

C.BANNER

C. banner International Holdings Limited

千百度國際控股有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 1028

Environmental, Social and Governanc Report 2019





Environmental, Social and Governance Report For C.banner International Holdings Limited 2019

1. ABOUT THE REPORT

PRINCIPLES OF REPORTING

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guidelines” 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” or the “Hong Kong Stock Exchange”) and its major amendments.

REPORTING PERIOD

January 1-December 31, 2019.

REPORTING SCOPE

The report focuses on the activities carried out by C.banner International Holdings Limited and covers the relevant situations of its listed entities. For convenience of statement and reading, C.banner International Holdings Limited is referred to as “C.banner Group”, “C.banner” or the “Group”.

DATA SOURCES

The report authentically reflects the environmental, social and governance (“ESG”) activities carried out by the Group. The report adopts the information and data in the internal documents and statistics reports of the Group, and the summaries and statistics of affiliated companies.

The report covers key revenue sources of the Group: from January 1 to December 31, 2019 (the “Reporting Period” or “FY19”) in relation to ESG. The data in this report is mainly collected from Mayflower Enterprise (Nanjing) Limited (“Nanjing Mayflower”), Dongguan Mayflower Footwear Corporation Limited (“Dongguan Mayflower”), Nanjing Soft Garment & Footwear Co., Ltd. (“Nanjing Soft”) and Xuzhou C.banner Shoes Co., Ltd. (“Xuzhou C.banner”).

IDEAS OF THE REPORT

In 2018, the “Blue Book of Sustainable Development: Evaluation Report on the Sustainable Development of China 2018”, compiled by the China Center for International Economic Exchange, the Earth Institute of Columbia University, Ali Research Institute, and Social Sciences Academic Press, was released. The Blue Book constructed the evaluation index system of China’s sustainable development in five areas: economic development, social wellbeing, resources and the environment, exhaust and emission, and environmental governance. C.banner Group believes that, enterprises should undertake corresponding responsibilities to support sustainable development. The Group prepared this report along with the guidance of the evaluation index system in the Blue Book, and took concrete actions in response to the requirements on economic development, social wellbeing, resources and the environment, exhaust and emission, and environmental governance. The report will use the above five aspects as themes to show our actions taken and responses made towards areas of environment, society and governance.

The Group believes that favorable environment, society and governance are essential to the Company’s businesses and the sustainable development of community. Key stakeholders including business units and the management participate in the materiality assessment and identification of significant ESG policies in relation to the Group which are included in this report, so as to ensure disclosures in the ESG report can both include the strategic priorities and reflect the concerns of key stakeholders.

REPORTING LANGUAGE

English

ACCESS TO THE REPORT

The report can be downloaded from the website of C.banner International Holdings Limited.

2. ABOUT US

Company name: C.banner International Holdings Limited

Address: Unit 2904, 29th Floor, Far East Finance Center, 16 Harcourt Road, Hong Kong

COMPANY PROFILE

C.banner International Holdings Limited (“C.banner” or the “Company”, together with its subsidiaries, the “Group”, stock code: 1028) launched the first self-developed brand ‘C.banner’ in the market in 1995 and is currently a leading international integrated retailer, also the leading retailer of high-end women’s business casual shoes in China. C.banner engaged in the production and sales of high-end women’s shoes in China with a variety of designs. The Company was listed on the main board of the Hong Kong Stock Exchange on September 23, 2011.

The Group distributes self-developed brands and licensed brands products through department stores and independent retail stores in different cities, ranging from first-tier to third-tier cities in the PRC, and is also proactive in developing online business to further expand its customer base as well as sales and distribution network. In addition, the Group also acts as an OEM (Original Equipment Manufacturer) or ODM (Original Design Manufacturer) manufacturer for international shoes companies dealing in export markets. Being a leading branded group of mid-to-premium ladies’ footwear in the PRC, the Group upholds a diversified brand strategy and product portfolio to diversify its footwear offerings and enter diversified market segments. The Group is popular for its brand values of elegance, charm and fashionable in the market, and operates self-developed brands, including C.banner, EBLAN, sundance, MIO, Badgley Mischka and natursun, and a licensed brand, United Nude.

As an industry leader with multiple brands, the Group has an established retail network and a wide business range. The Group operates three production facilities in Nanjing, Dongguan and Suining and one research and development (“R&D”) center in Foshan. The Group manages all major operating chains, including design and development, outsourcing, manufacturing, marketing, distribution and sales of products, through a vertically integrated business model to respond quickly to market demands.

In July 2019, the Group completed the sale of Hamleys, but will continue to operate Hamleys franchised stores in China.

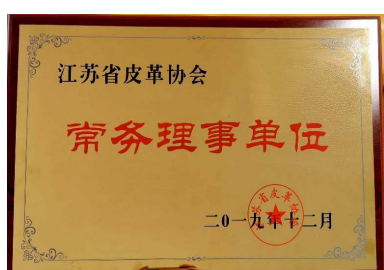
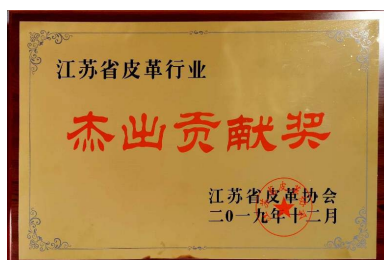
Key controlled subsidiaries: Best Invent Holdings Limited, Best Value Profits Limited, Allied Great International Holdings Limited, China Ease Enterprise Limited, Toy Kingdom Hong Kong Ltd.

Stock exchange listing: Hong Kong Stock Exchange

Total staff in 2019: 7,459

Business revenue: 2,157,529 (RMB'000)

2019 AWARDS AND RECOGNITIONS



3. MESSAGE FROM THE CHAIRMAN

2019 was a year of strategic upgrading for C.banner Group. Looking back on this year, we actively adjusted the Company's organizational structure, and planned to gradually integrate management of each brand division to optimize the Company's resource allocation to improve management efficiency. In order to make the Company more competitive to respond to the changing market and grasp the market trend, we focused on providing high-quality products and conducting innovative research and design. At the same time, our offline and online retail network has been further integrated and upgraded this year. Offline, we launched strategic cooperation with partners such as department stores, integrated shopping malls, and outlets to continuously improve brand awareness; in online e-commerce, we cooperated with major Internet sales platforms to expand online market share, actively promote online sales, seize new business growth opportunities, and enhance brand influence.

As a staunch practitioner of sustainable development strategy, C.banner actively assumes social responsibilities while safeguarding the interests of all stakeholders. We believe that the coordinated development of economy, society and nature is the cornerstone of the Company's substantial progress. We strictly abide by various environmental protection laws and policies, strictly control the disposal of emissions, and strive to reduce the negative impact on the ecological environment. C.banner has always advocated the establishment of energy-saving enterprises. We require that unit energy consumption be reduced year by year, and assessment indicators be established for control. This year, we optimized the design ideas, production processes, production equipment, and transportation solutions. We increased the use of environmentally friendly materials, and comprehensively upgraded the Company's environmental protection strategies from the upper, middle and lower reaches. At the same time, we actively organized forces to participate in social and environmental protection activities, contributing C.banner people's power for the establishment of a beautiful and harmonious clean society.

This year, C.banner Group put forward the development strategy of building a win-win ecosystem, trying to build a harmonious development path between C.banner and its employees, customers and suppliers. Based on the "people-oriented" development concept, it is our duty and responsibility to protect the rights and interests of employees. We provided employees with a healthy and safe workplace, launched a series of employee benefit plans, and promoted the career development of employees in various ways to build a harmonious corporate culture. While providing customers with high-quality products and services, we also focused on listening to their demands, and strived to create products that meet the needs of customers in order to increase customer satisfaction and loyalty. We strengthened communication and feedback with our suppliers, and jointly researched and developed new environmentally friendly materials to grow hand in hand and share risks with them. At the same time, we are enthusiastic about participating in public welfare and community services, proactively taking social responsibility, and sharing corporate development dividends with the community.

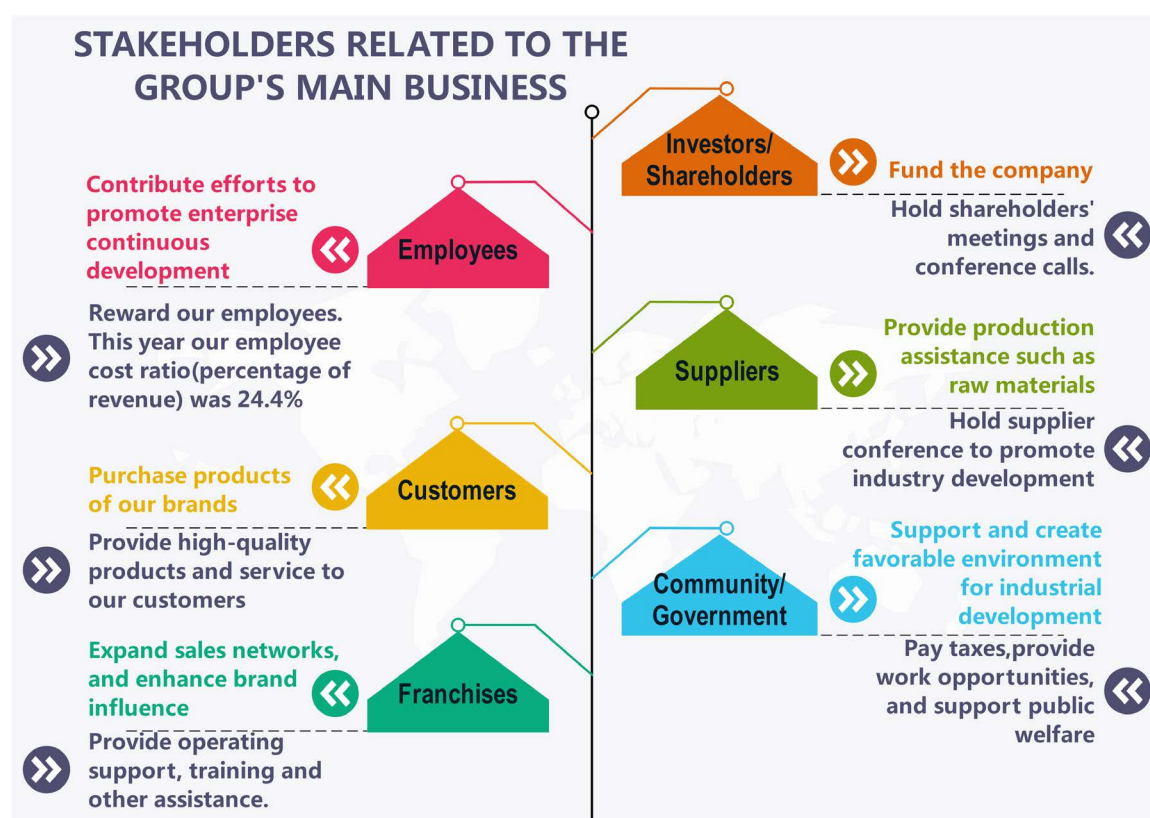
The achievements of C.banner Group in various fields are inseparable from the contribution and assistance of each stakeholder. We attach great importance to listening to and drawing on the opinions of the stakeholders. In this regard, this year we continued to deepen the evaluation and communication of important issues with stakeholders, and invited external stakeholders to communicate, through comprehensive and in-depth understanding, optimize the enterprise development strategy to the greatest extent, and create value for stakeholders and the whole society.

In the future, we will not forget our original aspiration, work together with all walks of life and continuously improve our business standards and governance capabilities, and continue to contribute to the global ecological sustainability.

4. COMMUNICATIONS WITH STAKEHOLDERS AND MATERIALITY ASSESSMENT

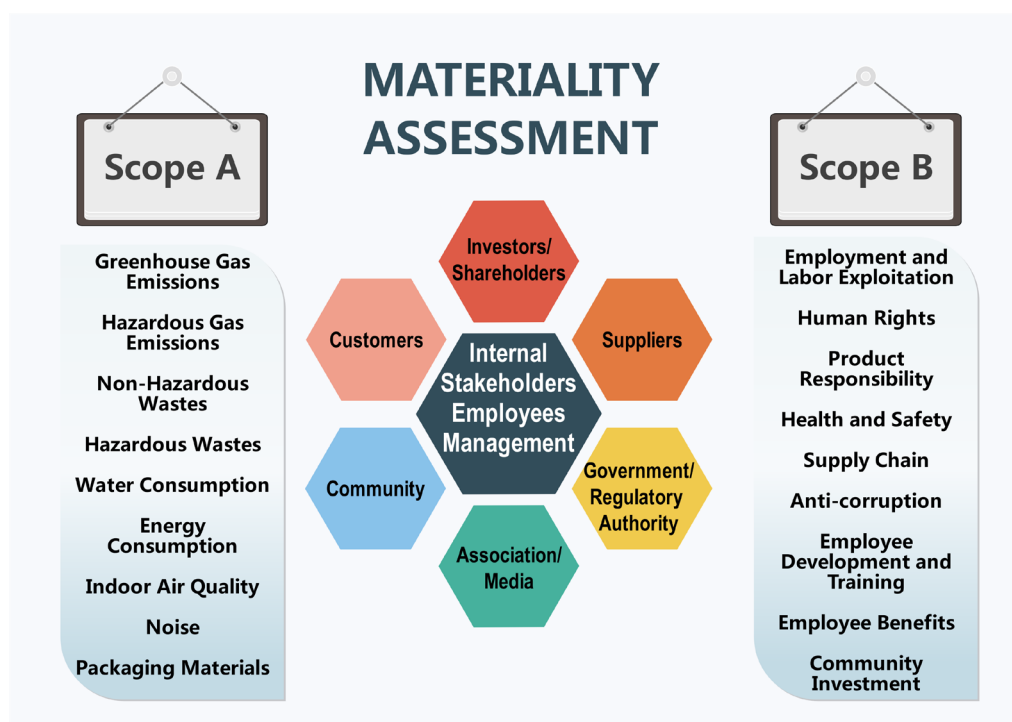
We respect the opinions of every stakeholder. In 2019, C.banner Group communicated with stakeholders from all walks of life through staff meetings, supplier meetings, investor meetings, and shareholder meetings to understand their requirements and expectations for C.banner. We believe that actively evaluating and adopting the opinions of all parties will enable C.banner's corporate value to be permanently improved.

STAKEHOLDERS RELATED TO THE GROUP'S MAIN BUSINESS



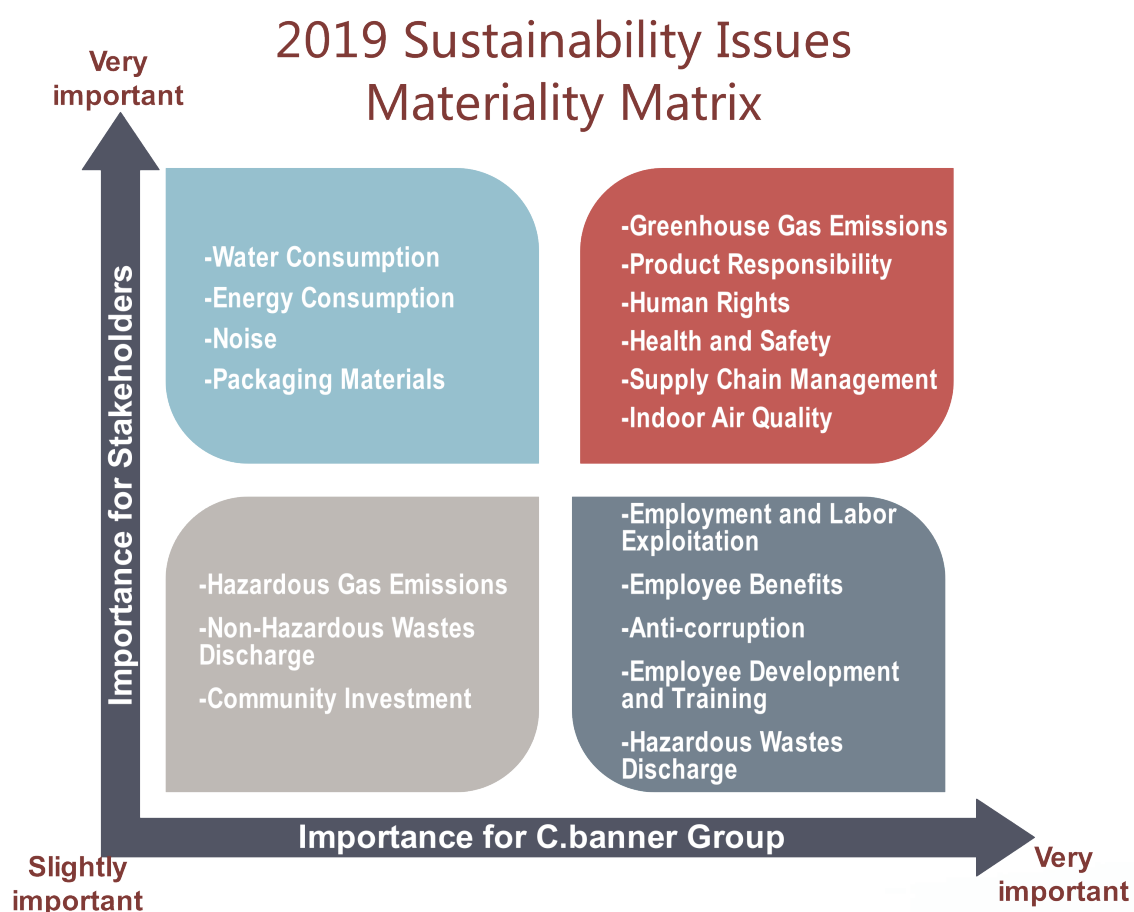
MATERIALITY ASSESSMENT

The Group carried out in-depth communications with stakeholders from all walks of life, and invited stakeholders to conduct the “Environmental, Social and Governance Materiality Assessment Questionnaire” to collect their opinions on the degree of impact of the following sustainable issues on the Company. The Group compiled the materiality matrix based on the questionnaire survey results.



On the basis of the materiality assessment and its conclusions, we determine the focus of this year’s disclosure. Among them, we will focus on reporting areas that stakeholders consider to be “very important” and secondly on reporting “important” content.

C.banner is committed to balancing the interests of all parties and improving the Company's operating performance in the long run. We understand that due to the different backgrounds and perspectives of various stakeholders, there are different ideas on various topics, and we try to expand the scope and number of samples to obtain more accurate data.

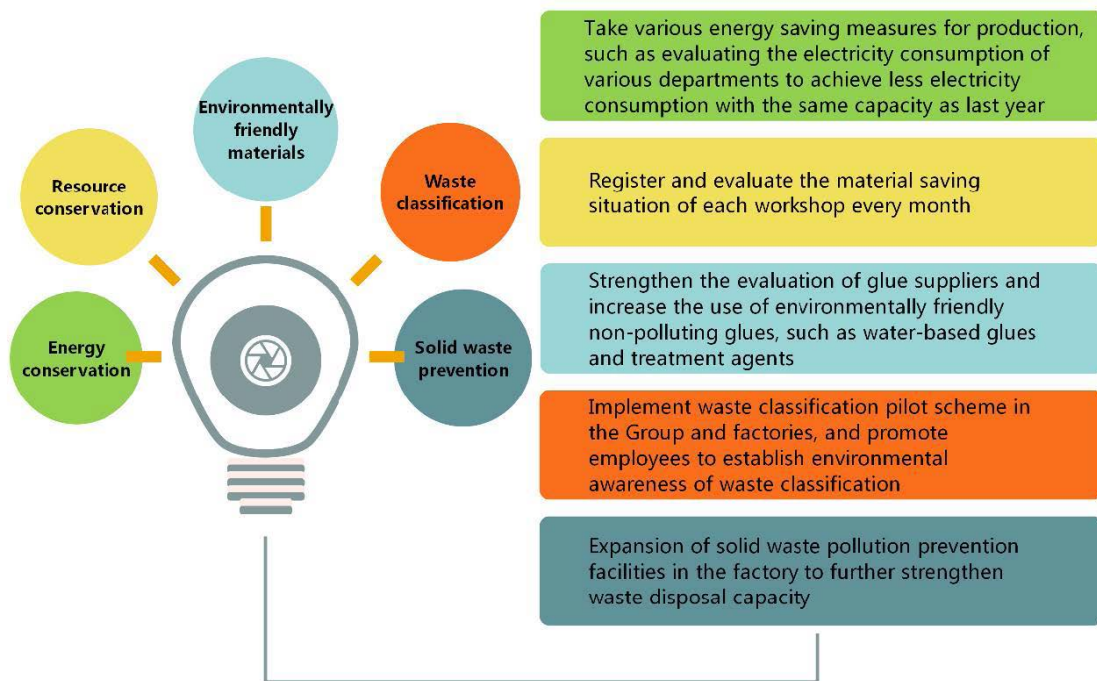


5. ENVIRONMENT

The protection of the ecological environment and the vigorous development of enterprises are complementary in nature. Lucid waters and lush mountains are invaluable assets. In the context of the country's focus on the development of environmental protection, C.banner Group, as the forerunner of sustainable development strategies, always regards environmental protection as an important responsibility of enterprises. We clearly understand that protecting the ecological environment is protecting productivity, improving the ecological environment is developing productivity, and the Company's growth must not be at the expense of the environment. With increasingly severe greenhouse effect and the impact of global climate change on the environment, we are constantly urged to find solutions from design, production, packaging, transportation, and sales to achieve the best balance between efficiency and environmental protection. We have been shouldering more social responsibilities while developing corporate benefits to meet the expectations of our stakeholders and regulators.

In 2019, we have achieved outstanding performance in terms of energy conservation, resource conservation, use of environmentally friendly raw materials, and waste classification.

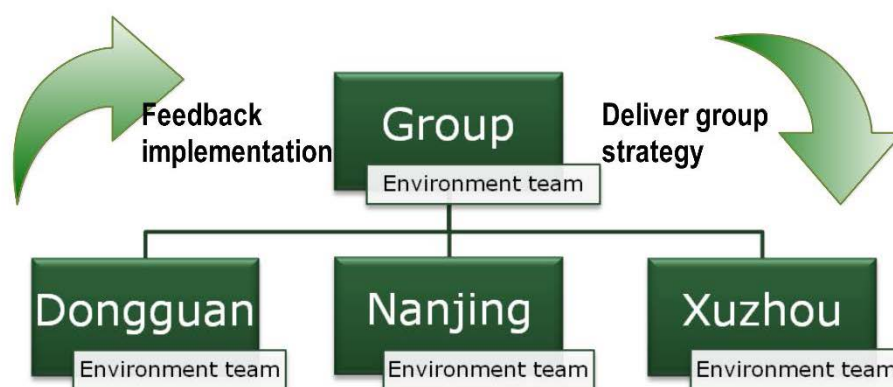
Highlights of environmental protection in 2019



ENVIRONMENTAL MANAGEMENT

During the year, C.banner Group continued to strengthen its investment in management system construction and fulfilled its environmental protection responsibilities. As a green and environmentally friendly light industrial manufacturing company, we strictly abide by national environmental protection laws and regulations, pay close attention to new requirements for energy conservation and emission reduction, pay attention to environmental protection responsibilities, and actively promote the orderly progress of energy conservation and emission reduction.

The Group and its subsidiaries have set up environmental teams. The environmental team at the Group level is mainly responsible for regularly communicating the latest environmental management strategy to the subordinate factories, ensuring that each factory strictly abides by various environmental protection laws and regulations in daily operations, and constantly improves the environmental management system to promote the effective development of environmental management. The subordinate factory environmental team is responsible for the overall management of environmental protection in all units and external communication. The main duties of the environmental team include strengthening and improving the internal inspection process arrangements, formulating and optimizing related systems related to environmental protection, exercising the supervision function given by the Group and preventing problems before they occur. Externally, it is responsible for communicating information with stakeholders such as related environmental protection departments, industry organizations and institutions. At the same time, all production-related departments strictly comply with regulations and standards in their daily operations to ensure that all production activities of the Company meet environmental protection requirements and seek the common sustainable development of the environment and the enterprise.



This year, the Group commissioned a professional testing agency to conduct environmental monitoring and issue reports on its subordinate production plants and issue report regarding waste water, gas emissions, and noise. All test results meet the recommended national standards.

In 2019, as reported by various subsidiary companies and verified by the Group, C.banner was not involved in any pollution accidents or illegal events that have a serious impact on the environment throughout the year, and there were no confirmed violations or any complaints related to environmental protection and having significant impact on the Group.

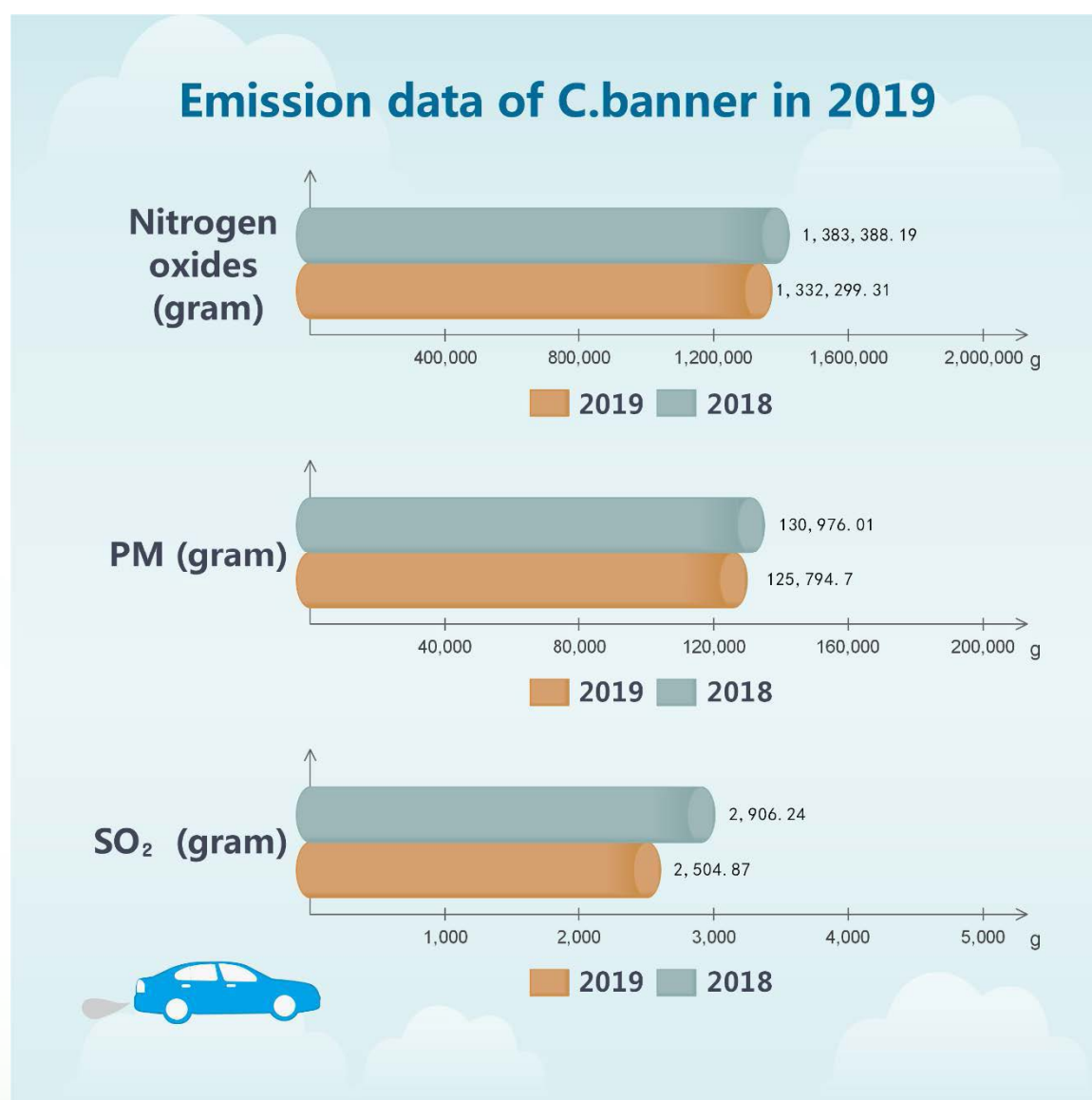
ENVIRONMENTAL INFORMATION

The emissions information in this report covers our major business segments and Group-level company operations. The specific information is mainly obtained through reasonable estimation by the internal Archives and Records Department of each subsidiary company and relevant internal personnel.

This year, we continued to actively respond to the call of green industrial development and were committed to taking actions to reduce gas and greenhouse gas emissions in multiple areas, minimizing the impact on the environment in production and operation processes.

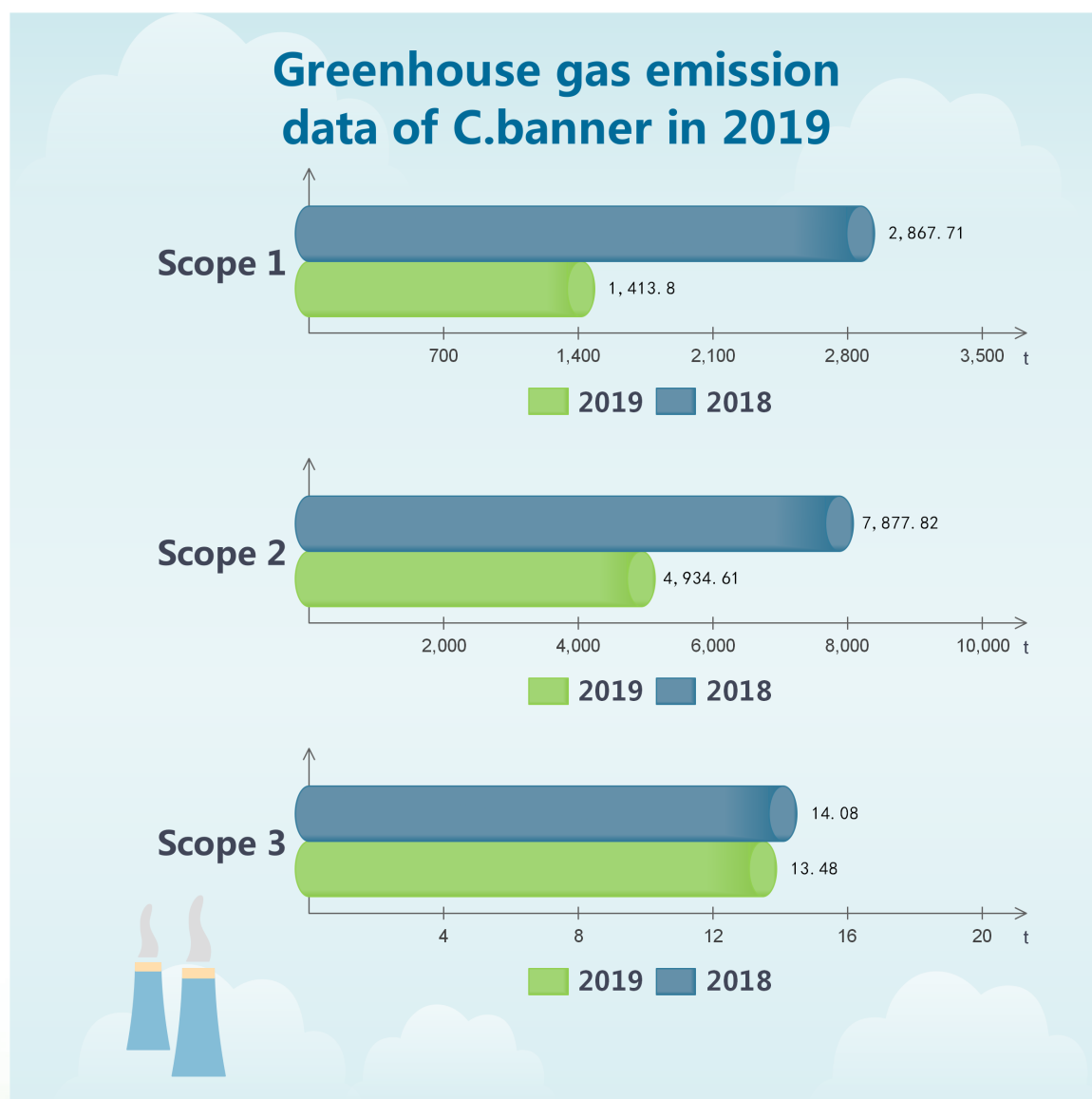
Emissions

Our main emissions are generated by vehicle usage, including nitrogen oxides, SO₂ and particulate matters (PM). This year, all emissions have decreased compared to the previous year.



Greenhouse gas emission

Our greenhouse gas emission mainly consists of the waste gas from gas fuel, exhaust emission from automobile usage (Scope 1), indirect emission from purchased electricity and coal (Scope 2), and those from paper usage (Scope 3). In 2019, we emitted a total of 6,361.89 tons of carbon dioxide equivalent, a decrease of nearly 40%¹ from the previous year, mainly due to the strengthening of our environmental protection policies and the adjustment of the industrial structure, including the sale of our toy business segment.



Waste

Purchasing raw materials for reprocessing is our primary production method, which would mostly discharge non-hazardous waste and very little harmful substance, such as used glue drums. During the year, the total amount of non-hazardous waste generated by us decreased to 350 tons compared to 410 tons in 2018, and the total amount of hazardous waste decreased to 10 tons compared to 15 tons in 2018; we contact professional organizations to recycle all solid waste in time.

¹ Due to incomplete statistical range, the total amount of carbon dioxide equivalent (Scope 1) in C.banner's 2018 Environmental, Social and Governance Report should be 2,867.71 tons.

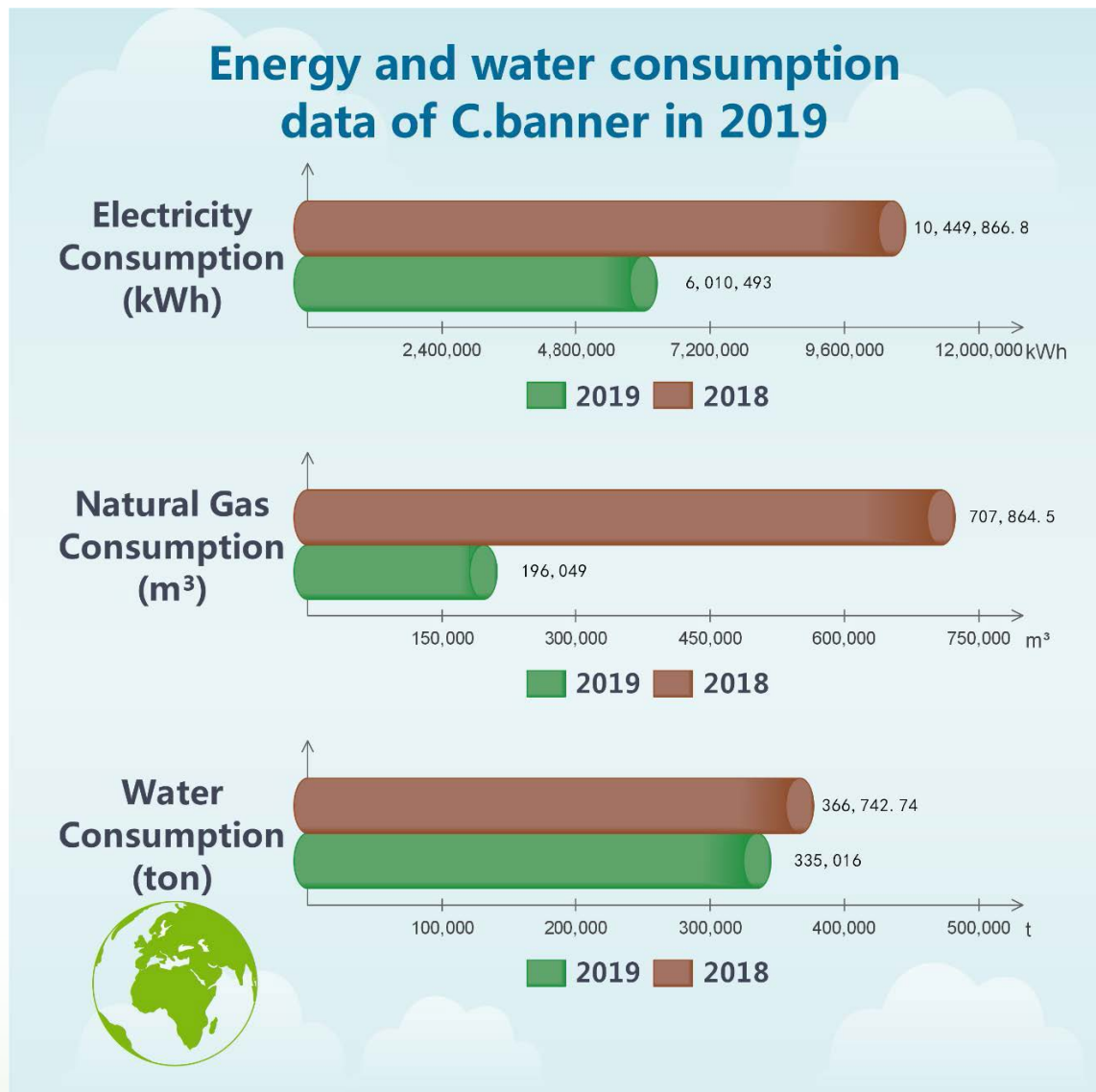
RESOURCE UTILIZATION

The main resources we use include electricity, natural gas and water. We always adhere to cultivate employees' awareness of energy conservation, establish the concept of treasuring resources to decrease resource costs and improve the utilization efficiency of energy, water resources, and materials.

Energy (electricity, natural gas) and water resources

The energy we consume include electricity, natural gas, etc. By the end of 2019, we have consumed 6,010,493 kWh of electricity, a decrease of 42% from 2018; and natural gas consumption of 196,049 cubic meters, a decrease of 72% from 2018. The reasons for the decrease consist of the sale of the toy business segment and the reinforcement of our policies in energy conservation.

The water we consumed are taken from urban water supply system, mainly used for business and living with little for production. Thus, our production would only have slight impact on rivers, lakes, underground water and glacier. We consumed 335,016 tons of water totally in 2019, a decrease of 9% compared to 2018.



Packaging materials

In 2019, C.banner Group gradually reduced the overall use of packaging materials, and promised not to use foam materials except when necessary. We continued to expand the use of environmentally friendly packaging materials and increase the use of renewable and recyclable packaging, such as utilizing more nonwoven packaging bags instead of paper bags. In addition, we organized research and development efforts on a quarterly basis to investigate the packaging of various brands in the market, looking for breakthroughs in environmental protection and practicality of new packaging. This year, we used a total of about 1,062.4 tons of packaging materials, a 33% decrease from 2018.

ENVIRONMENTAL PROTECTION MEASURES

Upstream environmental protection measures



- **Develop an environmental strategy**

List environmental protection work as an important consideration for the development of strategic plans for the Company. In practice, through a comprehensive assessment of resource use in the previous year, we strive to reduce unit energy consumption and unit pollution emissions.

- **Clear division of responsibilities**

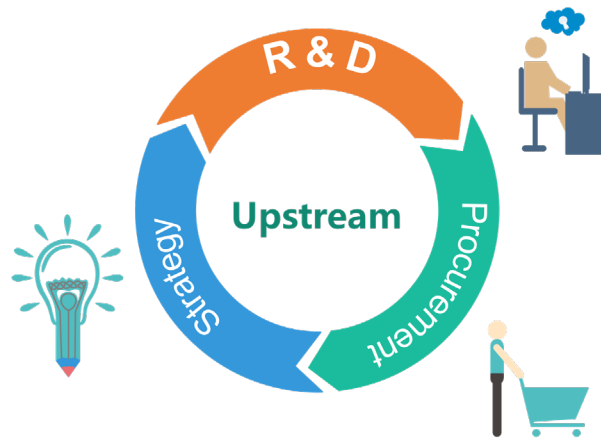
Clarify the persons in charge of environmental work and its subsidiaries, formulate and improve assessment standards to ensure that responsibilities are properly shouldered, and eliminate unclear responsibilities.

- **Environmental publicity**

Promote comprehensive environmental protection measures within the Group and its subsidiaries, and establish a sense of environmental responsibility for each employee.

- **Comprehensive environmental assessment**

When the Group conducts major business activities such as mergers and acquisitions, we conduct a comprehensive environmental assessment of the operation. The company will set up a special environmental investigation team to analyze and ensure that the business activity is in line with the company's environmental protection strategy.



- **Use of environmentally friendly materials**

Keep innovating in combination with the consumption trend and the actual demand of customers under the big environment, and increase the use of natural and environmental friendly materials within the scope of ensuring comfort and controllable cost.

- **Design concept improvement**

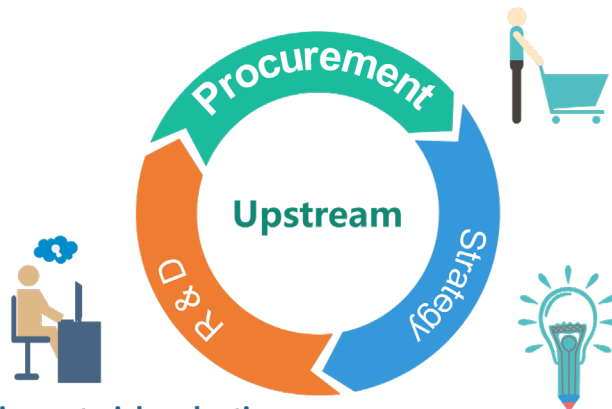
Propose a design concept of saving materials during the research and development phase to minimize waste of resources.

- **Increase productivity**

Using advanced design and technology to simplify production processes and improve production efficiency to reduce unnecessary waste of resources, while ensuring product quality and meeting consumer needs, promote the green development of business operations.

- **Flexible production line**

The R & D department has basically completed the deployment and application of the ERP system in our subordinate factories, and the utilization efficiency of resources has increased significantly. While maintaining the high quality of the products, it has increased the diversity and flexibility of the production line.



- **Supplier material evaluation**

We evaluate the environmental protection level of raw materials provided by suppliers. We require suppliers to provide raw material incoming inspection reports, and we give priority to purchasing more environmentally friendly raw materials and accessories to meet customer needs.

- **Supplier environmental strategy assessment**

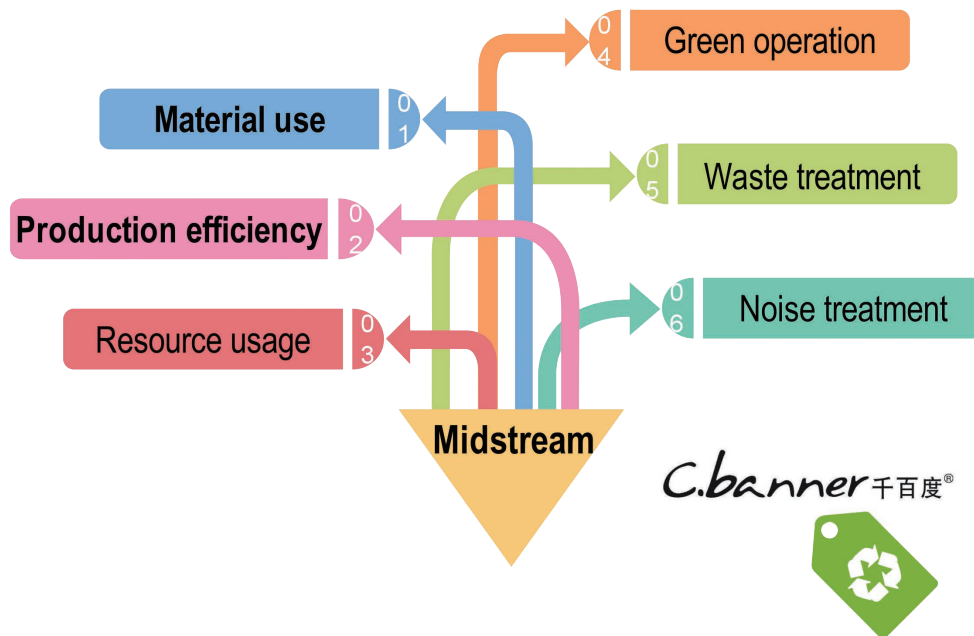
We regard energy saving and emission reduction as one of the important factors for suppliers, and we give priority to those suppliers who regard sustainable development as a corporate development strategy as partners.

- **Raw material inspection**

Every year, we will employ external professional testing institutions to conduct chemical testing on all suppliers' materials. Meanwhile, our quality control department will conduct full inspection or sampling inspection on raw materials in strict accordance with the incoming inspection procedures and standards, so as to ensure the safety and environmental protection of raw materials. If we find that the inspection is not qualified, we will return the whole batch and ask the supplier to implement improvement measures. Failure to improve the measures will seriously affect the supplier rating.



Midstream environmental protection measures

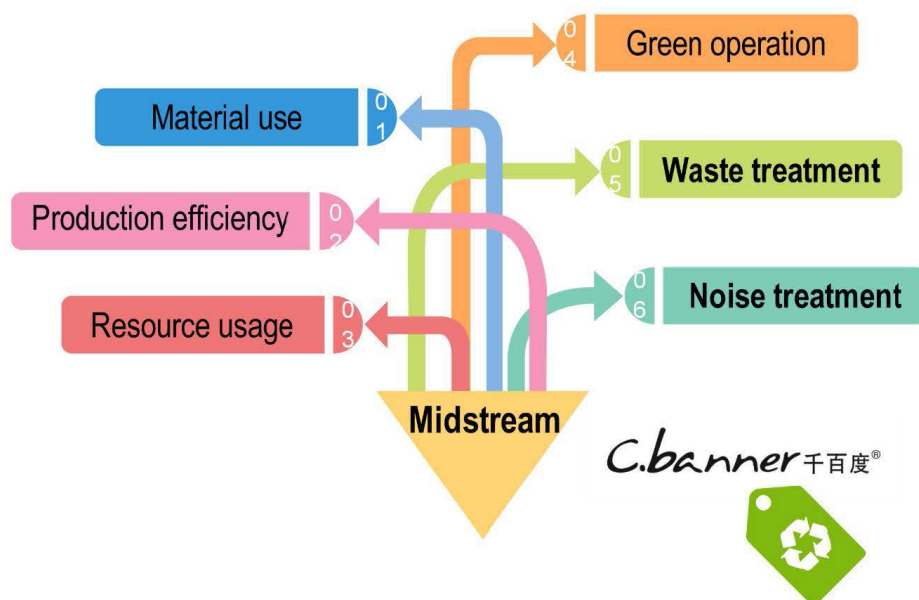


Material use

- Use of environmentally friendly materials - Water-based PU glue**
 Continuously increase the use of environmentally friendly and pollution-free water-based PU glue to reduce the impact on human health and air quality.
- Use of environmentally friendly materials - Water-dyed cowhide**
 Due to the characteristics of water dyed cowhide that only needs to be properly dyed without additional coating processing, it can not only reduce the use of chemical coating, but also maintain the original texture of leather. This year, we increased the use of water dyed cow leather in leather products.

Production efficiency

- Closed-loop production line**
 All forming lines in Xuzhou factory have been updated to small closed-loop lines. The number of employees in one line will be reduced from 55 to 28. Other factories are gradually completing the production line transformation.
- Optimize production methods**
 Our factory adopts flexible production methods, saving 20% -30% of production capacity.
- Intelligent production**
 Intelligent production of each factory has been further improved. Thanks to the efficient material utilization of imported advanced equipment, production efficiency has been improved significantly.



Resource usage

- **Resource usage**

Thanks to the improvement of production efficiency, this year we shortened the production time under the same output and saved power consumption

- **Encourage resource conservation**

The Group has increased the assessment of electricity consumption, evaluated the material saving of each workshop, and awarded the workshop with more materials saved.

- **Water conservation**

We posted water-saving slogans in factories and offices, purchased more water-saving equipment and required cleaning and kitchen personnel to recycle water when cleaning.

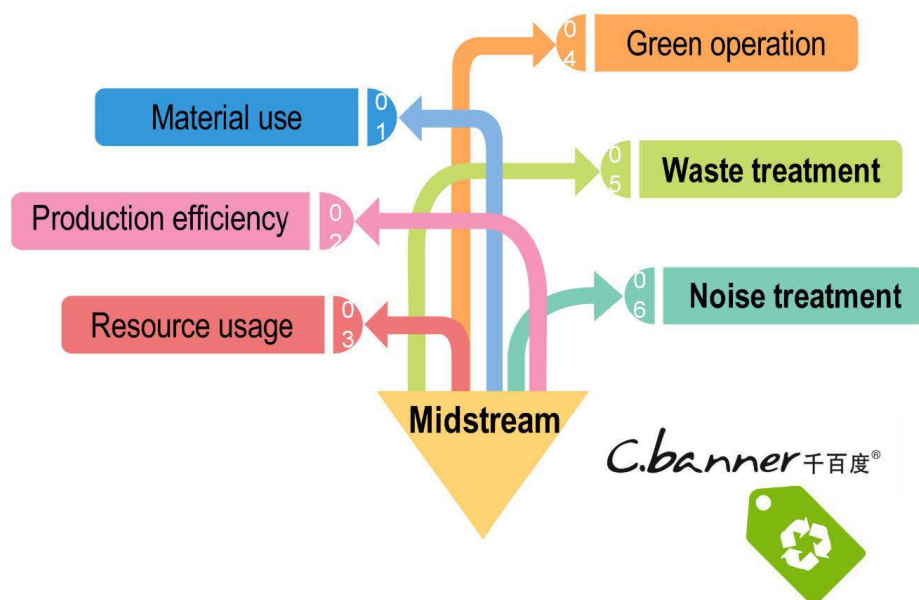
Green operation

- **Environmental mobilization**

For low-energy-consumption and energy-saving electrical equipment, such as printers, photocopiers, computers, etc., we require that electrical appliances that have not been used for a long time be turned off in time to reduce energy consumption and costs; we advocate employees to reduce the use of disposable supplies.

- **Paperless office**

The Group continued the previous year's paperless office policy. Our investment in various new office equipment not only improved the efficiency of document circulation, but also reduced the printing of paper documents, thereby achieving paper saving and environmental protection purpose.



Waste treatment

- **Wastewater treatment**

Our main wastewater discharge comes from office toilet and kitchen drainage, and there is no discharge of toxic, harmful substances and special substances. Before draining into the municipal sewage pipe network, we need to filter the wastewater to avoid blockage of the sewage pipe network caused by solid impurities.

- **Waste disposal**

For wastes containing hazardous materials such as used glue drums and discarded counters, we have reached an agreement with a qualified supplier to recycle all empty containers for disposal. For the food residue produced in kitchen, we signed an agreement with the farm and the farm was responsible for recycling.

- **Exhaust gas treatment**

In terms of waste gas treatment, in 2019, we have basically completed the installation of AOV exhaust gas collection equipment in each factory, which can collect the chemical gases generated in production activities and conduct environmental protection treatment before discharging them.

Noise

- **Noise treatment**

The main sources of noise in the factory are air-conditioning units, air compressors, cutting equipment, heat treatment equipment, etc. Since our production line mainly performs processing activities, the noise is relatively low, and earplugs will be issued for some noise posts to protect the health and safety of employees.

Downstream environmental protection measures

• Management system

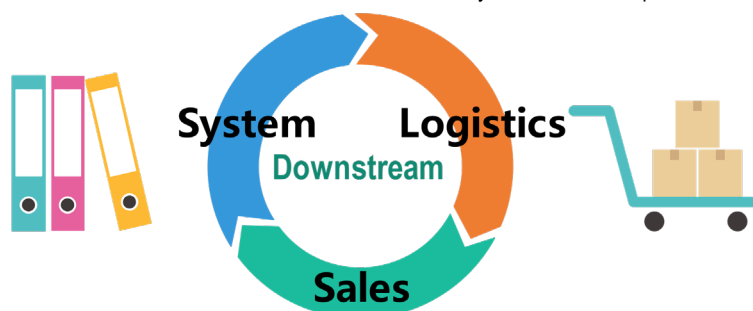
In terms of management system, we strictly abide by various national environmental protection laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, and the Promotion of Clean Production of the People's Republic of China; and pay attention to the revision and update of various laws and regulations in a timely manner to ensure that the company's environmental protection management system is highly consistent with national policies.

• Regional center warehouse

In order to improve logistics efficiency and reduce unnecessary carbon emissions, this year we continued to improve the construction of regional center warehouses and rationally adjusted the route arrangement of the subordinate factory warehouses to regional center warehouses.

• Warehouse management system

This year, we optimized the WMS warehouse management system based on the experience of the previous year. The upgraded system will further improve the efficiency of warehouse operations.



• Decoration material selection

We have revised the new edition of the "Selection Standards for Display Companies and Implementation Standards for the Use of Materials" to further improve the environmental protection requirements of decoration materials. Our priority is to choose fire-resistant panels. For paints, we will use water-based paints that do not contain organic solvents and formaldehyde. After the renovation is completed, we will also cooperate with the shopping malls and regulatory authorities for environmental protection acceptance.

• Disposal of waste building materials

If the store decoration involves demolition, we will entrust the outsourced unit to perform protective demolition of the recyclable building materials. If the waste building materials cannot be reused, we will send the construction waste to the government designated recycling point.

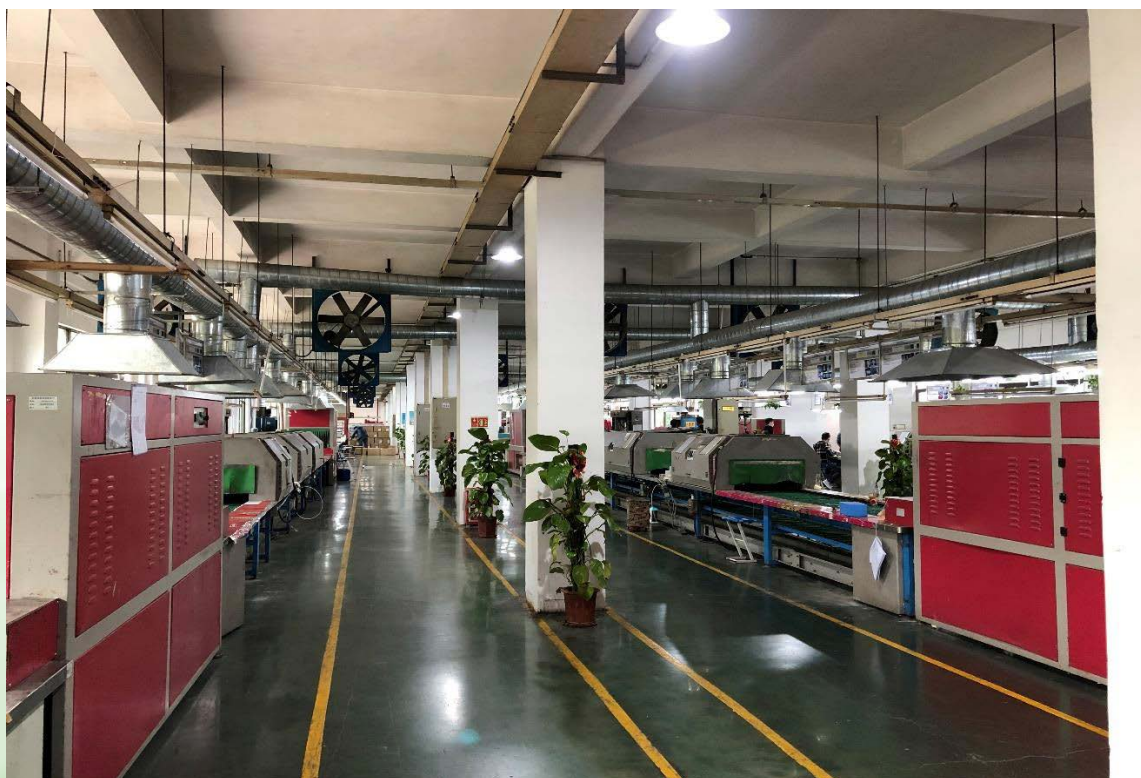
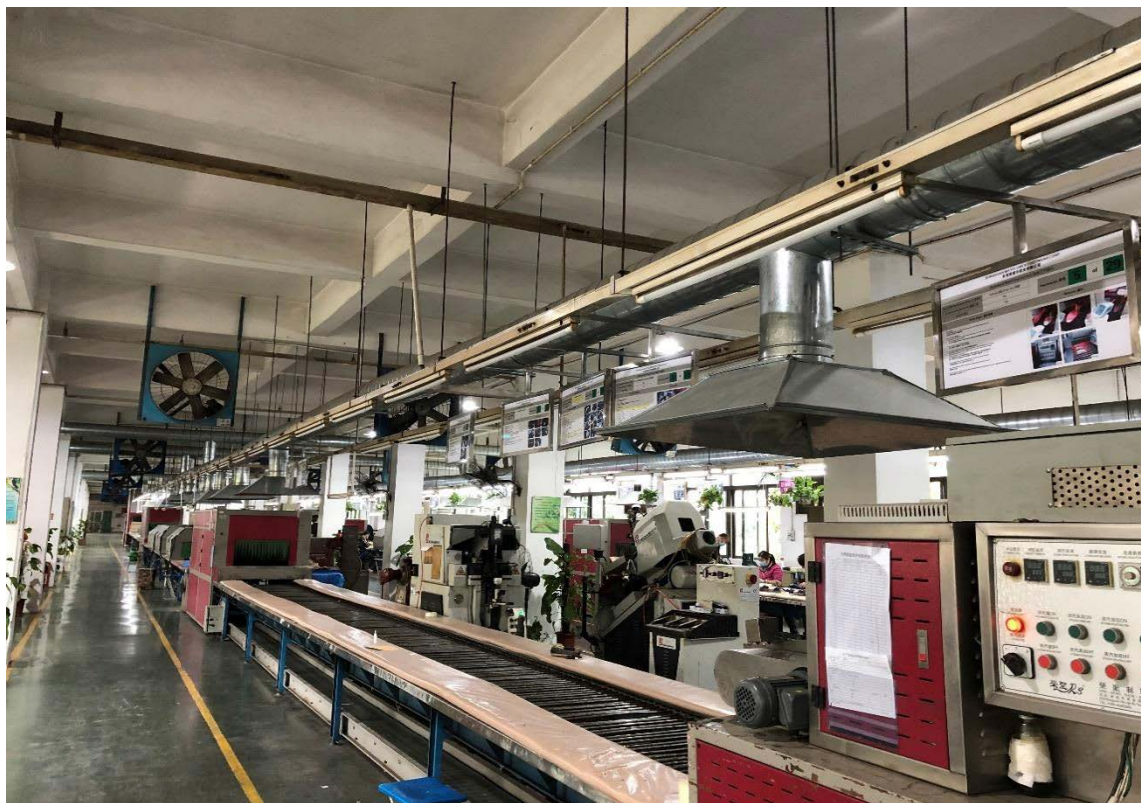


Demonstration of environmental protection cases

Case One: This year, the Dongguan factory invested RMB860,000 to expand the solid waste pollution prevention facilities to ensure that the emissions are effectively treated and meet the emission standards.



Case Two: This year we increased the production efficiency and reduced the energy consumption by setting up several closed-loop production lines.



6. SOCIETY

One foot cannot walk, a single palm cannot clap. C.banner always believes that the development of the enterprise cannot be separated from the help of every stakeholder. This year we put forward the governance concept of creating a win-win ecosystem for the enterprise, including employees, customers and suppliers in the ecosystem, and combined with our ESG development strategies, we have established a win-win cooperation platform for various stakeholders with C.banner.



This year, we encouraged employees at all levels to participate in the practice and innovation of corporate governance. We invited employees to use their own work experience to discover problems or management systems that needed to be strengthened in all aspects of the business, and asked them to put forward their own management suggestions from the perspective of decision makers. Company management attaches great importance to the suggestions of each employee, and evaluates their problems and solutions, if it is really helpful to the Company, we will give employees outstanding contribution awards and promotion to thank them for their contribution to the Company. We believe that this policy can enhance the sense of belonging and responsibility of employees and make them truly feel that they are an integral part of the Company, reflecting our attention and affirmation to employees' opinions. On the other hand, the Company's operations have also been improved, and in the long run it has also played a positive role in improving the efficiency of the Company, achieving a win-win situation for employees and the Company.

Customer's love and support is the driving force for the development of the Company. In order to further improve customer satisfaction, this year we invited loyal customers to participate in our new product development. We obtained customer feedback from offline stores to major online sales platforms, and arranged special personnel to return visits to collect usage feedback and customer expectations for new products. Our designers took the initiative to communicate with customers, starting from the actual needs of customers, more comfortable and stylish products were designed for them. While satisfying customers, it can also bring more profits for us, and achieve win-win between customers and the Company.

C.banner firmly believes that high-quality raw materials are necessary to create good products, so we have established a strict supplier access system. We require our suppliers to have the same sense of social responsibility and pursue the concept of sustainable development as we do. Only healthy, safe, environmentally friendly and durable raw materials can comply with C.banner's strict environmental protection strategy and people-oriented corporate values. At this year's supplier conference, our environmental protection strategy has been affirmed and supported by all suppliers, and we have reached a number of suppliers with the intention of co-development of new environmentally friendly materials. We tried to share the development costs of suppliers through our huge purchase volume, jointly promote the upgrade of our products, and provide better choices for the market to achieve true win-win cooperation.

OUR EMPLOYEES

As a labor-intensive manufacturing company, C.banner International Holdings Ltd. knows that employees play an immense role in the development of the Company. We adhere to the people-oriented concept and place the interests of employees as important as all operating indicators. We not only protect the rights and interests of all employees according to law, but also value and respect the opinions of employees, because employees are the most precious property of C.banner.

C.banner attaches great importance to employees' occupational safety and health. In order to protect the personal safety of employees, we have formulated a series of rules and regulations to ensure that the working environment of employees is safe and healthy; for example, we regularly organize medical examinations and provide psychological counseling services for all employees. In addition, we have established a comprehensive promotion mechanism to ensure that each employee has a clear career development prospect. For employees who have made outstanding contributions, we will give rewards both in career development and bonuses.

Employment information

C.banner Group has established a sound labor system based on various laws and regulations and the requirements of regulatory authorities, and strictly abides by human rights-related regulations, bills and international conventions. We have compiled the "C.banner International and Mayflower Enterprise Employee Handbook", which sets clear rules about equal employment, prohibition of child labor and forced labor, and various salary and benefit packages, etc. We were not aware of any discrimination, child labor or forced labor issues in the Company in 2019.

According to "C.banner International and Mayflower Enterprise Employee Handbook"

Non-discrimination

- 01** We are committed to providing employees with an open and equal development platform. We strictly follow the laws and regulations, and oppose any employment discrimination based on gender, age, race, nationality, color, religious belief, physical disability, sexual orientation, social group or marital status, and treat employees from different backgrounds as equals. Under the principle of non-involvement of relatives, we ensure equal competition and avoid impact of kinship on management impartiality. We also respect the right of all employees to join trade associations and labor unions freely.

In terms of management rules, we have developed the "Management Process of Prohibition against Discrimination" which forbids any forcing, threatening, insulting or exploitative acts, including gestures, languages and actual contact.

Prohibition of child labor

- 02** We strictly prohibit and prevent the use of child labor. We have established the "Management Procedures of Prohibition of Employment of Child Labor", which requires the HR Department to sign the "Confirmation Letter of Employment Conditions" with employees when recruiting, and strictly check their ID cards and other documents to confirm the authenticity of age and other information before hiring.

Prohibition of forced labor

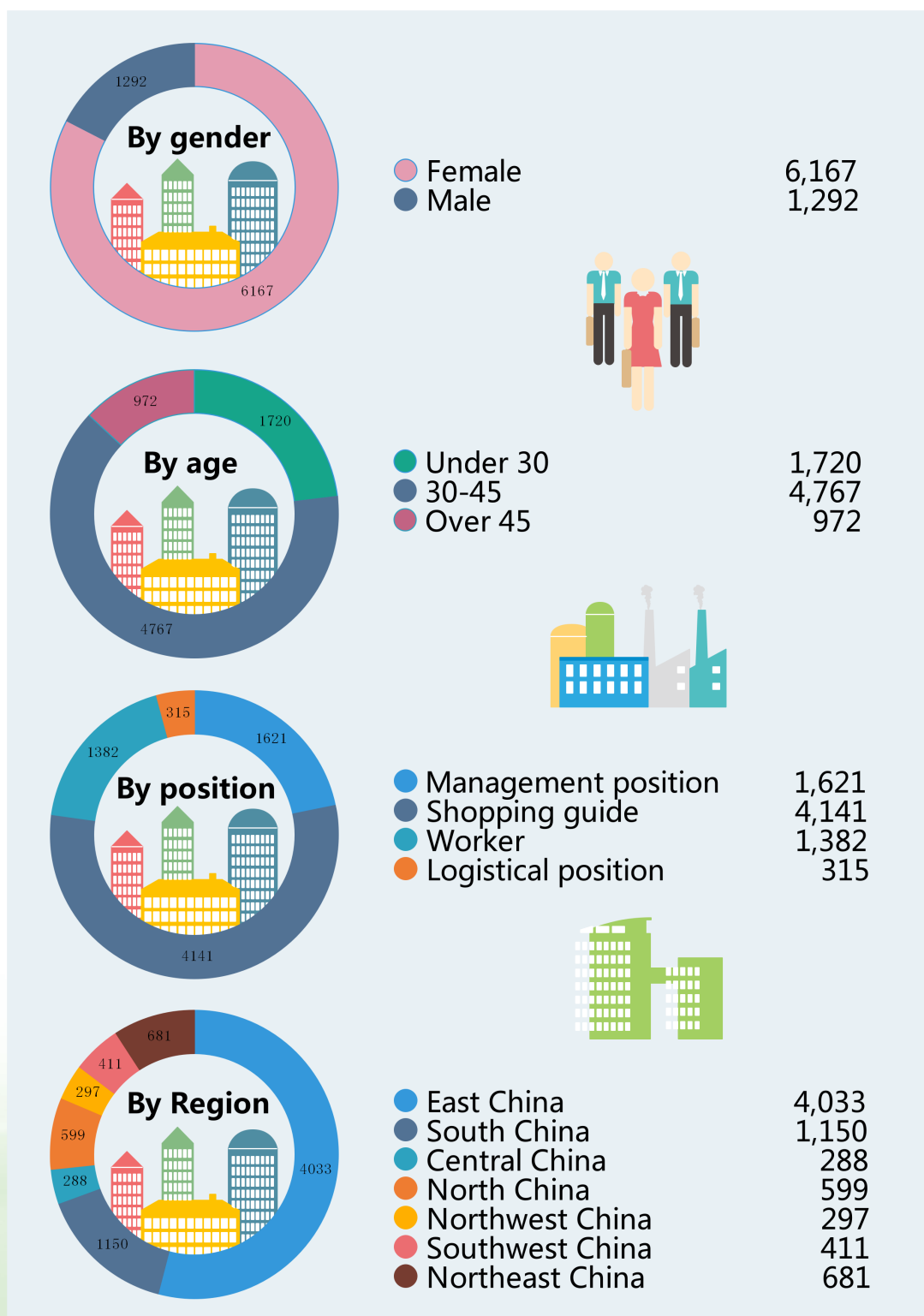
- 03** We respect employees' right to freedom of choice and work. We have established the "Management Procedures against Forced Labor" and the "Management Procedures against Harassment and Abuse of Labour" to prohibit any forced labour and ensure that employees work on their own free will. In addition, we encourage employees to exercise their right of freedom of expression. Employees can report relevant problems to the HR Department, line manager, or general manager through oral or written form, in real-name or anonymously, and the company will conduct investigation and give feedback in a timely manner.



Employment principle

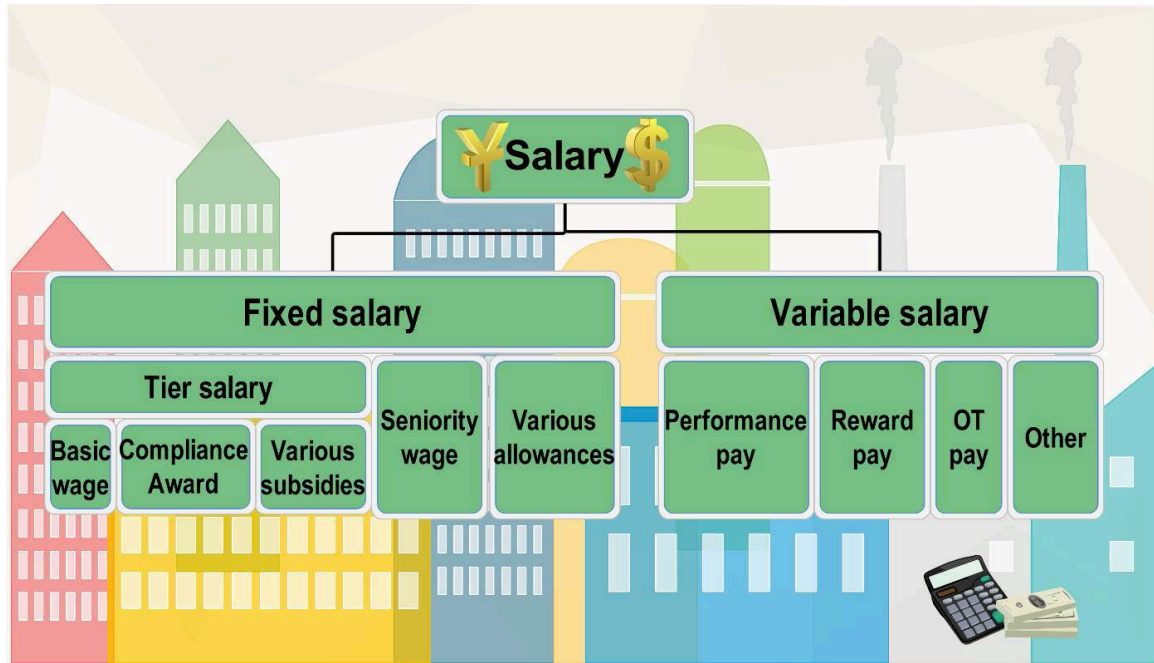
Employee profile

In 2019, a total of 7,459 outstanding employees contributed to the development of the C.banner Group. The Group's achievements cannot be separated from their hard work.



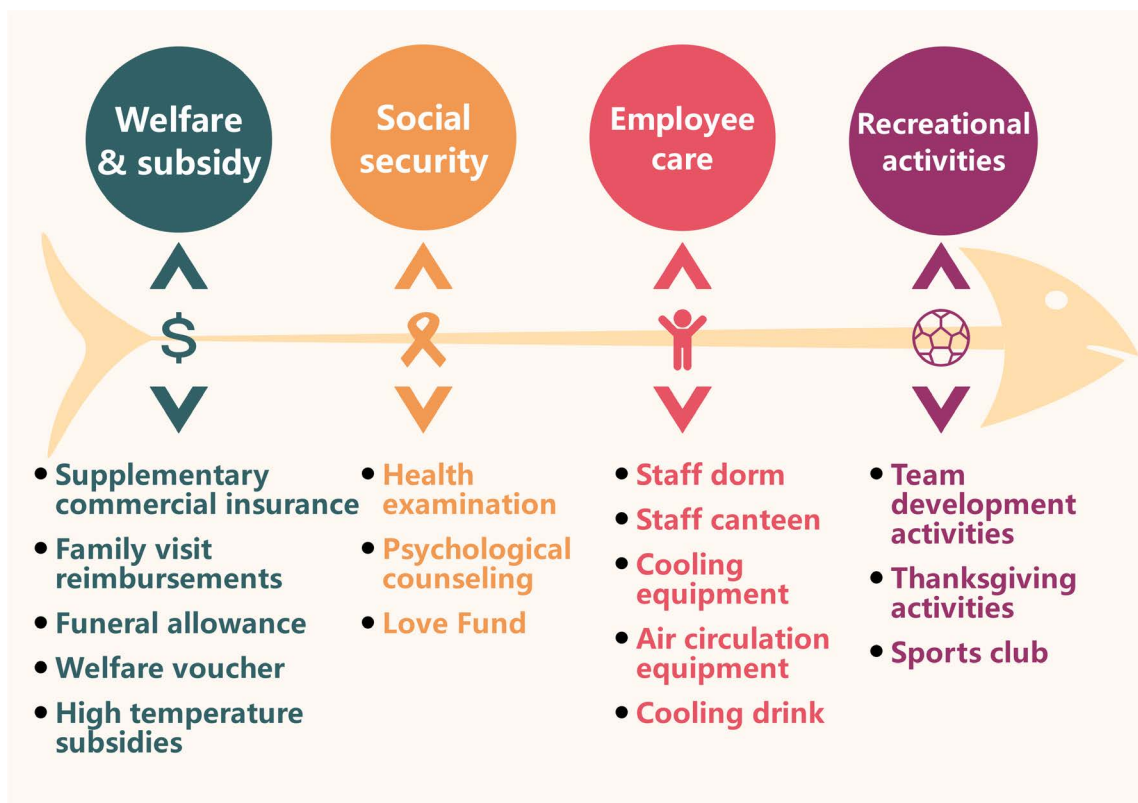
Compensation and benefit

Compared with 2018, the overall compensation of the Group's employees has shown an upward trend this year. The compensation system still maintains a model of fixed salary plus variable salary. In order to ensure the competitiveness of the Company's salary, we have generally increased the fixed salary of the Company's headquarters staff and sales staff, and will give employees performance pay when the business performance reaches the corresponding goals. For employees who have made outstanding contributions to the Company, the human resources department will issue bonuses as appropriate.



While the compensation system has been continuously optimized, we have also established a perfect vacation system and social insurance system. In our "Employee Handbook", we stipulate the employee's vacation system and relevant social insurance measures for employees. Employees can enjoy all legal holidays stipulated by the state, including maternity leave, 5-15 days of annual leave, etc. Meanwhile, strictly following the national social security policies, we pay various social insurances including pension scheme, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance as well as housing provident funds in a timely manner.

Our employees also enjoy various benefits. This year, our Love Fund provided a total of RMB200,000 to 35 employees.



Health and safety

Occupational health and safety of employees will always be the top priority of C.banner. Therefore, we have developed a series of management systems and procedures to ensure that employees' occupational health and safety can be fully guaranteed, and we have assigned special personnel to supervise this governance process. At the same time, in order to enhance the safety awareness of employees, this year we organized several safety education and safety training activities. We will conduct pre-job safety training for each newly recruited employee, and each subordinate factory will also conduct internal training on health and safety protection for all employees in accordance with their own conditions. We believe that giving employees the right guidance can prevent dangerous incidents while providing a healthy and safe working environment. In 2019, the death rate of C.banner's liability accidents was zero, and no major safety accidents occurred.

SECURITY PRINCIPLE

C.banner's safety production management is centered on the safety production responsibility system. We define the safety responsibilities of personnel at all levels by formulating job responsibilities. We have formulated and continuously improved the "Safety Production Management System" and related operating procedures. We have also prepared the "Emergency Preparedness and Response Management Procedures", which clarifies the measures and procedures for possible accidents or emergencies, and regularly arrange drills. We also conduct regular safety inspections and examinations to ensure that relevant systems are implemented in a timely and accurate manner.



Our production plants are certified as enterprises with the 3rd-tier standardization of work safety (light industry) by the local administrations of work safety, with the credential of Occupational Health Service Organization (Level B) issued by the administrations.

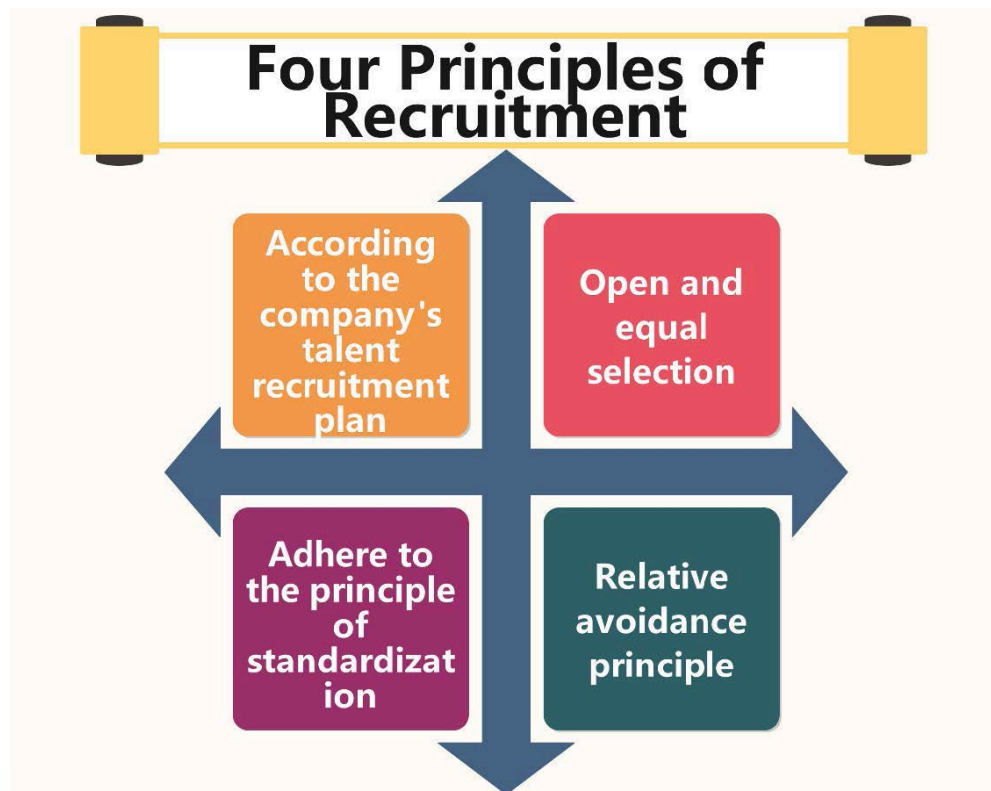
SECURITY MEASURES

We provide factory front-line staff with protection equipment including PVC gloves, respirators, dust masks and earplugs, and give special protection to employees in special positions who may be exposed to toxic and harmful substances. In order to reduce the injury to employees caused by industrial accidents, every production plant is equipped with emergency medical supplies and first-aid kits to ensure that injured employees can get help as soon as possible. For industrial accidents, we have set up standard procedures in the "Emergency Rescue Plan for Accidents", and safety management will conduct accident investigation, and at the same time, psychological counselling will be arranged for the employee.

In order to ensure the health and safety of employees and minimize occupational health risks in the workplace, we continue to increase equipment investment in production plants. This year, we installed ventilation circulation systems for each factory, which improved the air quality in the factory and reduced the harm to employees from harmful substances. In order to cope with the hot summer weather, and that the production plant cannot operate in an enclosed environment which would lead to unsatisfactory air-conditioning cooling effect, this year we continued to retrofit and use water-cooled air conditioners. Comparing to ordinary compressor-type air conditioner, water-cooled air conditioner can not only ensure better cooling effect, but also maintain air circulation to reduce the risk of heat stroke in high temperature, and bring a more comfortable working environment to employees.

RECRUITMENT AND PROMOTION

We have formulated a complete system of recruitment processes and established four principles of recruitment to ensure the fairness and efficiency of recruitment at the system level. This year, we cooperated with well-known recruitment platforms to select outstanding talents based on job requirements. For the recruitment of senior management positions, we use the combination of headhunting platform recommendation and internal recommendation to select the best talent for the Company.



This year, we continued to optimize the employee promotion process to ensure that the promotion channel is open to everyone who dares to fight. In order to fully mobilize the work enthusiasm of employees and enhance the promotion opportunities for basic level employees, we no longer set limit on the timing of the promotion of shopping guides, and they can be promoted at any stage in the financial year. At the same time, we have further simplified the promotion methods and processes and expanded the scope of promotion personnel. Our management line and sales line promotion channels are shown below.



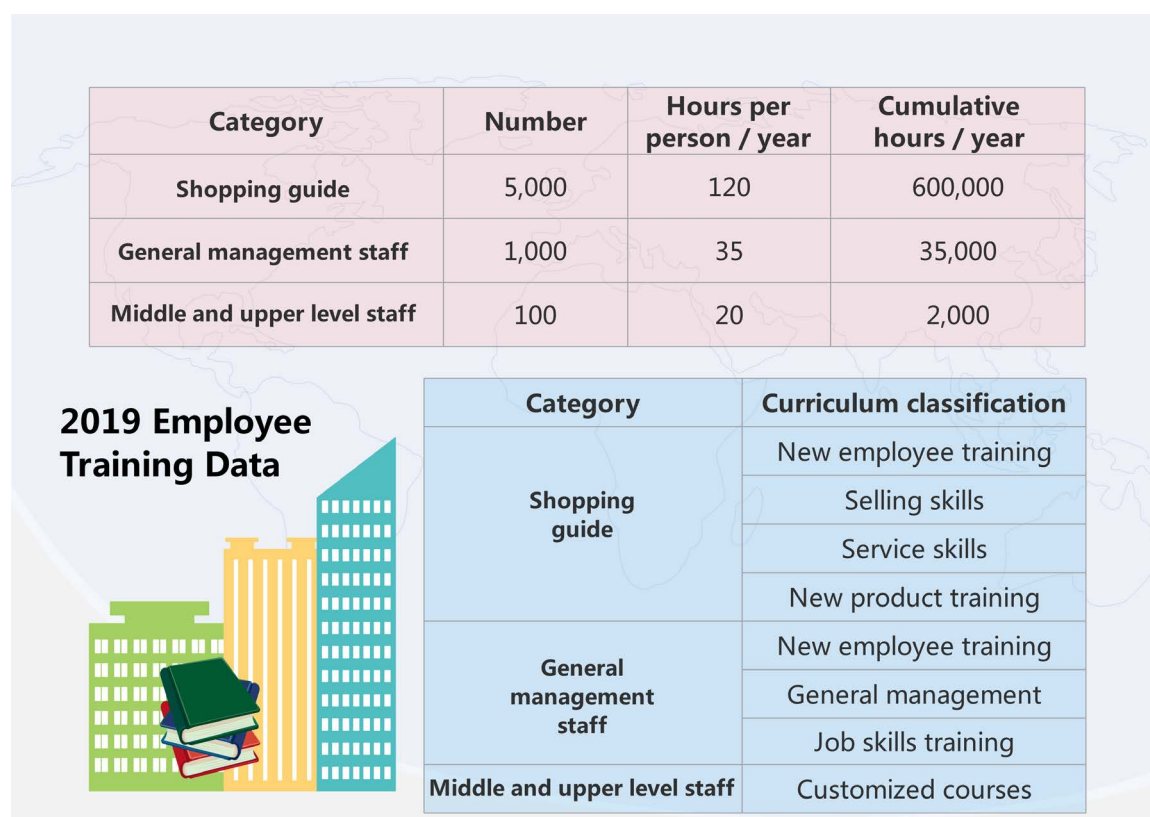
Development and training

We believe that the core competitiveness of the Company benefits from the improvement of the comprehensive quality of employees. For this reason, C.banner Group has created a diverse training system for employees to meet the development needs of employees. As the centralized management department of training, human resources department has the following responsibilities:



And we provide diversified development opportunities, including job rotation, responsible for different functions, etc. to help employees with career development planning.

In 2019, the Group continued to improve the training system with the goal of promoting the management ability and professional skills of employees. We further promoted the use of the online “Love learning” platform, where employees can conveniently log in using their mobile phones and study according to their own schedule. The “Love learning” platform is divided into trainings for different modules of management and shopping guide, and adopts a learning mode combining public courses and professional courses to broaden the knowledge of employees. Every week, we will select and reward the colleagues with the best learning results on the learning platform.



This year, we also selected colleagues from various departments and subordinate enterprises to receive training at the headquarters regularly. The training content covers all stages of corporate governance. In addition, we also invited foreign senior management personnel to train our management team, which has continuously improved our management standards.

CORPORATE CULTURE

Internal communication

This year, thanks to the construction of the win-win ecosystem of C.banner, the communication between us and our employees went further. We encourage employees at all levels to make suggestions for the Company's operations and management based on their work experience. For suggestions our management considers that will improve the Company's governance, they will be adopted and the proposer will be rewarded. We believe that this policy can enhance the sense of belonging and responsibility of employees, make them truly feel that they are an integral part of the enterprise, and reflect our attention and affirmation to employees. In 2019, we continued to carry out the "employee career development willingness survey" activity to encourage employees to put forward their opinions and suggestions on career development. At the same time, we continued to rationally adjust the Company's career development plans and programs based on the results of the survey. Through the "Beauty" program in the Company's internal WeChat platform "XueYuan", we regularly publishes various company news, and promotes our corporate culture while enhancing employees' confidence in the Company and gaining a sense of honor from it.

C.banner Group regularly holds employee meetings. As an important process to listen to employees' voices, we encourage employees to summarize the achievements of the previous stage and put forward the outlook for the next stage, which will help management team understand the employees' ideas and provide necessary support to them.

Awards and incentives

At the beginning of each year, C.banner Group commends the outstanding employees and teams with outstanding cooperation performance of the previous year, and the Company will award them with medals and bonuses. This year, we also added the evaluation of material saving in each workshop of the production plant, and selected the champion workshop of material saving every month to reward them for their contribution to the Company. Every quarter, production plant holds professional skills competition, which is divided into individual and team contests, and the competition sets ranking and bonus to encourage employees' active participation.

OUR CLIENTS

Customer communication

Customers are the cornerstone of the Company's long-term development. C.banner attaches great importance to the maintenance of customer relationships. In order to maximize the protection of customers' rights and realize the commitment of C.banner Group to provide customers with the most comfortable shopping experience, we have developed the "Customer Satisfaction Survey Procedures". The procedures are dedicated to the analysis and improvement of customer satisfaction, which specify the specific requirements for customer complaints and returns processing, satisfaction surveys and measures to improve satisfaction. We also maintain long-term relationships with customers through the establishment of a membership system to provide better services.

We conduct regular "customer satisfaction surveys" by sending customer satisfaction questionnaires or interviewing customers, and make timely statistical analysis. In the first half of 2019, our customer service department carried out the "C.banner Customer Service Survey" activity on a well-known Internet platform through an electronic questionnaire. Through the summary and analysis of data, we completed the report "C.banner Service Experience Evaluation Data Analysis" and the results were shared with relevant functional departments and each department was urged to complete the improvement work. Through the analysis of projects with low customer satisfaction, various relevant departments proposed improvement measures and actively implemented them in specific work areas. The customer service department collected feedback from customers to form a closed loop of customer satisfaction improvement procedures.

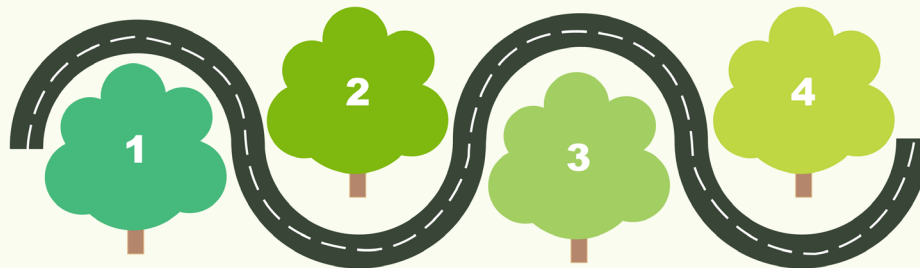
Customer satisfaction survey procedures

Gathering feedback information

Collect satisfaction questionnaires by letter, fax or direct customer interview to ensure that the response rate is above 70%.

Satisfaction improvement

Customer satisfaction improvement measures are implemented by the responsible unit and verified by the business department.



Developing survey plan

According to the needs of each department, the business department will lead the development of the "Customer Satisfaction Survey Form" which is updated every year.

Satisfaction analysis

The business department summarizes and analyzes the "Customer Satisfaction Survey Form", analyzes the items below the score requirements and customer opinions and formulates improvement measures.



This year, we implemented a strategy to establish a win-win ecosystem. Since customer is an important part of the ecosystem, we chose to directly connect product design with customer needs. For suggestions on shoe design received from our customers, the design department of C.banner Group will lead a return visit and exchange ideas on improving shoe styles to better understand the actual needs of customers to produce more comfortable and innovative products.

In the meantime, we have followed the “Regulations on C.banner Online/Offline Customer Complaint and Maintenance Treatment Process” in our daily operations. Customers can communicate directly with the customer service staff through offline channels, or bring their opinions through our online platform. This year, customers can continue to give feedback through the “400 Customer Service Hotline”; at the same time, due to the substantial increase in online customers, we have expanded the size of the online after-sales team to specifically deal with the after-sales work of the online sales division. It greatly improves the efficiency of after-sales service of online sales and enables consumers to get more timely feedback.

Customer privacy

As an important part of C.banner’s customer relationship management, protecting customer privacy is our incumbent responsibility and obligation, and it is also an important part of our customer service process. This year, the number of members of the C.banner Group exceeded 2 million, prompting us to continuously strengthen the protection of customer information and prevent the loss or illegal use of customer information. The Customer Relationship Management Department is responsible for the general management of customers’ information, the establishment and revision of policies regarding customer privacy. We have formulated the Data Protection Policy for VIP Customers, explaining to the customers the reason and purpose of collecting their data when needed. Once the customers’ personal and consumption data is entered into the Customer Relationship Management (“CRM”) system, only the CRM Department has the authority to update the information. The head office and terminal stores could only check the data. Terminal store sales personnel is not able to extract customer information, and has no right to use or obtain related consumption data privately.

Customer benefits

In order to give back to customers who have always supported the C.banner brand, we launched a series of member shopping activities for VIP customers in 2019. We provide benefits to customers through discounts, double points, and other benefits to maximize customer loyalty, which is also part of the win-win ecosystem between C.banner and customers. In addition, our offline and online sales ends are also actively participating in various holiday promotions, giving back to loyal customers while striving for new customer development.

Product quality

Good products are the main reason why customers choose C.banner. Excellent product quality is an important way for us to attract customers and gain trust, and it is also the core element of C.banner in establishing its market position. We require our products to carry out the principle of quality first in every aspect from design and development, production and manufacturing to packaging and transportation to ensure that our products can have higher durability under the premise of ensuring safety and health. For this reason, we further improve the “Quality Control System”.

We have established a strict “Quality Control System”, which specifies the applicable inspection scope, inspection rate, inspection process and inspection standards for raw materials, semi-finished products, finished products and external processed products. We commission third-party professional testing institution to conduct quality inspection on the produced samples, and mass production should only be carried out after passing the inspection. Meanwhile, we assign an inspector in each external factory to conduct 100% inspection on outsourced products, in order to standardize the quality management of outsourcing products and to ensure the quality of outsourced products meets our requirements.



As a leader in the industry, in addition to strict requirements on our own product quality, we have also participated in the formulation of a number of national industrial standards, including “General requirements for footwear”, “Footwear chemical test method – extractable heavy metal content – Inductively coupled plasma emission spectroscopy”, “Technical specification for thermal protection of leather shoes”, etc.

In addition to strict control on product quality, we continued to increase resource and invest in product R&D and improvement in 2019. We invested about RMB40 million in research and development this year. The technical improvement enables us to be more focused on our own advantages and produce products to meet consumers’ demand.

Brand Promotion

In order to further deepen the brand’s influence and make customers know more about C.banner, we have made some new attempts in brand building. The media department of the Company will contact with the famous stars to seek appropriate media implantation opportunities that meet the brand positioning. We increase the exposure of our products through stars dressing shooting and movie scene implantation to convey the latest design concept of C.banner to our customers. Brand Operation Department is responsible for the whole process supervision and selection planning. In the online segment, we will also promote on social media platform in combination with brand promotion activities, and make live recommendation on online sales platform.

While vigorously promoting brand building, C.banner Group strictly complies with the Trademark Law of the People’s Republic of China and other relevant laws and regulations. We developed the Trademark Management Provision, which regulates the internal application and approval process of trademarks and the scope of trademarks usage. There were no cases regarding violation of trademark usage occurred in 2019.

OUR SUPPLIERS

Management policy

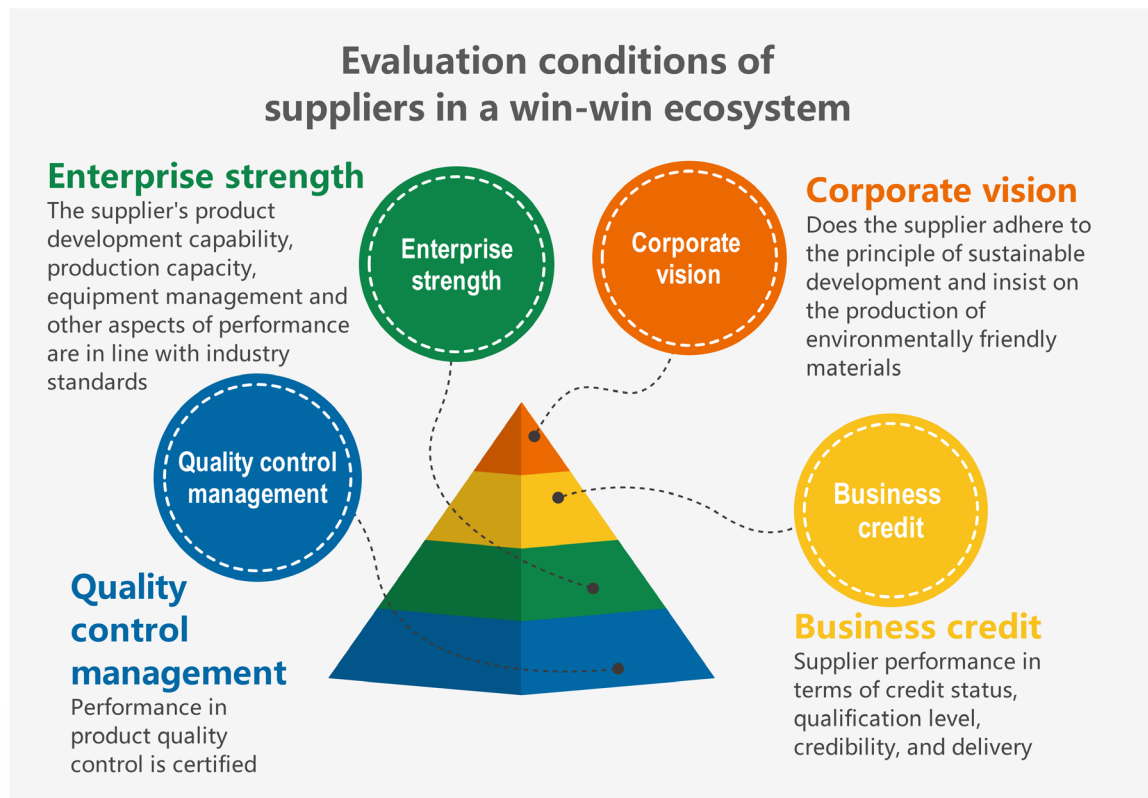
Under the governance concept of C.banner's win-win ecosystem, we believe that good supply chain management can enable us to establish a win-win relationship with our suppliers. This year, we have updated and improved the "procurement management procedure" and "supplier control procedure". When selecting suppliers, we will select partners who have the same social responsibility as C.banner and pursue the concept of sustainable development. We will use the standardized process system to assess and manage suppliers to ensure that we can obtain healthy, safe, environmentally friendly and durable raw materials. In 2019, we continued the implementation of the procurement responsibility system, separated execution, decision-making and management functions, and strengthened the establishment and refinement of the approval and authorization system to ensure the effective operation of the responsibility system. C.banner Group's supply chain management mainly include supplier admission and evaluation mechanism, establishment and maintenance of supplier catalog, cost management, delivery time management, quality management, and supplier evaluation.



SUPPLIER SELECTION AND EVALUATION PROCESS

Supplier Admission and evaluation mechanism

According to the supplier management system, C.banner Group conducts objective, strict and fair internal investigation on potential suppliers before establishing a long-term cooperative relationship with suppliers, in order to understand the corporate culture, product quality and various management capabilities of suppliers, so as to establish a high-quality and long-term stable supplier cooperative relationship. The Finance Department, Merchandise Department, R&D Department, Cost Control Department, and Purchasing Department form an evaluation team to participate in the supplier access evaluation process. We mainly review the following aspects that may affect the supply chain partnership:



Approved suppliers may enter our qualified supplier catalog. Meanwhile, we carry out monthly comprehensive assessment of the suppliers in the qualified catalog. Our assessment items include quality, delivery time, cost and after-sales service. We also set different percentage weights and grade A, B, C and D according to the score, and decide whether to retain or eliminate the suppliers.

In the production process, our Quality Control Department is responsible for the dynamic supervision and inspection, and the inspection of raw materials is in strict accordance with the prescribed procedures and standards, to ensure the safety and environmental protection of raw materials. If the inspection result is found to be unqualified, the supplier is required to implement improvement measures.

Raw material price management

Led by the Group's procurement center, C.banner has set up a raw material price evaluation team, and the heads of the financial center, development center and commodity center will also participate in the work of the raw material price evaluation team. The assessment team is responsible for information collection and visits to understand the real-time market prices of raw materials, and establish a benchmark for various raw material prices based on the learned raw material market conditions. This benchmark will be used as the basis for price negotiation for procurement work, and should be transparent and open to help us to protect the interests of stakeholders while effectively controlling production costs.

Sunshine agreement

In order to further maintain a healthy and stable cooperative relationship with suppliers, this year C.banner Group continued to uphold the principles of honesty, trustworthiness, integrity and transparency and re-signed a new version of the "Sunshine Agreement" with all partner suppliers. Higher requirements are put forward. We adopt a zero-tolerance attitude towards corruption in the procurement process and maintain the healthy development of the supply chain system by strengthening the transparency of procurement activities; we will never allow any behavior that violates business ethics to undermine the viability of the Company's win-win ecosystem.

SUPPLIER DIVERSITY

As an important part of C.banner's win-win ecosystem, this year we were committed to continue to promote the diversified development of suppliers. We encourage suppliers from different regions, different ethnic groups, different cultures, and different races to join our win-win ecosystem. We believe that diversified partners can broaden our product line and inject innovation blood into enterprises. At the same time, we also focus on cooperation with local suppliers, which can reduce logistics costs and improve communication efficiency while jointly promoting the local economy.

In 2019, there were over 200 suppliers in our qualified supplier catalog, covering raw material production, production equipment, decoration service, logistics and transportation and other categories.

WIN-WIN ECOLOGY FOR SUPPLIERS

C.banner Group actively maintains the relationship with suppliers and strengthens the communication with suppliers. In 2019, our management surveyed suppliers by visiting their production lines and discussed technical difficulties. As the market's demand for new environmentally friendly materials increased, we launched cooperative development with some high-quality suppliers, sharing the development costs and development risks of suppliers through the huge purchase volume of C.banner. This allows suppliers to boldly develop new products and achieve win-win relationships. This year, we held supplier conference in Guangdong, inviting suppliers from all walks of life to attend. While listening to suppliers' demands, we also evaluate suppliers' degree of cooperation. Suppliers with higher ratings will receive additional resources and help, which reflects our emphasis on long-term cooperation.



CORPORATE MANAGEMENT AND SOCIAL RESPONSIBILITY

Internal administration enhancement

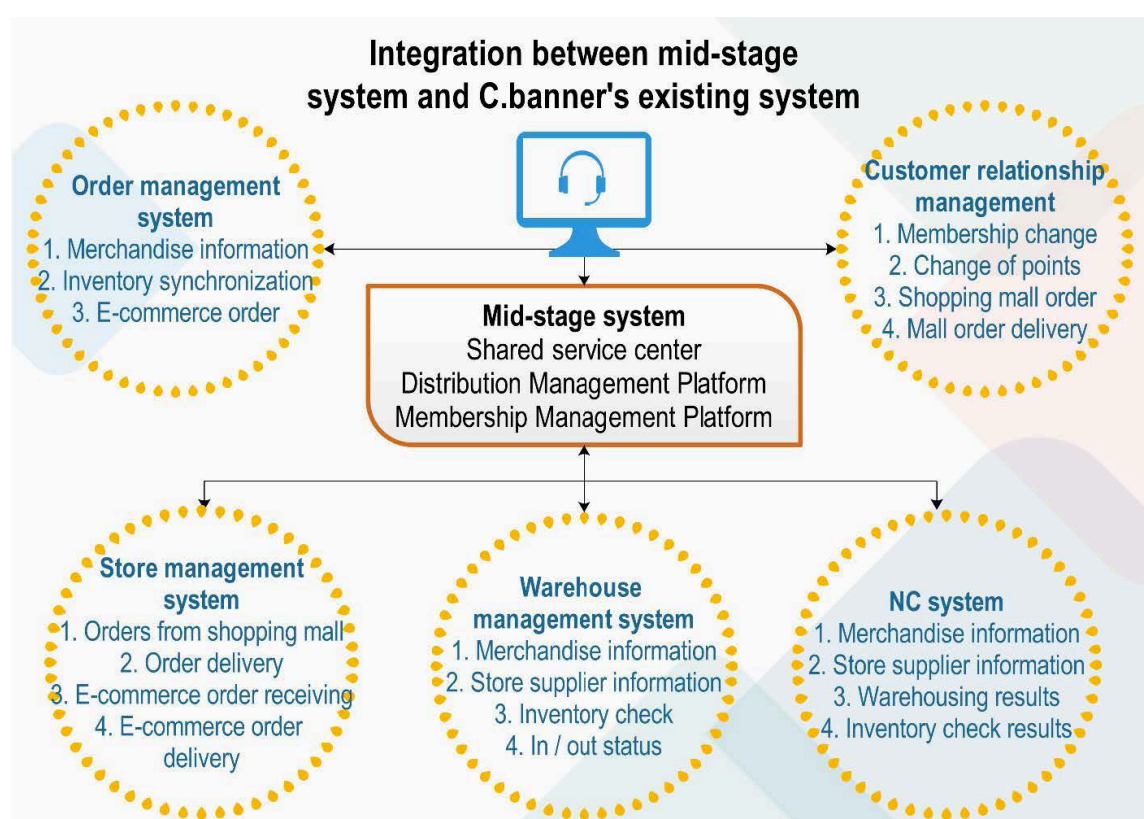
Bribery and corruption have always been banned by the C.banner Group, and we maintain a “zero tolerance” attitude. This year, the Company’s president’s office reiterated the relevant principles and regulations to all employees and cooperative units of C.banner. We hereby confirm that in 2019, there were no cases regarding corruption, bribery, blackmail and money laundering occurred.

We have developed a whistleblowing system. All of our stakeholders, including employees, shareholders, suppliers, customers, etc., have the right to report any suspected corrupt practices to us through the reporting mailbox and other channels. Meanwhile, we develop strict and confidential investigation procedures, and promise to protect the whistle-blowers to ensure their safety. We hire independent auditors to conduct external audits to prevent and control the occurrence of unethical practices through both internal and external audits. We also lecture about relevant laws and regulations during new employee orientation and distribution of the Employee Handbook to enhance employees’ awareness of business ethics.

Corporate governance improvement

In order to strictly protect the interests of various stakeholders, C.banner Group continuously strives to improve the level of corporate governance and achieves the goal of governance by establishing a strong management system. The management and every employee are required to aim to enhance the enterprise value, fulfil the corporate responsibility and ensure the effective operation of the Company’s management system. Therefore, the Company further improved its governance structure this year. The board of directors is responsible for overseeing the Group’s strategic decisions and business performance. The Company’s executive management is responsible for formulating and implementing various policies and systems. The important role of risk management and internal control in corporate governance is also the focus of our attention. The Company’s internal audit department is responsible for conducting a comprehensive review of the Company’s various systems and system implementation on a regular basis.

We realize that the existing information system of C.banner is mostly a traditional chimney-like architecture, which is customized and delivered by different vendors. It lacks a unified top-level architecture design, which is unable to meet the rapid innovation and iteration of business and the concurrent requirements of Internet scenarios. This year, we cooperated with well-known technology service companies to jointly develop an enterprise mid-stage system for existing business pain points. The first phase of the system includes the setting up of eight business centers (merchandise center, channel center, personnel center, member center, order center, marketing center, inventory center and accounting service center), four business applications (DRP, POS, OMS and Omni-Channel Marketing Application), smart outlet connections (connecting brand names, smart shopping guidance, digital banking), business performance statement and system connections (yonyou NC, WMS, OMS, Wuxiang Cloud CRM). Upon completion of development, the mid-stage system will fully connect with the existing system of C.banner and complete the integrated construction of business management and control.



Charity activities

As a modern enterprise with a sense of social responsibility, C.banner always regards charity as an important way to give back to the society. This year, we have provided more than RMB200,000 of subsidies to 35 employees through our Love Fund to help them get through the difficult times in their lives.



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C.banner International Holdings Limited
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