formulated energy conservation policies and other environmental protection measures in the hope of reducing greenhouse gas emissions.

The Group has adopted a green policy to encourage our employees to save electricity, water and paper both at work and in daily life. In order to save energy, LED lighting systems are installed in our offices, and our employees are required to turn off unnecessary equipment, machinery and electronic products after work. In addition to reducing electricity consumption, we encourage our employees to save water by posting notices where they can be easily seen, reminding them to turn off the taps after use.

In order to save paper and ink, our employees are required to verify the data before printing them out and try to print on both sides of the paper. We also introduce telecommunications system for business communication, and hold teleconferences and video conferences instead of business trips.



Save paper



Save electricity



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### A.2.4 Total amount of packaging materials used for finished products

The Group's major business activity is sales of gold, silver and jewellery, where most of the packaging materials are used for preservation of products, such as jewellery boxes and bags, and are considered as part of the final products. Therefore, this part of packaging materials was not accounted for separately.

Other types and units of our packaging materials are as follows:

Type	Usage (tonnes)	Density (tonne/ RMB100 million) (Note 2)
Plastics	5.0	0.20
Corrugated paper	9.0	0.36
Paper sheets	0.5	0.02

(Note 2: Density is based on the Group's revenue per RMB100 million, which was RMB2,498 million during the Reporting Period)

### A.3 Environment and Natural Resources

The Group is committed to protecting our environment and minimizing the impact of its daily operations on the environment. In order to reduce carbon emissions, one of our considerations during the packaging process is to facilitate our customers to preserve their purchased products, therefore we focus on the functionality of the packaging, and reduce the use of disposable materials. In our daily operation, we also constantly remind our employees of the importance of energy conservation, as an effort to create green office spaces.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIETY

### B.1 Employment

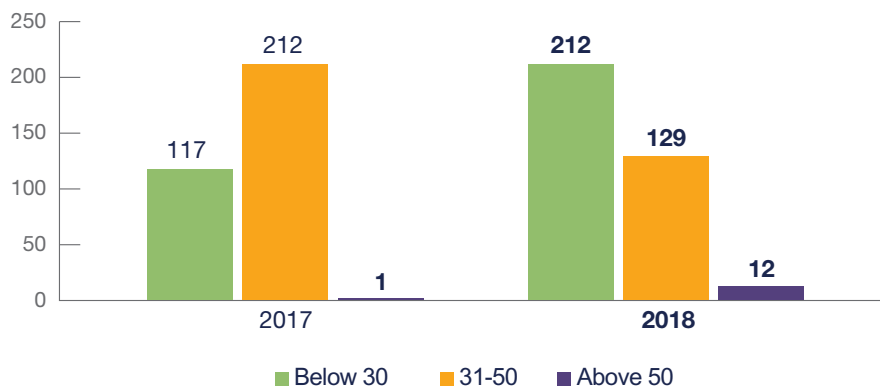
The Group complies with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law of the People's Republic of China on the Protection of Women's Rights and Interests (《中華人民共和國婦女權益保障法》), the Social Security Law of the People's Republic of China (《中華人民共和國社會保障法》), the Trade Union Law of the People's Republic of China (《中華人民共和國工會法》) and the Special Regulations on Protection of Women Workers (《女職工勞動保護特別規定》) and other relevant regulations, and makes timely contributions to the five major insurances and housing funds for its employees, i.e. pension insurance, medical insurance, unemployment insurance, maternity insurance, work injury insurance and housing provident funds.

The Group understands that its employees are critical assets and its business development wholly depends on their contribution and hard work. The growth of our employees leads to continuous innovation in our products and helps us achieve greater excellence and quality. The Group provides competitive remuneration packages to its employees with reference to industry practices and benchmarks, including paid annual leaves, marriage leaves, maternity leaves, internal promotion opportunities and annual bonuses.

During the recruitment process, we strive to be fair and just, therefore we have adopted an open recruitment process. The Group will not tolerate any kinds of discrimination, including gender, sexual orientation, disability, age, religion, family background or other personal characteristics protected by law.

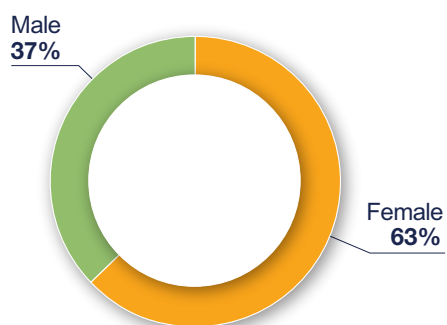
As at the end of the Reporting Period, the Group had a total of 353 employees, representing a net increase of 23 employees when compared with the number as at the end of 2017. The following figures are compiled based on the total number of employees as at the end of the Reporting Period.

Group's staff number

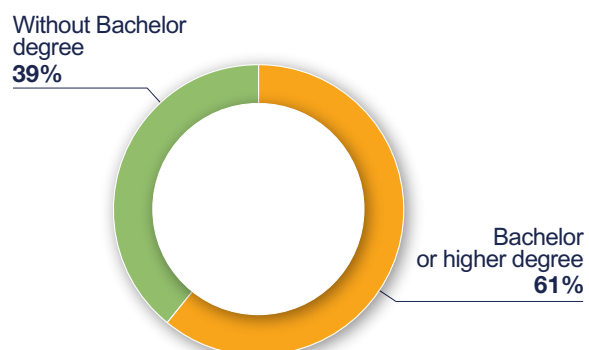


## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

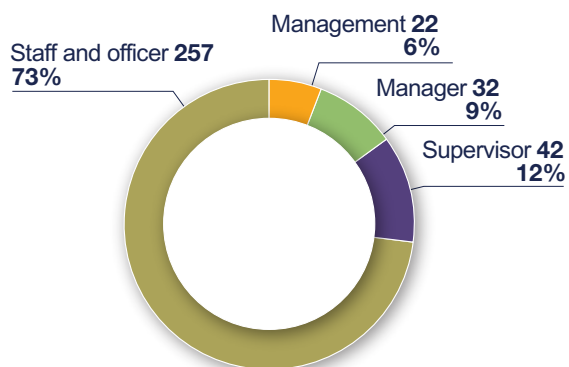
Group's staff number - by gender



Group's staff number - by education



Group's staff number - by function



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B.2 Health and Safety

During the Reporting Period, the Group complied with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards, such as the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Prevention and Control of Occupational Diseases Law of the People's Republic of China (《中華人民共和國職業病防治法》), by ensuring that the employees are working in a safe environment in respect of health, hygiene, ventilation, gas safety, building structure and means of escape.

Providing a safe and relaxing working environment for our employees is one of our main considerations, for which a number of measures have been implemented in the workplace to promote this policy, which are detailed as follows:

- No smoking, no abuse of alcohol and drugs in the workplace
- Provision of clean and tidy staff lounge
- Adequate illumination in the workshop and the corridors should be kept open and clear, especially the escape exits
- Adjustable chairs and computer displays are provided so that our employees can maintain proper sitting positions and protect their eyes



Fire escapes are not blocked



Clean and tidy staff lounge

In addition, we have a fitness room in our office where our employees can use the equipment for free. The Group also regularly organizes various recreational activities for its employees, which has significantly enhanced the communication and interaction.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B.3 Development and Training

In order to maintain the competitiveness of the Group and our employees, our human resources team regularly organizes internal and external trainings for our employees to support their career development.

The Group provided diverse training programs for our employees during the Reporting Period, including the induction training and company policy training. The following table shows the number of hours that our employees spent in trainings during the Reporting Period:

	Manager level or above	Below manager level
Training hours per head	72 hours	96 hours

The Group also provides its employees with internal promotion opportunities to acknowledge their outstanding performance and hard work.

### B.4 Labour Standards

The Group strictly complies with the laws in the place where it operates, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Special Protection Regulations for Juvenile Workers (《未成年工特殊保護規定》) and the Regulations on Prohibition of Child Labour (《禁止使用童工規定》), and absolutely refrains from hiring child labour or involuntary labour. During the Reporting Period, there was no child labour or involuntary labour involved in the Group's business activities.

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group has established policies that prohibit any forced, bonded or otherwise involuntary labour throughout its operations. Additionally, through its procurement and tendering policies, the Group also endeavours to ensure that its suppliers and contractors are free from the employment of forced, bonded or otherwise involuntary labour.

### B.5 Supply Chain Management

In order to maintain the high quality of our products, we have adopted a strict filtering system in the selection of suppliers. For example, we will check whether the suppliers have complied with national environmental regulations, whether they have hired child labour, the quality of their materials and whether they had major violations in the past.

In order to enhance the quality of our customer service, we have developed various policies and guidelines for various types of sales, such as operational procedures, warehouse management and employee training procedures. In addition to satisfying the needs of the customers, our employees are also required to understand the trends of the market so as to further enhance the customer's satisfaction.

During the Reporting Period, we had a total of 20 suppliers, all of which are located in the PRC.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B.6 Product Liability

During the Reporting Period, the Group complied with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress, such as the Trade Descriptions Ordinance (《商品說明條例》) (Chapter 362 of the Laws of Hong Kong), the People's Republic of China Product Quality Law (《中華人民共和國產品質量法》) and the People's Republic of China Law on Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》).

#### Product safety and quality assurance

The Group offers self-branded and third-party branded jewellery products. Self-branded products are designed by our development team and each product is properly accompanied by product information and labeling in accordance with relevant laws and industry practices. The Group commits that it will maintain product safety of the highest level, assess product quality regularly and take the initiative to make improvement.

During the Reporting Period, we did not receive any major complaints about the quality of our products and services or have to make any recalls due to safety and health incidents.

#### Excellent service experience

##### Online

The Group has established an online platform for customers to purchase goods at all times. We also launch online pre-sale activities from time to time to showcase our latest products. With the assistance of software, we clearly understand our customers' preferences and needs, and respond immediately to meet market demand and increase customers' sense of superiority.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



### **Offline**

As for our offline retail business, the Company is developing a set of RFID technology to understand customers' purchase patterns and collect transaction data. Some experience shops have started to use RFID to collect customer data and analyzed customers' preferences according to the time of browsing and fitting, thus enabling shopkeepers to understand our customers' needs and provide better shopping experience.

### **After-sales service**

The Group provides high-quality products, backed with comprehensive after-sales service. Our website provides a clear list of the issues for our customers to note after purchase, including the invoice, repairing, shining, product return, resizing, cleaning, examination and repurchase etc.. We have also set up a professional customer service team to provide consultation and handle complaints online. In order to ensure effective communication with our customers, the Group has set up a dedicated department to handle customer calls, which will quickly relay the feedback of our customers to the relevant departments, and follow up the issue with a positive attitude. The department has separated work spaces to protect the privacy of our customers.

### **Data privacy**

The Group understands that during the process of sales, the Group collects personal data of customers through the membership programme, the social media platforms and the Company's website. The Group considers privacy and personal data protection as part of its business management, and incorporates information confidentiality requirements into its corporate policies, whereby customer data can only be accessed for issues related to the operations of the Group. The Group has always strictly complied with the relevant laws and regulations relating to privacy and has ensured that all information relating to personal privacy is properly handled.

During the Reporting Period, the Group did not receive any complaints about privacy infringement.

### **Intellectual property rights**

The Group's enthusiasm for innovation and arts has resulted in greater weight attached to intellectual properties. We regularly review relevant intellectual property policies, apply for registration of patents on the brand and design of the Group, and protect diversified design and brand value. As at the end of 2018, the Group has 52 registered trademarks and 19 registered and valid design patents in the PRC.

During the Reporting Period, the Group did not breach any intellectual property rights of any connected persons.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B.7 Anti-corruption

During the Reporting Period, the Group complied with relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, such as the Criminal Law of the People's Republic of China [《中華人民共和國刑法》], the Regulations of the People's Republic of China for Suppression of Corruption [《中華人民共和國懲治貪污條例》] and the Prevention of Bribery Ordinance [《防止賄賂條例》] (Chapter 201 of the Laws of Hong Kong).

In order to establish an open, fair and transparent business culture, and deter violations such as bribery, extortion, fraud and money laundering, the Group has established the integrity & compliance department, which is responsible for receiving and reviewing relevant whistle-blowing, with a firm determination to crack down on all corrupt sales activities.

The reports we accept include but are not limited to the following:

- Asking for or accepting bribes from our employees, including cash, premium gifts and any forms of lavish treatments;
- Conflicts of interests in duty performance, such as violation of the Group's investment regulations, or working for our suppliers, distributors and partners at the same time;
- Leakage of the Company's confidential information and data by our employees; and
- Exploitation of positions by our employees for personal gains.

The Group encourages whistleblowers to report by real-name and promises to protect their identities and keep their reports confidential. For all commenced investigations, the relevant department will give feedback to the whistleblowers with the contact information provided.

During the Reporting Period, no cases of anti-corruption involving the Group were concluded.

### B.8 Community Investment

The Group encourages its employees to participate in community and charitable activities to give back to society. During the Reporting Period, the Group donated of RMB10 million in the Jingning She Autonomous County Sheyin Museum as an effort to promote the Chinese silver culture and history. The museum displayed various kinds of silver accessories produced by the Group, in order to promote traditional jewellery craftsmanship culture of the She ethnic group and of China. The Group made donations of approximately RMB1 million in total to other projects.

In addition, the Group organizes craft workshops from time to time to produce souvenirs with children to give them a deeper understanding of the history of silver and jewellery.

