

Sun Art Retail Group Limited

2019 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

About this report

Statement by the Board of Directors

The board of directors of the Group together with the directors thereof guarantee that the information contained in this report does not include any false statements, misleading representations or material omissions, and all members jointly and severally accept responsibility as to the truthfulness, accuracy and completeness of the report's content.

Basis of Preparation

The environmental, social and governance report ("ESG Report") was prepared the *Environmental, Social and Governance 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 Reporting Period is from 1 January 2019 to 31 December 2019. A portion of the content consists of a brief review of previous and recent related activities. In case of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Reporting scope

This is the 2019 environmental, social and governance report published by Sun Art Retail Group, in which is disclosed all relevant information about the Group with respect to the environment, society and other aspects of corporate social responsibility. Environmental data is taken from all stores under the Auchan and RT-Mart in the reporting period. This is to ensure an accurate quantitative year-on-year comparison of data. The reporting boundary includes the RT-Mart and Auchan banners.

Sources of Information

The data in this report was derived from internal documents and related statistics of Sun Art Retail Group and its subsidiaries.

Contents

About this report	1
Voice of the CEO	3
About Us.....	4
1 Summary of Environment, Society and Governance	5
1.1 ESG Strategy of the Group	5
1.2 ESG Governance Structure of the Group	5
1.3 Stakeholders' Engagement	5
1.4 Assessment of Materiality	5
2 Environmental Protection	7
Environmental Policy.....	7
2.1 Reduced emission by robust management.....	7
Air emission management.....	7
Wastes and waste water management.....	9
2.2 Resources conservation and recycling.....	11
Energy management.....	11
Water Resources management.....	14
Use and management of packaging materials.....	15
2.3 Environmental Protection Starts with Responsibility	16
3 Social Responsibility.....	17
3.1 Employment	17
Diversity and Equality in Employment.....	17
Care for Employees	18
3.2 Health and Safety.....	19
Occupational safety and putting people first.....	19
Safety Assurance	20
3.3 Development and Training	21
Continued Study and Continuous Development.....	21
Online and Offline Learning.....	22
3.4 Labour Standards.....	22
Freedom of employment and the prohibition of child labour	22
3.5 Supply Chain Management.....	22
Robust, Sustainable and Reliable Management	22
Trackability, traceability and safety.....	24
3.6 Product Responsibility	24
Systematic management with food safety as the priority.....	24
Thoughtful and Responsible Services.....	26
3.7 Anti-corruption.....	27
Anti-corruption and Sound System.....	27
3.8 Community Investment.....	28
Convenient Services and Community Activities	29
Commitment to Our Community	30

Voice of the CEO

Dear Shareholders,

Clothing, food, housing and transportation are the basic needs of human beings. As a leading retailer and a conglomerate developing diversified businesses through multiple channels in China, Sun Art Retail provides products, regardless of the type, that are closely related to people's life. As a participant of the industry, Sun Art Retail Group has been pursuing an important mission: to enable people to eat well and live better. We are committed to this mission and working hard to be better as we know there is always room for improvement.



Looking back on 2019 in 2020, I was so impressed by how all walks of life in our society stand together to fight against the Novel Coronavirus (COVID-19), and I am so proud of the great effort made by our people at Sun Art Retail in combating the epidemic. As COVID-19 lingers in 2020, our stores actively responded to the calls of the government and our society to provide all forms of necessary assistance by leveraging our advantage in distribution channels, for example donating groceries (milk, instant noodles, vegetables, fruits, chocolate, etc.), epidemic prevention supplies (masks, disinfectant), cash, medical staff's suitcase / backpack / charger / data cable, cardboard box (for disposing medical waste); we have also participated in the delivery of daily necessities to residents of communities hard hit by the epidemic. Apart from assistance in supplies, and subject to local policies and epidemic prevention requirements, Sun Art Retail properly sanitizes the stores that continued to operate during the epidemic and continues to provide safe and hygienic shopping venues, and sufficient and affordable daily necessities to ensure that consumers live a normal life. As the threat of the epidemic recedes, a bright future lies ahead.

Over the past year, Sun Art Retail continued to make progress in digital transformation of physical stores. Currently, the business has been rolled out to all RT-Mart and Auchan stores. The business integrates our membership system, payment processes, inventory, sales, logistics and supply chain, as well as marketing into a single platform to enhance the efficiency of our physical stores while creating a clearer image to our customers, laying a solid foundation for personalized and precision marketing in the future. We also reshape the business model of hypermarkets through functional, category and mindset re-engineering to provide consumers with more convenient and thoughtful shopping experience, as well as specialized and cost-effective products.

One may go fast if travelling alone but go far when travelling with others. As a large retailer that operates a modern business on the basis of the tradition, we will continue to stay in line with the important national policies on environmental protection and resource conservation while keeping in mind that sustainable development of the whole society is the foundation of sustainable and healthy development of Sun Art Retail Group. Therefore, in addition to its own development, the Group has always focused on cooperation with partners, employees and the society as a whole to seek mutual benefits and win-win results in the course of sustainable development.

Finally, on behalf of all members of Sun Art Retail Group, I solemnly confirm that we are accountable for the truth and accuracy of this report. I would like to thank all the friends of Sun Art Retail Group for your long-term concern, support and help. I sincerely thank all the employees for your hard work and dedication, as well as the understanding and support from our employees' families. We will stay true to our mission, continue to move forward, serve the society, and contribute to the bright future, and work hard to build a first-class retail conglomerate.

Mr. Huang Ming-Tuan
Chief Executive Officer
31 May 2020 Shanghai, China

About Us

Sun Art Retail Group Limited (hereinafter referred to as “Sun Art Retail” and “the Group”) is a leading retailer with hypermarket and fast-growing E-commerce business in China. The Group is operating its hypermarket business under two recognized banners – “Auchan” and “RT- Mart”. As of 31 December 2019, we have a total of 486 outlets in China covering 232 cities across 29 provinces, autonomous regions and municipalities, covering Gross Floor Area (GFA) of approximately 13 million square meters (SQM).



On 20 November 2017, Auchan Retail S.A. (“Auchan”), Alibaba Group Holding Limited (“Alibaba”) and Ruentex Group formed a strategic alliance to integrate online and offline professional competency and explore opportunities of developing a new retail industry in China.

Sun Art Retail focuses its development on reshaping hypermarkets to explore the multi-disciplinary operation model, and become a pioneer in digital transformation of physical retailing and a benchmark of the new retail industry.

As members of Sun Art Retail Group, RT-Mart has worked with Auchan in a number of areas. To enhance the operation effectiveness and efficiency to navigate the intensive competition and provide better services to customers, the Group's Board decided to integrate the operation headquarters of the two companies into one joint headquarters after discussion in December 2018. RT-Mart also helps Auchan complete its IT system upgrade and supply chain integration. This integration will enhance the utilization of technology and management experience, and allow the Group to use its overall resources more efficiently. It aims to improve the efficiency of the Group and ultimately benefit its shareholders and employees.

From the very beginning, Sun Art Retail has been pursuing an important mission: to enable people to eat well and live better.



As China's retail market becomes increasingly competitive, Sun Art Retail will focus on developing diversified businesses through multiple channels, full scale digital transformation, accelerated transformation of hypermarkets and further integration of the Group's two brands.

Sun Art Retail has strong and profitable businesses, as well as unique competitiveness and assets. We will find sustainable opportunities to serve our customers in our people, stores and supply chains, customer relationship and the readiness to change. As a leading new retail company, Sun Art Retail invests heavily in innovations and technologies to facilitate our interaction with customers and provide a seamless digital experience. We are ready to seize the opportunity when it comes up, and working hard to pioneer the future of the retail industry.

1 Summary of Environment, Society and Governance

1.1 ESG Strategy of the Group

The retail industry is a fundamental industry that ensures the stable supply of basic groceries and necessities, it plays an important role in the livelihood of thousands of households. As a leading retailer in China, we are endowed with social responsibilities, and our business sustains for the responsibilities, therefore, corporate social responsibilities and sustainable development are values embedded in every aspect of the Group's governance and business operation.

1.2 ESG Governance Structure of the Group

The Group has established an ESG governance structure that combines the upper and lower levels, and has established a working committee led by senior management, middle and grassroots staff to participate in environmental, social and governance reporting. The committee consists of representatives from departments and subsidiaries which have significant effects on environmental, social and governance of the Group. The committee is responsible for conveying and communicating the Group's ESG strategies and specific measures in environmental, social and governance, and collecting data and feedback, and acting as a braintrust and propellant in sustainable development.

1.3 Stakeholders' Engagement

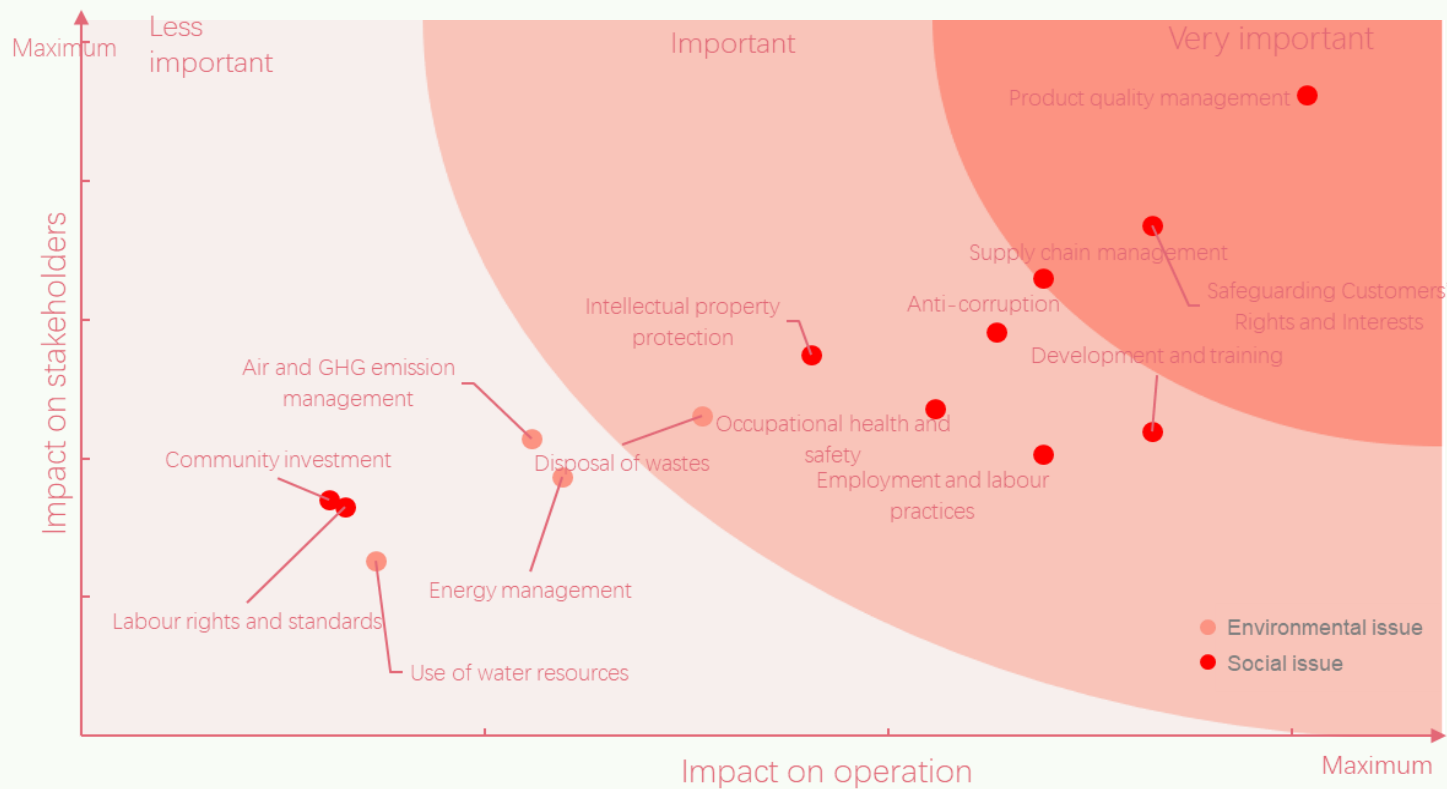
We actively listen to the voices from all stakeholders to understand their demands, in order to maximize the interests and promote the sustainable development of the Group on a solid foundation; the Group's ESG stakeholders mainly include the Group's employees, suppliers, customers, shareholders, investors, governments, and the communities in which we operate; the Group actively identifies and responds to the demands of stakeholders and communicates effectively with them through ways including social responsibility reports, staff's participation in social responsibility activities and etc..

1.4 Assessment of Materiality

When assessing the materiality of the reporting year, the participants took part in the surveys were mostly internal stakeholders, including directors, senior management, middle management and front-line employees. We planned to gradually include external stakeholders like customers, suppliers and government in which we operated into the interviews of the materiality assessment. Through surveys, we had a comprehensive understanding of the focal points, existing opinions and future expectations of stakeholders towards operation, environmental and social governance of the Group, which provided the Group with important guidance and direction to carry out environmental and social governance better in the future.

Based on the analysis and summary of the materiality assessment of stakeholders, we formed the matrix of materiality assessment as follows. The Group mainly engages in goods logistics and in-store sales, which has relatively limited emissions generation and consumption of resources, therefore, important KPIs center

Sun Art Retail Assessment of Materiality



on social field.

We have adequately considered the materiality of the following key performance indicators (KPIs) to business and to stakeholders and select the following KPIs as having significant impacts on the Group's sustainable development. While coordinating all environmental and social responsibilities, the Group pays more attention to the following areas.

Areas of focus

- Product quality management
- Safeguarding Customers' Rights and Interests
- Supply chain management

2 Environmental Protection

Environmental Policy

It is the responsibility of every corporate citizen to protect the Earth, our only home. We are committed to our mission of enabling people to live better by putting energy conservation and emission reduction into action. Sun Art Retail strictly complies with relevant national and local environmental laws and regulations in the regions where we operate, including the national “*Law of the People's Republic of China on the Environmental Protection* 《中华人民共和国环境保护法》”, “*Law of the People's Republic of China on the Energy Saving* 《中华人民共和国节约能源法》”, “*Shanghai Energy Saving Regulations* 《上海市节约能源条例》”, and “*Shanghai Carbon Emissions Management Trial Measures* 《上海市碳排放管理试行办法》”, and has prepared the Environmental Management Charter based on relevant laws and regulations, administrative measures and guidelines to regulate the management and conduct environmental protection activities.

In 2019, no environmental pollution incident or environmental violation that has a significant impact on the company happened to Sun Art Retail.

2.1 Reduced emission by robust management

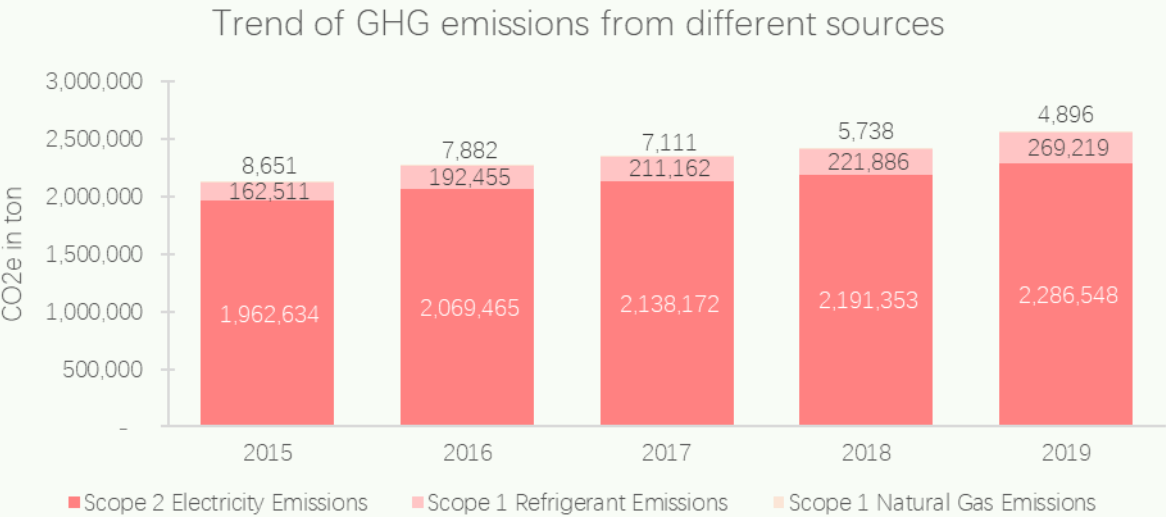
Sun Art Retail strictly complies with anti-pollution laws and regulations, such as the “*Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* 《中华人民共和国大气污染防治法》”, “*Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* 《中华人民共和国大气污染防治法》”, “*Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* 《中华人民共和国固体废物污染环境防治法》”, and has formulated the *Code of Practice for Dealing with Pollution Sources in Stores*, the *Code of Practice for the Prevention and Control of Pests*, and the *Code of Practice for Waste Separation and Recycling* based on national and industrial guidelines such as the *General Principles for Calculating the Comprehensive Energy Consumption* (GB/T 2589-2008), and *SB/T 10814-2012 Guide for Supermarket Waste Management*.

Air emission management

During the course of its operation, Sun Art Retail emits sulfur dioxide, nitrogen oxides, and smoke resulted from burning natural gas. The Group causes scope 1 direct emissions from owned or controlled sources by burning natural gas and using refrigerant, and scope 2 indirect emissions from the use of purchased energy. Sun Art Retail reduces gas emissions by controlling or conserving the use of natural gas, while rolling out systematic and planned implementation of refrigerant management and replacement to low global warming potential (GWP) and ozone depletion potential (ODP) refrigerants. We are committed to phasing out R22 refrigerant (difluorochloromethane) in all our stores by 2030 and have stopped using R22 refrigerant in new stores since 2010. As for R404A refrigerant (a mixture of pentafluoroethane, trifluoroethane and tetrafluoroethane), since 2017, Sun Art Retail has required that all new and renovated stores stop using R404A refrigerant and replace it with R407F refrigerant (mixture of difluoromethane, pentafluoroethane and tetrafluoroethane), a total of 14 stores have replaced the refrigerant so far. In 2019, we also introduced lower GWP and ODP R448A refrigerant (hydrofluoroolefin blended refrigerant), a total of 7 stores are using this refrigerant now.

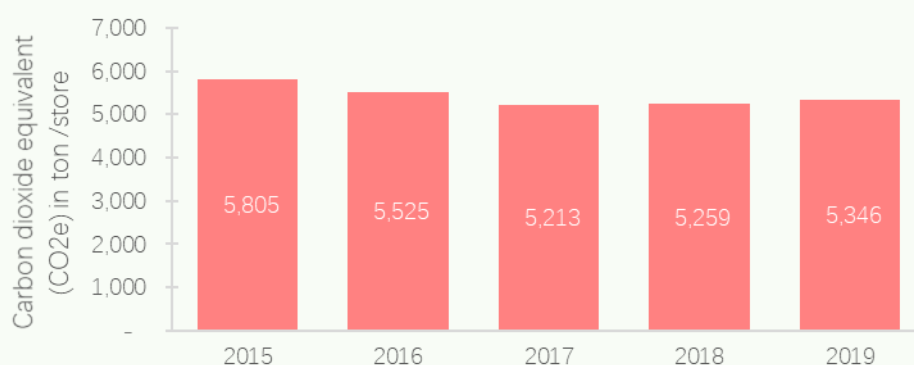
In 2019, Sun Art Retail emitted 473.33 kg of sulphur dioxide, 4,644.36 kg of nitrogen oxides, and 624.80 kg of smoke. A total of 2,560,662.17 tons of carbon dioxide equivalent (CO2e) of greenhouse gas (GHG) were emitted, in which scope 1 direct emissions due to refrigerant and natural gas reached 269,218.74 tons and 4,895.65 tons of CO2e respectively, and scope 2 indirect emissions due to electricity consumption reached 2,286,547.79 tons of CO2e. The GHG emission intensity is 5,345.85 tons of CO2e per store.

Over the past five years, details of GHG emissions from different sources, GHG emission intensity, and GHG emissions caused by major refrigerant leakage are shown in the figure below:

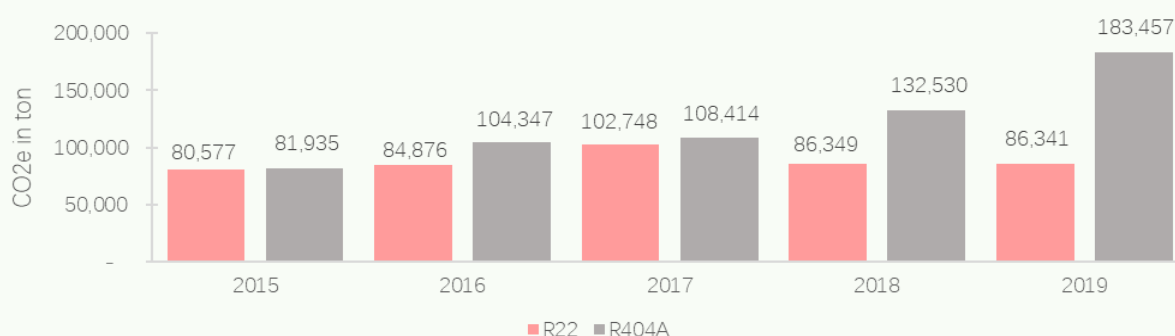


Note: electricity consumption in this year has increased compared to last year due to the increase in the number of stores, scope 2 indirect emissions due to electricity consumption have increased as a result, but the intensity of electricity consumption in this year has decreased compared to the last year. With the launch of the B2C program, freezer systems are installed in 133 stores. At the same time, failure occurred more frequently due to the ageing equipment at some stores, resulting in an increase in refrigerant leakage this year compared to last year.

Greenhouse gas (GHG) emission intensity

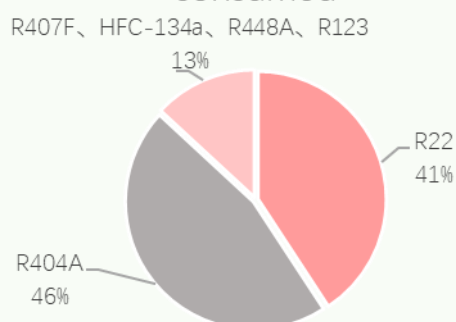


GHG emissions from major refrigerant leaks



Through Sun Art Retail's effort, the proportion of R22 and R404A refrigerants consumed over all refrigerants dropped from 98.5% in 2018 to 87%.

Breakdown of refrigerant types consumed



Wastes and waste water management

Sun Art Retail produces hazardous wastes such as waste lamps, harmful biological control bottles, drug packaging, floor scrubber batteries; and non-hazardous wastes such as cardboard, styrofoam, kitchen wastes and used oil generated during the process of unpacking goods, food processing and catering services in the normal operation of stores. Sun Art Retail formulated the *Code of Practice for Waste Separation and Recycling*, and developed and improved the environmental data management system to demonstrate the importance of the waste management. Sun Art Retail suits its measures to local conditions in wastes management, i.e. all stores are divided into five areas, i.e. outdoor area, shopping area, office

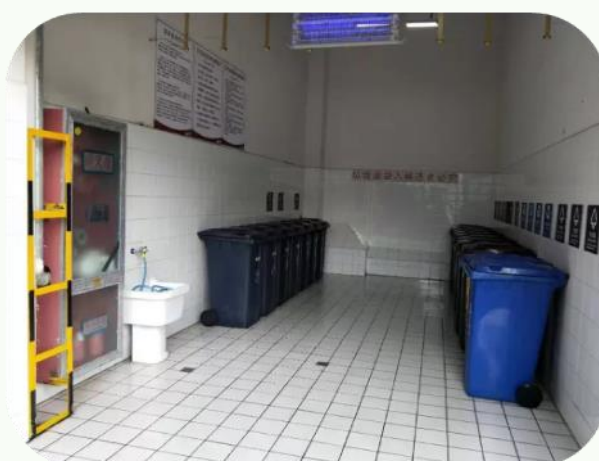
area, operation room and warehouse, and recycle bins are placed in light of the wastes produced in various areas. All wastes are collected, sorted, weighed, and recorded in the environmental data management system on a daily basis, and then handed over to an entity qualified in waste disposal for recycling on a regular or ad hoc basis for effective disposal. Each store shall designate a person to audit the data entry every month to analyze the cause for any abnormal data, and make timely rectification and correction.



Recycle bins placed at the plaza outside a hypermarket (outdoor)



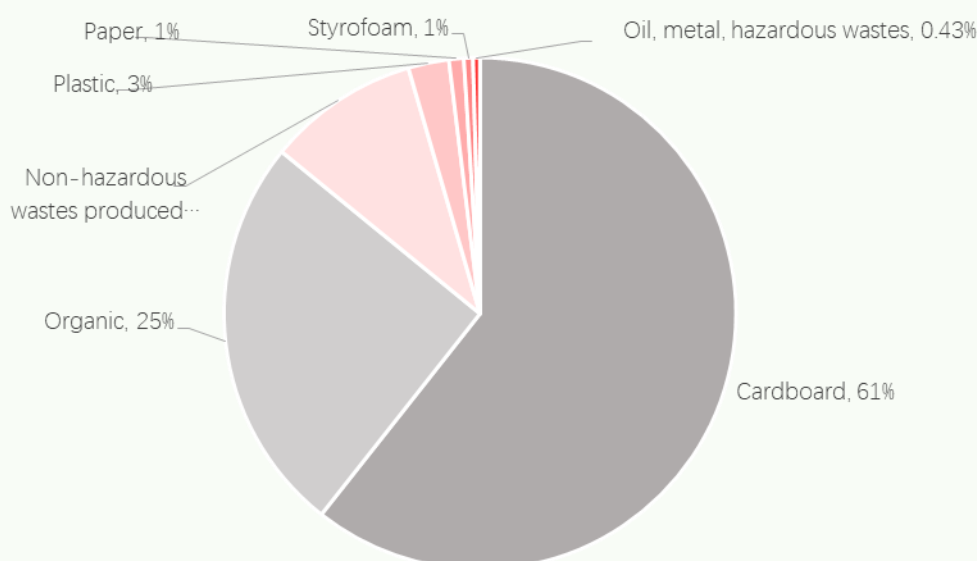
Recycle bin at the shopping area



Recycle bin at a garbage room

In 2019, Sun Art Retail produced a total of 60.68 tons of hazardous wastes, and the emission intensity is 0.01 kg/m². A total of 216,679.25 tons of non-hazardous wastes were produced, including 131,434.12 tons of cardboard, 54,735.22 tons of kitchen waste, 5,582.33 tons of plastic products, 2,022.47 tons of paper products, 1,256.63 tons of foam plastic, 746.89 tons of used oil, 125.29 tons of metal wastes, 20,776.30 tons of wastes produced by consumers, and the emission intensity of non-hazardous waste is 36.02 kg/m². Through the above efficient and quantitative management, hazardous wastes, paper products and metal wastes produced by Sun Art Retail in 2019 declined by 13%, 19% and 37% respectively.

Hazardous and nonhazardous wastes breakdown



Sun Art Retail produces waste water in the normal operation of stores, and reduces waste water discharge through water resources management and recycling. The waste water produced is discharged into the municipal sewage pipe network for central treatment. In 2019, Sun Art Retail produced a total of 18.1777 million cubic meters of waste water in the sales and public areas.

2.2 Resources conservation and recycling

Natural resources are limited. At Sun Art Retail, we are committed to improving energy and resources efficiency, and fulfilling corporate responsibility to the environment based on the principle of resources conservation and recycling. We developed management rules and regulations in light of the actual operation process of Sun Art Retail, which include the *Code of Practice for Energy Management System*, *Job Responsibilities of the Monitoring Team*, *Code of Practice for Energy Control*, *Energy Consumption Auditing Standards*, *Code of Practice for Automatic Control*, *Job Responsibilities of Hardware Technical Team*.

Energy management

Energies consumed by Sun Art Retail in the normal operation include electricity for lighting and cooking and natural gas for cooking and heating. Sun Art Retail is concerned about the consumption of energy and strive to improve the environmental impact of its own operations. Sun Art Retail's mission to continually improve energy performance was initiated with the establishment of the Sustainable Development program in 2007. Central to this program has been the installation and operation of building automation and alert systems to control our refrigeration, air-conditioning, and lighting systems in 98% of our stores, coupled with a resource management program to track and analyze our stores' energy and water consumption.

In order to achieve our mission, Sun Art Retail has established an energy management system, making clear division of management responsibilities with strict implementation. Sun Art Retail has set up an energy-saving team specifically responsible for planning and controlling the Company's energy use, designing and developing energy-saving projects, and reporting energy consumption to the CEO and COO. Maintenance

supervisor at each store is responsible for equipment management and energy control. Sun Art Retail measures energy consumption by area and equipment to facilitate the management of energy consumption. The energy consumption data of each area and equipment are uploaded to the energy management system to facilitate the energy-saving group's remote monitoring, auditing, and optimization of each store's energy consumption.

Since 2011, Sun Art Retail has successively launched a series of energy improvement projects. Starting from 2011, we have installed glass doors to the freezer cabinets at all stores, and the system can save 20% of energy every year. In 2012, we started the air conditioning and lighting automation re-engineering for all stores, and the project was completed in 2017, which can reduce annual energy consumption by 15% and 5% respectively. In 2013, the LED light source transformation was carried out at all stores, and the project was completed in 2018, and the system can save 45% of electricity every year. In 2019, we carried out projects such as the range hood automatic control re-engineering project and anti-condensation automatic control re-engineering of freezer doors. These projects will be completed in 2020, and each project can save about 20 million kWh/year, 45,000 kWh/year/store, 30,000 kWh/year/store of electricity.



Energy audit



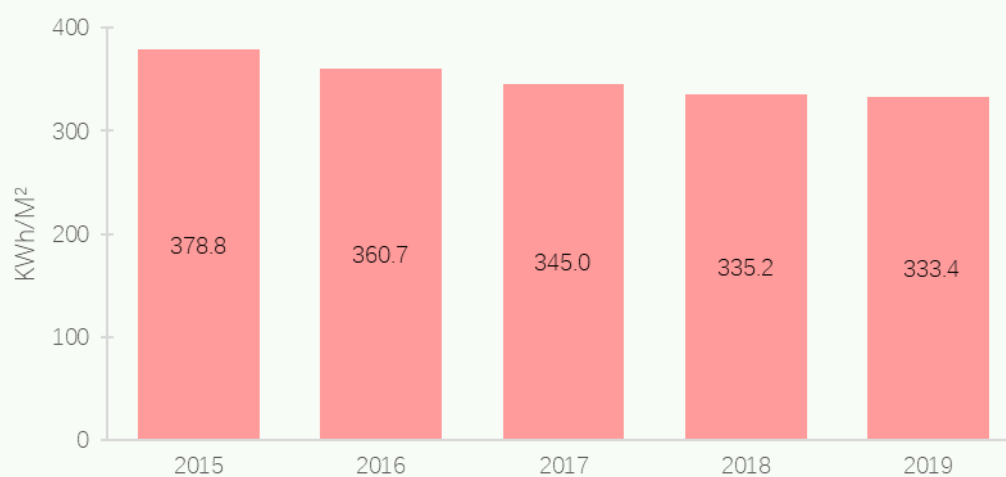
Refrigerant inspection

Freezing and refrigeration inspection

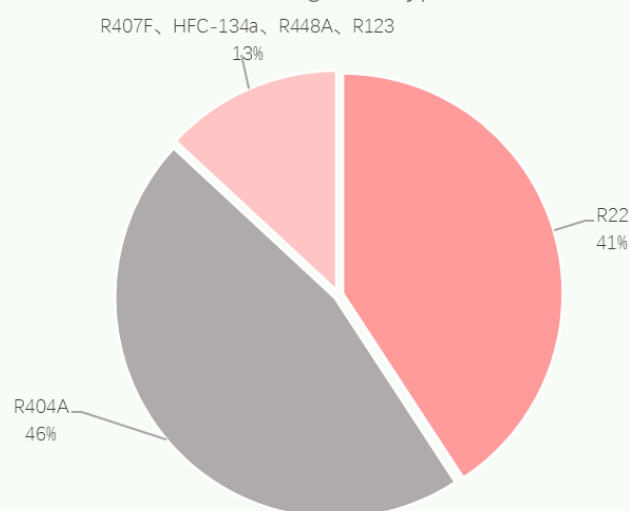
In 2019, Sun Art Retail consumed a total of 2,005,240,340 kWh of electricity and 2.6392 million standard cubic meters of natural gas at sales and common areas. The comprehensive energy consumption is 2,033,800,870 kWh, and the comprehensive energy consumption intensity is 338.12 kWh/M².

The power consumption intensity over the past five years, and the breakdown of power consumption by area and power consumption intensity by region in 2019 are shown in the figure below:

Changes in electricity consumption intensity

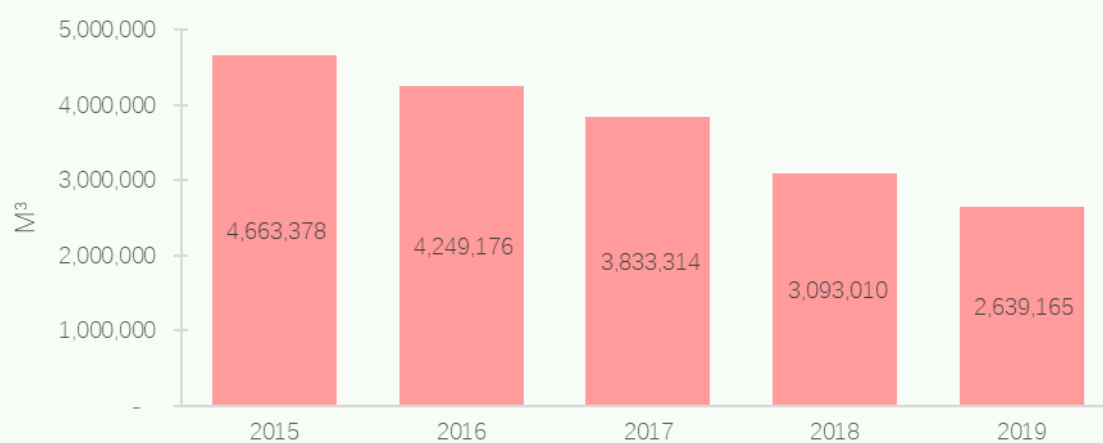


Breakdown of refrigerant types consumed



Natural gas consumption over the past five years is shown in the figure below:

Natural gas consumption



Since 2015, RT-Mart under the Group has been installing two types of photovoltaic power generation systems at their stores: flat-roof type and car-park type, and both types are connected to the city power grid. Stores use first the power from the systems and when the power generated is not enough, the store will automatically use power from the existing grid as a supplement. If there is a situation where the systems produce more than the store can use, this excess electricity will be fed back into the grid. As at the end of 2019, 12 stores completed the installation of photovoltaic power generation systems, with total installed capacity of 8.92MW, a total of 7,813,400 kWh of electricity was generated this year, representing 0.39% of the total electricity consumed at sales and common areas for the year. In 2020, we will proceed with the installation of flat-roof photovoltaic power generation systems at 6 stores, which will generate 3 million kWh of electricity each year with total installed capacity of 3.2MW.



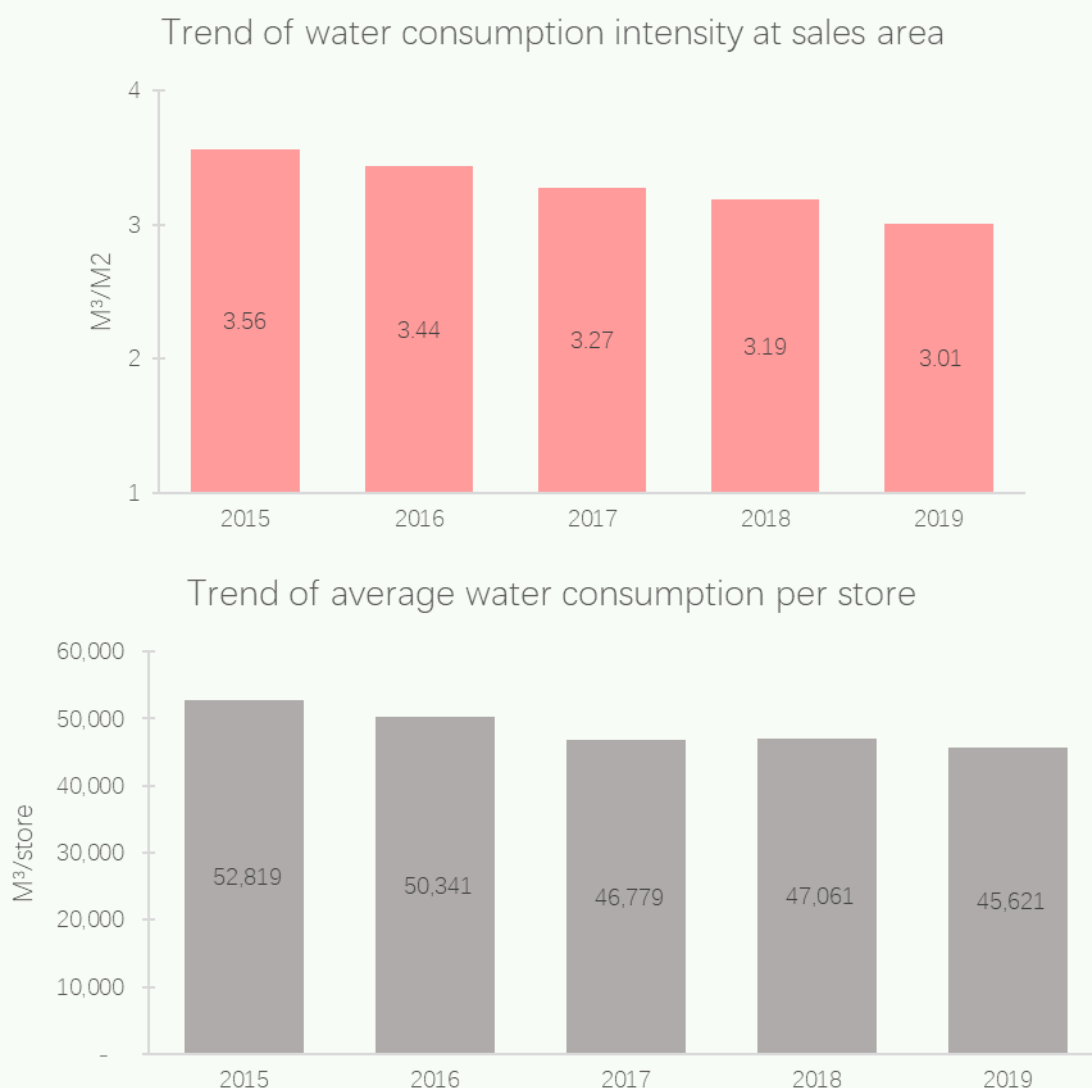
Flat-roof photovoltaic power generation system

Water Resources management

Sun Art Retail uses water resources in normal operation for customer and staff washrooms, cleaning and sanitation, food processing and running our air-conditioning systems. All water resources used by Sun Art Retail is sourced from municipal water supply network, and there is no problem in sourcing water for our purpose. In 2019, Sun Art Retail stores launched a number of water saving and water resources recycling measures. For example, Sun Art Retail uses running water to thaw frozen foods. Wastewater from water machine is recycled and reused, and wastewater is used to clean the floor or mop, which saves 1,000 tons water for each store per year. Other measures include the use of water-saving faucets in operation rooms, and use of photoelectricity Induction faucets and flush valves in washrooms, etc. Stores read water meter every day, if irregularities are identified, the cause will be investigated and dealt with. The energy-saving team tracks the water consumption of all stores on a monthly basis and help track down and rectify any issues that are uncovered, and make any improvement.

In 2019, Sun Art Retail used a total of 18,177,734.00 M³ of water in the sales and public areas, in which 13,893,431.00 M³ of water was consumed at sales area, and water consumption intensity was 3.02 M³/M² and 3.01 M³/M² respectively.

Water consumption intensity at sales area and average water consumption per store over the past five years is shown in the figure below:



Use and management of packaging materials

We are committed to achieving sustainable reduction of raw material consumption by implementing continuous improvement processes concerning the reduction and recycling of packaging according to relevant government regulations, and formulated the Code of Practice for Cardboard Boxes and Code of Practice for Weighing and Recycling Cardboard Boxes to reduce the wastes produced. In 2019, Sun Art Retail recycled and reused 14,329.26 kg of cardboard boxes.

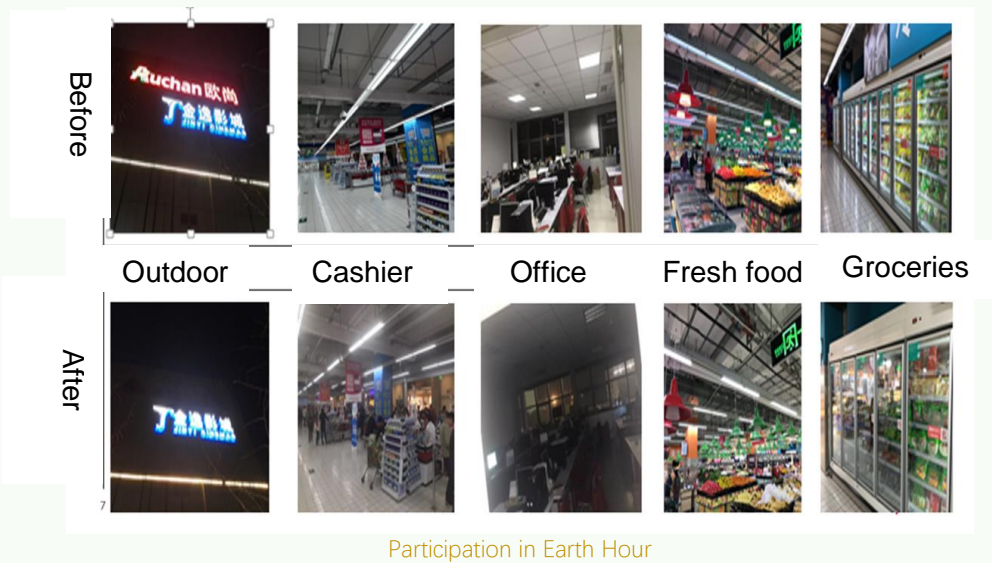
In accordance with *the Notice of the General Office of State Council on Restricting the Production, Sale and Use of Plastic Shopping Bags*, we stopped providing plastic bags for free in all our stores in 2008, and took a step further by ensuring that all our shopping bags are made of biodegradable materials.

2.3 Environmental Protection Starts with Responsibility

Sun Art Retail is not only concerned about the impact of our business on the environment, but also strive to encourage consumers in protecting the environment. One of our important tasks is to protect forest resources and halt deforestation, recently bamboo and grain-based unbleached paper and environment-friendly paper cups as alternatives to wood pulp paper have been introduced to the market. In 2019, Sun Art Retail actively introduced and sold these environment-friendly products, volume of unbleached paper sold rose by 24%, and sales increased by 9.7%, representing 13.9% of the total paper sales; environment-friendly paper cup was introduced in 2018, and its sales rose to 20% in 2019.

We seek to limit our supply chain exposure to suppliers that have a negative impact on the natural environment and work to ensure that our partners in the supply chain do not contribute to deforestation, tropical or otherwise. We understand from our observation that the construction of pastures will lead to large scale of deforestation. To meet the increasing demand for beef products recently, pastures have been constructed and expanded, giving rise to adverse impact on forest resources. As a result, we do not only ask our suppliers to make the commitment of not contributing to deforestation, but also source beef products from suppliers of grain-fed cattle raised on farm. At present, 70% of beef we sell is domestic, sourced from nationally recognized large suppliers and breeders. The remaining 30% of our beef is mostly sourced from Australia, from suppliers.

To draw the people's attention to the cause of environmental protection, and encourage their participation, all Sun Art Retail stores celebrate Earth Hour on the last Saturday of March every year. 100% of auxiliary lights and 50% of main lights at the stores are closed for one hour.



3 Social Responsibility

The Group actively fulfils our social responsibilities, so that both economic and social benefits can be achieved, and neither can be slackened. The achievement of economic benefits lies the foundation for better social benefits; and the achievement of social benefits helps realize the value of economic benefits better. Both of them are indispensable and interdependent. Therefore, the Group has attached great importance to all aspects of social responsibility including employment, product liability, supply chain, anti-corruption and community investment and etc.

3.1 Employment

The Group is responsible for and highly regard all its employees by creating a fair and equal working environment that promotes the corporate values of “honesty, dedication, innovation, and teamwork”. We are also committed to promoting diversity in employment, encouraging continued development of individuals, applying participative management methods, ensuring conducive working conditions and sharing the fruits of our success with our employees.

Diversity and Equality in Employment

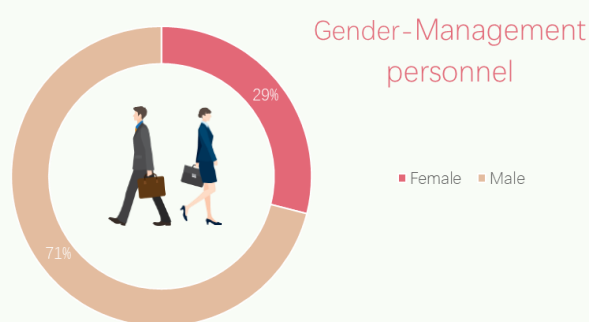
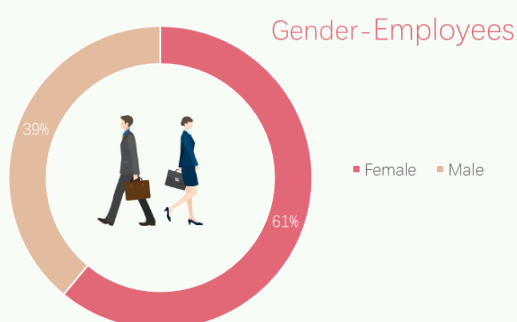
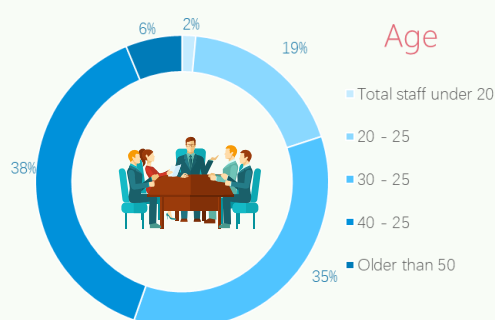
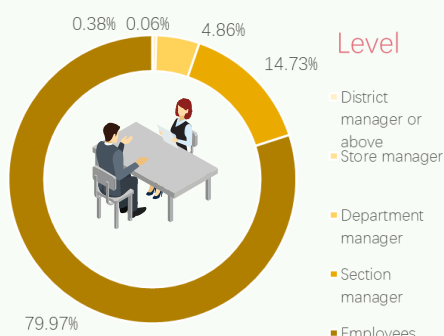
The Group and its subsidiaries strictly abide by national and local labour laws and regulations, including the *Labour Law of the People's Republic of China* (《中华人民共和国劳动法》), the *Labour Contract Law of the People's Republic of China* (《中华人民共和国劳动合同法》) and the *Social Security Law of the People's Republic of China* (《中华人民共和国社会保险法》) to protect the legitimate rights and interests of employees, and we pay the wages, social insurance and housing fund of employees on time and in full amount. As at the end of the reporting period, no violation of employment and labour related laws and regulations that has a significant impact on the company happened to Sun Art Retail.

In view of our actual situation, the Group has developed a recruitment process characteristic of Sun Art Retail. It recruits talents through various channels such as online recruitment, internal referrals, campus recruitment fairs and labour market recruitment fairs.

At Sun Art Retail, we work to create a working environment free from discrimination and fair and equal opportunities for promotion. We never interfere with the right of all employees to exercise their beliefs and customs; to meet the rights of race, social class, nationality, religion, physical fitness, disability, gender, sexual orientation, union membership and political affiliation. We do not allow managers under any circumstances to be compulsive, threatening, humiliating or exploitative in any way towards employees, including posture, language and physical contact.

We promote, implement and uphold the principle of gender equality. For women who meet the recruitment conditions for production or warehouse work, they will have equal employment rights. When recruiting employees, except for job types that are not suitable for women according to national regulations, we will never refuse to hire or arbitrarily raise the standard of employment for women. The principle of equality is present throughout the course of the Group's human resources management.

As at the end of 2019, the Group's structure of employees disclosed by level, age and gender is shown in the figure below:



Care for Employees

Employees are the source from which an enterprise derives its competitiveness, and the foundation for an enterprise' sustainable development. Therefore, how to retain employees is an issue on the agenda of every enterprise. There is a saying that take care of your employees and they will take care of your business. It is especially true to an enterprise. Taking care of our employees means that we care about our employees and strive to meet their needs in work, livelihood and personal development. In order to promote the Company's people-oriented philosophy, demonstrate the humane style of management and care for employees, and thus enhance employees' sense of identity and belonging to the Company, so that employees will maintain a higher morale to grow and develop along with the Company, Sun Art Retail regards the work experience of employees as important.

At Sun Art Retail Group, we consider our employees to be our treasure; hence we attach great importance to our employees' welfare. Apart from the relevant welfare policies of the national laws and regulations, full time employees are entitled to a wide variety of other flexible benefits, including insurances, meal allowances, vacation, employee discounts, and profit sharing. We also reimburse staff for annual medical examinations to help ensure our employees lead healthy lives.

Since 2012 when a trade union was established, it has served as the foundation for the relationship between labour and management. Currently, each store has a group of four to six people who are committee members, and at the head office we have a team of seven, including one union chairman, one union vice-chairman, one head of union finance, and four union members. We hold one national-level trade union meeting per year, and each store holds meetings at regular intervals. At these meetings all employees have the opportunity to communicate face-to-face with management personnel and union representatives. The

store union groups are responsible for organizing various employee welfare and group building activities, such as basketball, badminton, yoga, dance and other healthy entertainment activities. In this way, they help to create a sense of inclusivity in the company.



General meetings of employee representatives

In 2019, we conducted the annual employee satisfaction survey in order to better understand our employee's feelings about topics such as their working environment, quality of leadership, and satisfaction with salary and benefits, as the basis for departments in improving their management. Additionally, each store office has a public mailbox and phone hotline that employees can use to anonymously provide suggestions, give their opinion on current matters, or carry out whistleblowing actions if necessary.

Through a series of employee care management activities such as labour relationship management, employee activities management, establishment of effective communication mechanism, employee caring activities and psychological counselling, the Group takes a further step in meeting the needs of employees for work, life and personal development.

3.2 Health and Safety

We regard occupational health and safety as one of our important social responsibilities. We treat safety as our top priority to minimize any accidents that may cause casualties in the business process. We strictly comply with relevant laws and regulations including the "*Safety Production Law of the People's Republic of China* 《中华人民共和国安全生产法》", "*Basic Norms for Work Safety Standardization of Enterprises the Prevention of Occupational Diseases of the People's Republic of China* 《企业安全生产标准化基本规范》", "*Labour Law of the People's Republic of China* 《中华人民共和国劳动法》", "*Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases* 《中华人民共和国职业病防治法》", "*Occupational Health and Safety Management System* 《职业健康安全管理体系》" to create a safe and healthy work environment for our employees. We have implemented the safety management system to provide advice and review on the workplace safety procedures.

Occupational safety and putting people first

The Group operates and runs its business based on the principle of "safety first, precaution crucial and comprehensive management" to minimize the risk of accidents with stricter management and more care.

Occupational safety and health management is a systematic project. The Group has formed a safety production management mechanism through the cyclical activities of “planning, implementation, monitoring, review”, so as to achieve prevention-based continuous improvement of management, and minimize the risks faced by the enterprise, employees and related personnel. The Group has a unified risk prevention process in place with the aims of eliminating workplace accidents and ensuring that employees are prepared to handle emergencies in the workplace.

Occupational safety and health are closely related to the Company's safety management as they are relevant throughout the entire process of the Group's daily operation. Safety management depends on the party to manage and the party to be managed, i.e. people is the decisive factor, employees' awareness in safety and health has a direct impact on the effective and efficient implementation of safety and health management. The effectiveness of occupational safety and health management is closely related to people's initiative in safety management. Therefore, the Group mobilizes employees' initiative in occupational safety through training and other measures. We cultivate the atmosphere of safety education and corporate safety management in the Company to create a positive corporate culture of safety and promote safety awareness among employees.

During the 2020 epidemic, the Group adopted a series of measures to protect the health and safety of our employees. Firstly, we promptly provided employees with necessary protective supplies such as masks, goggles, protective clothing, disinfectant, etc.; secondly, we inspired our employees with spiritual encouragement, humanistic care, and supply of nutrients; thirdly, we conveyed the messages of epidemic to all our employees and developed policies to raise the awareness of our employees; lastly, we closely monitored the health status of our employees across the country. During the epidemic, the infection rate of employees was about 1 in 10,000.

Safety Assurance

With the support of systematic safeguard, the Group implements its safety practices, regularly inspects local branches and stores under the Group, and carries out various forms of safety training and disaster prevention drills to enhance employees' safety awareness and safety protection abilities by combining knowledge and practice. According to our statistics, during the reporting year, the Group and its subsidiaries conducted 6,601 safety-related trainings and drills, all staff members participated in 2019 trainings and drills.

The Group faces a large number of end consumers in its operation, the safety of the shopping environment is an issue of paramount importance, especially fire prevention. The Group adopts a “prevention first combined with extinguishment” approach to fire safety management, organizes and formulates relevant fire safety management systems, and is responsible for organizing fire safety inspection and supervision assessment at all levels. All affiliated entities and subsidiaries regularly carry out fire drills in accordance with the regulations, identify problems affecting fire safety from the drills, and rectify and improve them in a timely manner.

Hardware wise, we continue to ensure that our buildings are built and operated in compliance with the national “*Fire Protection Law of the People's Republic of China* 《中华人民共和国消防法》”, “*Civil Building Design Code* 《民用建筑设计规范》”, “*Emergency Response Law of the People's Republic of China* 《中华人民共和国突发事件应对法》”, “*Anti-Terrorism Law of the People's Republic of China* 《中华人民共和国反恐怖主义法》”, and “*Public Security Administration Law of the People's Republic of China* 《中华人民共和国治安管理处罚法》”.

During the reporting year, a total of 908 employees were injured due to work-related accidents, the working days missed due to work-related injuries was 12,530 days, a decrease from 0.12 day/person to 0.06 day/person. No severe injury or death was recorded.

3.3 Development and Training

Employees are one of the most valuable assets we cherish, they have made great contribution to our success. We provide internal and external trainings for employees to improve their understanding of corporate culture, group strategy, management system, etc., and provide training for employees in different positions at different levels according to their job requirements and development needs.

Continued Study and Continuous Development

We act for the fulfilment of our employees, via the development of professional skills and improvement of employability, with a focus on training and internal promotion. That is why we continued to provide each employee minimum 40 hours in training in 2019. When designing and arranging for trainings, the Group first analyzes training needs, clarifies training purposes, sets correct training objectives, and adopts appropriate training methods. Then the Group draws up a detailed employee training plan to adequately consider instructors, venues, content and logistical support for trainings. Thirdly, the Group designs reasonable training content to help employees fully understand the Company and their positions. Lastly, the Group ensures that there is a continuous evaluation of trainings to understand the feedback from employees and instructors. In addition, due to the nature of the Group's business, a large proportion of the Group's employees directly or indirectly interact with end consumers. Therefore, the Group emphasizes trainings on service attitude, skills and experience sharing.



Employee training session

We have established career-tracks applicable to each position in our company, and always first look to hire internally to fill a job vacancy. Any employee who meets the conditions for promotion can expect to see continued professional growth into departmental and store level leadership positions. Within employees who were promoted in 2019, the proportion of those promoted through internal recruitment reached 98%.

Online and Offline Learning

The Group provides various forms of training, including on-board training for all employees, online training, mobile terminal training, and provides on-the-job training opportunities to qualified employees. On-board training: We have regional training centers that regularly provide technical, professional, and ethics training programs for each department. We also have a specialized management training center where our managers can learn effective leadership and management techniques each year. In 2019, our employees completed an average of 49 hours of trainings.

3.4 Labour Standards

Freedom of employment and the prohibition of child labour

In accordance with the laws and regulations of the “*Law of the People’s Republic of China on the Protection of Minors* (《未成年人保护法》)”, and the “Provisions on Prohibition of Child Labour (《禁止使用童工规定》)”, it is clearly stated that the Group and its subsidiaries are not allowed to employ persons under the age of 18, and a rigorous review is conducted in the recruitment process to avoid misuse of child labour. The adolescents and children are the future of China and their healthy growth requires the concerted effort of people from all over the country in protection. The Group therefore strongly opposes the use of child labour and strictly prohibits such use.

The Group fully respects employees’ freedom of employment, and there are no such acts as detaining employees’ valid certificates, collecting deposits, forcing labour or defaulting remuneration during the period of employment. We have internal monitoring mechanism, complaints and reporting mailboxes, addresses and telephone hotline in place to ensure that there is no violations of laws and regulations. During the Reporting Period, there was no incident of child labour or forced labour occurred in the Group.

3.5 Supply Chain Management

The supply chain runs through the starting point, process and end point of the production and operation of the enterprise. The stable and continuous supply plays an important role in the enterprise. The Group strictly selects and monitors on a real-time basis our suppliers when making procurement, makes clear provisions for suppliers through a specific procurement system and supply chain process management system. We consolidate and expand our partnership with suppliers through continuous communication to leverage our economies of scale and ensure the stability of supply while controlling procurement costs.

Robust, Sustainable and Reliable Management

The Group has a strict system of supplier review and management and a rigorous mechanism for supplier entry and exit. It is clearly stipulated in the supplier qualification and evaluation conditions that suppliers have to meet food safety related regulations (e.g. safety and storage of raw materials); consider the suppliers’ social responsibilities (e.g. employees’ health regulations, the use of child labour) and environmental protection responsibilities (e.g. whether there are any penalties for environmental violations).

For new suppliers, we deal with them in different ways according to the nature of the products. For example: we determine our management mode of factory visit according to a number of factors, including

the risk involved, suppliers' credential and compliance based on comprehensive assessment, brand value, registered capital, food safety certification, abnormal quality, etc. Manufacturers assessed to be non-compliant will not be admitted as a new supplier.

All manufacturers admitted must fill in the "Qualification Evaluation Form" and the data collected is recorded in the system. Manufacturer and commodity information is only established after the passing of the review. There are clear provisions for review in our factory visit scoring table, it mainly includes:

1. Employment contracts with all employees, including part-time employees;
2. There is no physical hazard to employees in the working environment; necessary warning signs on the site; insurance for employees; protection equipment and facilities, such as non-slip shoes, etc.;
3. Safety accident handling procedures, such as: fire-fighting equipment and inspection records of government departments, annual drills, etc.; and
4. There are environmental policies in corporate policies, and policies are compatible with practice.

As for existing suppliers, they are managed in accordance with review results. Subsequent review and management are generally conducted at four intervals of one year, two years, three years, and irregular. In 2019, we reviewed 1669 manufacturers. Our supplier assessment process and control system ensures that we are only working with suppliers and manufacturers that adhere to all relevant laws and regulations, including the "Intellectual Property Law 《知识产权法》", "Labour Law of the People's Republic of China 《中华人民共和国劳动法》", "Work Safety Law of the People's Republic of China 《中华人民共和国安全生产法》", "Law of the People's Republic of China on the Protection of Minors 《未成年人保护法》", and "Regulations on the Prohibition of Child Labour 《禁止使用童工规定》". In addition, for suppliers of industries that require relevant credentials, we confirm and ensure that they have obtained all necessary credentials particular to their respective industry and have the ability and qualification to work with us in a sustainable way.

The Group also recognizes the importance of animal protection and animal welfare and strives to provide a more comfortable and natural growth environment for raising animals. For example, the Group works with Hunan Xiang Jia husbandry Limited, a domestic poultry farming and slaughtering company, to jointly promote the free-range breeding of green-legged chickens, hemp chickens, black hens, and black-bone chickens. Among them, the breeding of Shimen native chicken requires that on 10 acres of grassland, only 1,000 chickens can be raised to provide adequate space for animals.



As of December 31, 2019, we were engaged with the following numbers of suppliers:

REGION	NO. OF SUPPLIERS (AS OF 31 DEC 2019)
Eastern China	5,839
Northern China	4,340
Northeast China	2,750
Central China	3,256
Southern China	3,889
Total	20,074

Trackability, traceability and safety

Food traceability is an effective way to improve food safety. By recording and monitoring all steps along the food supply chain, the Group understands the dynamics of food safety and identifies potential safety issues in a timely manner. As the awareness of consumers from all walks of life on food safety rises, traceability has become increasingly important in demonstrating food safety to manufacturers and consumers.

In 2018, Sun Art Retail formed an alliance with Alibaba to launch the Food Safety Centralization Platform. This platform allows the tracking and tracing of all products sold in our stores, from production to sales. As of the end of 2019, the Group has traced some products in RT-Mart stores in Shanghai and Auchan stores in Eastern China, including offline vegetables, fruits, yellow croakers, ribbonfish, pomfret, pork, beef, lamb, chilled poultry, boxed lactone tofu, japonica rice, soybean oil, infant formula milk powder. We implement a strict recording system for incoming raw materials, and record and store the packaging certifications of products sold in stores.



By placing the product traceability QR code next to the shelf card of that product, consumers can search the traceability information of a pre-packaged product before selecting. After scanning the QR code, consumers can view the basic information of the goods, such as production, procurement, and quality, etc.

In the future, we will increase our investment in traceability, expand the scope of traceability, upgrade the technology of traceability to build a more robust and specific product traceability system as we strive to achieve higher traceability of products and provide consumers with

safer and more reliable products.

3.6 Product Responsibility

Systematic management with food safety as the priority

Product quality is what makes a business thrive. In this regard, we strictly adhere to relevant laws and regulations such as the “*Law of the People’s Republic of China on Product Quality*” 《中华人民共和国产品质量法》, “*Law of the People’s Republic of China on the Protection of Consumer Rights and Interests*” 《中华人民共和国消费者权益保护法》. Regarding product safety, we adhere to the principle of “safe products, happy shopping, and business thrives with integrity and quality”. We are committed to providing customers with high-quality and affordable products as well as convenient and fast services.

With respect to product quality, we realize our “people-oriented, safety first, law-abiding, quality-based” business philosophy to continuously meet customers’ needs through the following measures:

1. Control manufacturers from the source by admission after passing the on-site inspection and random tests.
2. Inspect product labels and logos in accordance with the requirements of the National Food Safety Law. Products are admitted after passing the inspection, and subject to random sample tests.

3. Provide trainings to suppliers from time to time to strengthen their awareness and sense of responsibility on food safety.
4. Terminate the partnership with manufacturers of unsafe products to ensure consumers' safety.

People's basic necessity is food and food is what people rely on for survival and subsistence. The food industry plays a vital role in China's national economy. As China continues to develop economy and carry out systematic reform, people's living standards have been significantly improved. Rare and expensive foods in the past have now become ingredients of most people's daily recipes. The next step to food sufficiency is food safety as food safety is of paramount importance. It is worth noting that the repeated food safety incidents in recent years remind us the continued presence of food safety problems. We promote the concept of "Food Safety is No Small Matter (食品安全无小事)" throughout the Company to build a food safety control system by implementing the following measures:

1. Strengthen the early warning system of food quality and safety risk, especially the construction of a risk monitoring network of food safety. The Group will build a food safety center and product data sharing platform jointly with Alibaba and China Chain Store & Franchise Association for early warning.
2. Establish a food safety integrity system, improve the food safety credit collection and release system, and develop black and white lists based on corporate reputation.
3. Combat food safety violations in accordance with the laws; increase frequency of in-depth inspections of high-risk products, key industries, and major regions; and strengthen the focused rectification of industrial and regional food safety problems.
4. Support small and medium-sized enterprises (SMEs) to act as a role model. Our support and training will target SMEs that are willing to improve the quality and safety of their products, help these enterprises improve product quality, obtain relevant certifications, and adapt to market demands. We will also promote internationalization of enterprises to become a role model for food safety improvement, and encourage more companies to follow the suit. At GFSI Conference 2020 in Seattle, Shanghai Mcvolf Food Co. Ltd. recommended by RT-Mart won the Global Markets Award (the only Asian award).

The Group has robust and strict management system for product recall and implements recall measures in accordance with the laws. In accordance with the "Administrative Measures for Food Recalls 《食品召回管理办法》" took effect on 1 September 2015 and the "Interim Provisions on the Administration of Consumer Goods Recall 《消费品召回管理暂行规定》" took effect on 1 January 2020, in the event that we identify and/or receive dangerous or non-compliant products that require a proactive recall process within our supply chain, we immediately create a dedicated team to uncover all relevant details of the situation, including establishing when the product was created, where it has been distributed, and the root cause of the issue. Upon timely confirmation of information about hazardous products, the information is distributed to all stakeholders concerned so that it can be removed from shelves and sealed up in warehouses if necessary. We implement a public recall and refund process, submit the case to local supervisory authorities, and work under the guidance of local government organizations to ensure everything is carried out according to the relevant "Food Recall Management Measures 《食品召回管理办法》". In 2019, 164 returns to suppliers occurred due to product quality problems. For returned food, the Group strictly prohibits repackaging and reprocessing. During our factory visits, we also check the manufacturers' processing and destruction records of the returned goods. For returns initiated by consumers for quality reasons, stores will promptly conduct self-examination, and report to the Quality Inspection Department at the headquarters, and carry out traceability operations according to the Company's procedures.

Thoughtful and Responsible Services

At Sun Art Retail, we serve our customers wholeheartedly. We believe that the reputation and image of a supermarket is best expressed in the high-quality products and services it delivers. Services can create value for our supermarkets, and high-quality services help win customers, so as to increase our market share and create economic and social benefits to the Group.

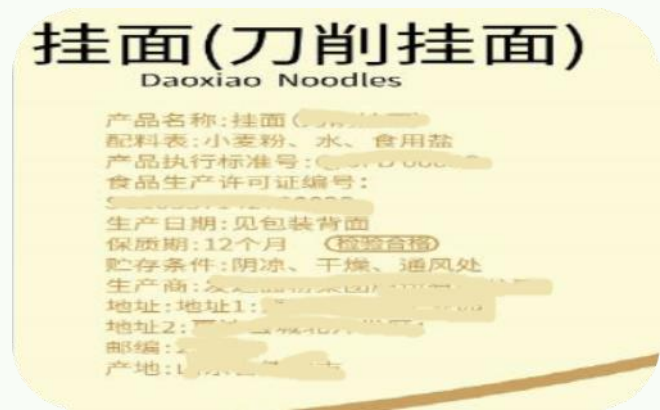
We believe that the service skills and enthusiasm of our employees are the determining factor to the quality of services. Therefore, the Group organizes regular and ad hoc service-related trainings for employees. In 2019, a total of 3,144 service-related trainings were provided, of which 6,288 hours in duration and 69,812 enrolments were recorded.

With respect to customer experience and the feedback, the Group conducts surveys on customer satisfaction on a regular basis so as to identify the issues existing in the Group's service. In 2019, 10,351 people participated in the survey (inside and outside our stores), representing a coverage rate of 44.8%. The survey mainly covers: (1) customer profiling and description; (2) the advantages and weaknesses of our stores and competitor analysis; (3) Store image and Net Promoter Score (NPS); (4) Customers evaluation of stores' indicators; (5) Performance of various categories of products at stores; (6) Membership, promotion and marketing analysis; (7) Selling performance of online shopping and RT-Mart Youxian/Tao Xian Da. For problems identified by users in the feedback, we assigned special personnel to investigate, follow up, and provide timely feedback. The Group also standardises complaining and reporting, strengthens accountability, and improves service style. For complaints received, the Group organized personnel to conduct special investigations, and proposed current and subsequent rectification measures for existing problems, prepare special investigation reports to record and manage those complaints.

In accordance with the Notice of State Economic & Trade Commission No. 458 [1995], we publicly announce the relevant after-sales three-guarantee clauses, designate after-sales service hotlines in each store, quick inspection and free repair (except for man-made damage), to ensure that customers buy safe products with confidence. In addition, we regularly conduct return visits to communicate directly with customers and understand their evaluation of and suggestions on the Group, product quality, and after-sales services, promptly solve their problems, improve customer satisfaction, and cultivate loyal customers.

We believe that secured maintenance and management of customer privacy is the key to the long-term trust and friendly cooperation between the two parties. We strictly abide by the laws and regulations on the protection of personal data and privacy, and have formulated an information security protection system, requiring employees to increase their professional sensitivity and rigorously fulfil their confidentiality responsibilities. Access to customer-related confidential information is subject to the approval of the managers of the corresponding rank. The analysis and use of customer consumption data is subject to the approval of the supervisor in charge of the department to avoid misuse and ensure that customer information is effectively protected. As regards technology, the information department encrypts and stores customer personal information, and the Group has fully protected and backed up the server to ensure the safety of internal and external network equipment.

Regarding product label management, we review product labels before a new product can be introduced. Any problems identified will be systematically recorded and notified for rectification. Products can only be introduced for sale after the product labels meet the conditions. For key products, such as private-label brand products, manufacturers are urged to provide a label inspection report issued by a nationally recognized third-party inspection agency.



Food label consultation report needed for purchased foods

We take IP protection extremely seriously and are constantly on the lookout for infringing products in our stores. This monitoring begins with our relationship with our suppliers. We strictly abide by the requirements of the "Copyright Law 《中华人民共和国著作权法》", "Trademark Law 《中华人民共和国商标法》" and "Patent Law 《中华人民共和国专利法》". For products sold, manufacturers need to provide the IP certificate for review and confirmation when a product is first introduced; a power of attorney between the authorizing and authorized parties has to be provided; and the data maintenance team files the qualification and credential documents for record. To protect our own IP, the Group establishes confidentiality rules and regulations, and appoints designated person to be responsible for managing IP rights, listing the details, and filing documents. In terms of the protection of the group's own trademarks, on the one hand, the group's trademarks and logos can only be used with authorization, and the scope and time of authorized use shall be strictly stipulated; on the other hand, we shall ensure that the authorized logos will not infringe other's intellectual property rights or other legitimate rights.

3.7 Anti-corruption

Anti-corruption and System

Improper acts in commercial activities, such as embezzlement, offering and accepting bribery, damage the reputation, seriously disrupt the normal management order and hinder the sustainable and healthy development of the Group. Sun Art Retail Group prohibits any fraudulent practice or act of corruption in any form whatsoever, including extortion and bribery.

In accordance with the "Criminal Law of People of the People's Republic of China 《中华人民共和国刑法》", "Anti-Unfair Competition Law of the People's Republic of China 《中华人民共和国反不正当竞争法》", "Anti-Money Laundering Law of the People's Republic of China 《中华人民共和国反洗钱法》", "Interim provisions on the Prohibition of Commercial Bribery 《关于禁止商业贿赂行为的暂行规定》", "Opinions on Several Issues Concerning the Application of Law in Handling Commercial Bribery Criminal Cases 《关于办理商业贿赂刑事案件适用法律若干问题的意见》", "Interpretation of Several Issues Concerning the Specific Application of Law in the Trial of Criminal Cases Such as Money Laundering 《关于审理洗钱等刑

事案件具体应用法律若干问题的解释》”, “*Opinions on improving the anti-money laundering, anti-terrorist financing and anti-tax evasion supervision system* 《关于完善反洗钱、反恐怖融资、反逃税监管体制机制的意见》”, and “*2013 Standardization of the Overseas Business Operations of Enterprises and the Main Points of Prevention and Control of Overseas Commercial Bribery by the Ministry of Commerce* 《2013 年商务部规范企业境外经营行为, 防治境外商业贿赂工作要点》”, the Group developed an anti-bribery code of practice and set up a compliance team. In the anti-corruption code of practice, the party responsible for anti-corruption operation, the process of joint case inspection and handling, the staffing and management of the joint inspection team, and the joint inspection terms of reference are specified. The code of practice aims at promoting the standards of the Company's internal operation management; rectifying violations of rules and disciplines; investigating and punishing dereliction of duty and using power for personal gain; improving the profitability of stores, and establishing a positive image for the Company.

In order to enhance the anti-corruption awareness of our employees, the Group specified relevant regulations in Chapter 13 of the Employee Handbook “Code of Professional Ethics”. The Human Resources Department of the Group provides anti-corruption trainings through both online and offline channels, and all employees have signed an anti-corruption undertaking. For shopping guides, according to the Company's “Regulations on Part-time Shopping Guide and Concealed Sales Management”, trainings are provided to supervisors and shopping guides to further standardize the management of part-time shopping guides at stores.

The Group has established an internal system for complaints and whistleblowing, and measures for implementation. There are Department for handling complaints and whistleblowing, public complaint and whistleblowing mailboxes, addresses and hotlines to deal with complaints and whistleblowing reports in the following order: “1. announce channels for supervision and complaints; 2. accept a case; 3. investigate and handle the case 4. close the case and filing”, the procedures aim to ensure that any unfair treatment, violations of regulations and disciplines can be effectively reflected and efficiently handled. During the reporting period, the Group detected 24 cases of improper business practices such as corruption, bribery, extortion, fraud, money laundering, etc., and all have been properly handled and resolved.

3.8 Community Investment

The Group actively participates in philanthropic activities and encourages employees to do the same, so as to make contribution to our community. We try to realize social well being at a higher level, and strive to create a responsible and responsive Sun Art Retail. The Group has insisted that our stores should become “a good neighbour in the community” by actively participating in community development and construction, contributing to the environmental improvement, care for people and emergency response of the community, and enriching community activities. All activities we participate must reflect the Company's positive corporate image. Main areas of our contributions include philanthropic and environmental protection projects, sustainable development projects, caring for underprivileged groups, caring for children, assisting with the charity campaigns and disaster relief effort of the community, etc. In 2019, philanthropic funds contributed by the Group amounted to about RMB 7.5 million.

Convenient Services and Community Activities



Integrity and Consumer Confidence — Consumer Rights Day Event on 15 March 2019

The Group's community investment activities are led by the Marketing Department at the headquarters. In 2019, it organized a series of activities of varying scales at stores across the country on energy conservation, environmental protection, consumer protection, caring for the elderly and left-behind children. In March each year, the Group works with manufacturers, shops and relevant government departments to provide convenient services to residents, while recruiting college students and volunteers to join us. On 15 March 2019, more than 200 Sun Art Retail stores in the Eastern China region jointly organized a Consumer Rights Day Event with local communities. The event aimed to enhance consumers' self-protection awareness through consumer rights protection consultation, convenient services, and 315 knowledge promotion.

RT Mart, together with P&G, has become co-worker in public welfare to help rural children. RT Mart and P&G launched the five-year plan for health protection in hope primary school in 2017. We are involved in health facilities and health education. Based on schools' actual need, we have built laundry rooms, washrooms and bathrooms. Until now, we have completed health facilities construction amounting to RMB 3.5 million, covering more than 30 hope primary schools in ten provinces.

Since 2016, Dabao and Sun Art Retail have launched a charity project to care for the elderly. As of the end of 2019, Dabao and Sun Art Retail have jointly donated products worth a total of RMB 2.1 million, benefiting 56 elderly homes across the country, and nearly 10,000 elders and staff members of the elderly homes.



Five-year health plan for Hope Primary Schools



Heartfelt gratitude – elderly home philanthropic project

Commitment to Our Community

In 2019, 152 stores of the Group carried out various philanthropic activities (41,652 participants, RMB 845,000 of donation) and provided related publicity and venue. Activities mainly include elderly home visits, home visits to single elderly, organizing evening parties with local neighbourhood, visiting people in need with Party Work Committee members, community services, skills competitions, job skills competitions, etc. We also provided venue, gifts and large outdoor screens for the government and the neighbourhood to hold various activities; organized various children's activities, such as flea market, children's street dances, etc., to care for children's physical and psychological development.

Kaiping store in Southern China is a representative of the Group's participation in philanthropic activities:

- ① It participated in the Mooncakes Sharing Activities in 2019, and was awarded a plaque of "乐善好施 爱心永驻" by Kaiping Social Work Committee, Kaiping Civil Affairs Bureau, Kaiping Disabled Persons Federation and Kaiping Social Workers Association;
- ② It participated in the celebration of the Mid-Autumn Festival and Mooncakes Sharing Activities, was awarded a plaque of "热心公益、乐善好施" by Kaiping Municipal Committee Political and Legal Committee, Kaiping Civil Affairs Bureau, Kaiping Women's Federation, Kaiping Disabled Persons Federation, Kaiping Changsha Sub-district Office, Kaiping Charity Association, Kaiping Social Workers Association;
- ③ In June 2019, it participated in the charity fund-raising activities for the Dragon Boat Festival and was awarded the plaque of "热心公益、情满社区" by Kaiping Huiqun Social Work Comprehensive Service Center;
- ④ In September 2019, it participated in the Mid-Autumn Festival activities to build a civilized city and tighter community bond, and was awarded a plaque of thanks from the Kaiping Volunteer Federation under the Kaiping Committee of the Communist Youth League;
- ⑤ In May 2019, it was awarded a plaque of "公益友好合作伙伴" for its participation in the comprehensive service project of social governance and philanthropic ventures of Kaiping Changsha Sub-district;
- ⑥ In September 2019, the customer service manager was awarded the title of "Outstanding Volunteer" by Kaiping Social Workers Association and Kaiping Huiqun Social Work Comprehensive Service Center.



Mid-Autumn Festival activities to build a civilized city



Plaque of "热心公益、乐善好施"

The Group regularly organizes employees to participate in voluntary blood donations, helping more patients in need to convey our love and care. During the reporting year, employees from 95 stores and headquarters staff participated in voluntary blood donations, and 1,220 blood donations were recorded.

During the 2020 epidemic, as a retail service provider that provides customers with daily necessities, RT-Mart stores across the country worked diligently in face of the epidemic, and actively responded to the government's call to ensure the safety and sanitation of stores while ensuring that customers' demand for daily necessities are met. We proactively provide assistance in various forms. For example, donating groceries (milk, instant noodles, vegetables, fruits, chocolate, etc.), epidemic prevention supplies (masks, disinfectant), etc.



RT-Mart Xiangcheng store donates epidemic prevention supplies



Participation in delivery of supplies to communities

Appendix: Hong Kong Exchanges and Clearing Limited (HKEX) Environmental, Social and Governance Reporting Guide Index

Subject areas, aspects, general disclosures and Key Performance Indicators			Index	
Aspect	Description		Section	Page
A. Environmental				
A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that significantly affect the issuer regarding air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous wastes. Note: Air emissions include NOx, SOx and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		2.1	7-11
	KPI A1.1	The types of emissions and respective emission data.	2.1	7-11
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1	7-11
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1	7-11
	KPI A1.4	Total non-hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	2.1	7-11
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	2.1	7-11
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	2.1	7-11
A2: Use of Resources	General Disclosure Policies on efficient use of resources (including energy, water and other raw materials). Note: Resources may be used for production, storage, transportation, buildings, electronic equipment, etc.		2.2	11-15
	KPI 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).	2.2	11-15
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).	2.2	11-15
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	2.2	11-15
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	2.2	11-15
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	2.2	11-15
A3: Environment and natural resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		2.3	16
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2.3	16

Subject areas, aspects, general disclosures and Key Performance Indicators			Index	
Aspect	Description		Section	Page
B. Society				
B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that significantly affect the issuer regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		3.1	17-19
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.		17-19
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.		17-19
B2: Health and safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that significantly affect the issuer regarding providing a safe working environment and protecting employees from occupational hazards.		3.2	19-21
	KPI B2.1	Number and rate of work-related fatalities.		19-21
	KPI B2.2	Lost days due to work injury.		19-21
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.		19-21
B3: Development and training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external programmes paid by the employer.		3.3	21-22
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		21-22
	KPI B3.2	The average training hours completed per employee by gender and employee category.		21-22
B4: Labour standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that significantly affect the issuer regarding preventing child and forced labour.		3.4	22
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		22
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.		22

Subject areas, aspects, general disclosures and Key Performance Indicators			Index	
Aspect	Description		Section	Page
B5: Supply chain management	General Disclosure Policies on managing environmental and social risks of supply chain.		3.5	22-24
	KPI B5.1	Number of suppliers by geographical region.		22-24
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, as well as how they are implemented and monitored.		22-24
B6: Product responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that significantly affect the issuer regarding health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.		3.6	24-27
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		24-27
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.		24-27
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.		24-27
	KPI B6.4	Description of quality assurance process and recall procedures.		24-27
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.		24-27
B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that significantly affect the issuer regarding bribery, corruption, fraud and money laundering.		3.7	28
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		28
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.		28
B8: Community investment	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.		3.8	28-31
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).		28-31
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.		28-31