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Stock Code: 493

GOME RETAIL HOLDINGS LIMITED

國美零售控股有限公司 *

(Incorporated in Bermuda with limited liability)

2019

Environmental,
Social and Governance Report



* For identification purpose only

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GOME Retail Holdings Limited

Environmental, Social and Governance Report 2019

INTRODUCTION

GOME Retail Holdings Limited (the “Company”) has been listed on The Hong Kong Stock Exchange (stock code: 493) since July 2004 (together with its subsidiaries, hereinafter referred to as “GOME” or the “Group”). GOME was founded in China in 1987 and engages in the retail business of electrical appliances and consumer electronics in China. It is a leading electrical appliances and consumer electronics retail chain enterprise in China.

As a leading home appliances retail enterprise, GOME undertakes to promote consumption and raise livelihood standard. Retailers shall speed up the upgrade of retail infrastructures to keep pace with the trend of new consumption, exploit domestic consumption potential and promote a long-term stable and high-quality development of China’s economy while maintaining their sustainable growth.

In 2019, in response to the government policies on green consumption, GOME continued to carry out its “Home • Living” strategy, speeded up online and offline integration, promoted new consumption model and drove the growth of manufacturing industry. GOME also encouraged the improvement on quality and upgrade in the home appliance industry and strove to evolve into an integrated home solution, service solution and supply chain provider. Based on the existing culture of “Trust”, GOME continued to deepen and advocate the enterprise’s core values. Integrated efforts have been made to promote a sustainable growth through boosting both supply and demand.

In this report, the Company has complied with the provisions set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

ENVIRONMENTAL



VISION OF ENVIRONMENTAL PROTECTION

An enterprise should take into account environmental protection while focusing on its corporate development. As a leading retail enterprise in China, GOME has striven to a sustainable development and fulfil its social responsibilities in aspects of energy saving and environmental protection. In order to formulate a green ecosystem throughout its business, GOME has implemented strict environmental protection standards in every business aspects, including procurement, operation and marketing.

A1 EMISSIONS

The principal business of GOME is the operation and management of networks of retail stores of electrical appliances and consumer electronic products and online sale of electronic products in the People's Republic of China (the "PRC"). Therefore, GOME does not generate emissions or pollutants directly from production during its operation. It generates emissions indirectly during its operations due to the use of resources such as electricity and gasoline, details of which are set out in the following chapters.

Total amount of indirect carbon emissions of the Group

Indirect carbon emissions in 2018



427,317 tons

Indirect carbon emissions in 2019



393,005 tons

A2, A3 USE OF RESOURCES

GOME capitalizes on its operational system specializing in energy conservation and develops extensive connections with upstream and downstream enterprises to carry out information exchanges in respect of sales and production data. It transmits product demands from the market to factories to make customized products, achieving effective supply of products to promote green production and green consumption. Furthermore, GOME has actively contributed to and participated in environmental protection activities in a bid to promote the sustainable development of green environment.

I. ENERGY CONSERVATION

Electricity Saving

GOME exercises stringent control over the use of electricity in its operations to minimize the cost of electricity and reduce energy consumption. The following measures were taken in 2019:

- Promoted energy-saving electrical products as well as eco-friendly lighting products and technologies;
- Carried out energy-saving renovation at stores with the use of natural light and energy saving lamps;
- No unnecessary daytime lamps and ever-burning lamps were used, and strengthened the monitoring of daily electricity consumption;
- Reduced electricity usage and switched off unused equipment in offices.

ENVIRONMENTAL



In terms of electricity consumption at the stores, the total power consumption by the Group was approximately 545,307,000 kWh during 2019.

Electricity consumption by the Group	2018	2019	Change
Electricity expenses (RMB)	614,986,000	567,120,000	(7.8%)
Electricity consumption (kWh)	591,333,000	545,307,000	(7.8%)
Average electricity consumption per month per store (kWh)	23,222	17,464	(24.8%)

Water Saving

GOME actively responds to the government's energy and water saving initiatives and places emphasis on energy and water saving at its stores, controlling energy consumption while saving water costs. The main measures taken were as follows:

- Energy-saving equipment was used in the stores' decorations or in routine maintenance;
- Fixed quantity control was applied based on the historical amount used by each unit, the size of the stores and the number of restrooms;
- Daily inspections were carried out to avoid water waste due to evaporation, water emission, dripping or leaking.

The total water consumption of the Group was approximately 3,076,000 cubic meters during 2019. Besides, the Group has no major problems in sourcing water.

Water consumption by the Group	2018	2019	Change
Water expenses (RMB)	11,273,000	10,395,000	(7.8%)
Water consumption (cubic meters)	3,335,000	3,076,000	(7.8%)
Average water consumption per month per store (cubic meters)	131	98	(25.2%)

ENVIRONMENTAL



Paper Saving and Green Office

The Group promotes paperless operations to protect the environment. With the introduction of e-manual and e-warranty card of products, standardized use of office supplies and electronic documents during daily operation and management, the use of paper and the wastes so generated have been reduced significantly.

Warehouse and Logistics Management

In 2019, the Group made use of technology and big data to improve its supply chain. The efficiency of staff deployment, inventory allocation and distribution had been significantly improved to meet various demands of customers. The Group has seven major interlinked warehouses strategically located across the country to minimise the distribution distance. The distribution efficiency is also significantly improved by using Automated Guided Vehicle (AGV) smart robots to locate and transport products automatically. Our distribution networks were further optimized through reorganization. As at the end of 2019, the total area of our warehouses reached 3 million square meters and the number of warehouses was 2,186. Our distribution network covered 92% of the cities and more than 40,000 counties in China. In addition, the Group has improved the delivery efficiency through the coordination between its centralized warehouses and in-store warehouses to achieve 2-hour delivery within 3 to 5 km in diameter.

The Group has carried out optimal arrangements and planning on transportation routes for goods delivery by making use of the information system to shorten the overall distance of transportation. Vehicles were used effectively by increasing their loading rate and other means to reduce travel distance, so as to achieve the goal of energy conservation and emission reduction. The Group has also enhanced the efficiency of vehicles by replacing obsolete and high energy consumption vehicles with vehicles of low emissions.

Gasoline usage of the Group	2018	2019
Fuel expense (RMB)	148,153,000	128,478,000
Gasoline usage (L)	20,955,000	18,922,000

Packaging Materials

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

ENVIRONMENTAL



II. SALES OF GREEN PRODUCTS AND RECYCLING

Green Sales

GOME actively responds to the government policy and cooperates with other quality international home appliance brands to satisfy consumers' demands and improve consumption experience by offering products with energy saving, environmental protection, green and healthy features. Leveraging on its advantages in terms of technologies, supply chain and services, GOME continues to fulfill the rising demands of consumers and pursuit of quality living and wonderful life of households in China.

Product Recycling

"GOME House Manager" of the Group has entered into cooperation with dismantling and recycling enterprises designated by the government to ensure all salvaged home appliances are recycled by qualified enterprises. The Group also provides its customers with free recycling service so that the used electrical appliances delivered by consumers can be dismantled and processed directly. Being the service platform of GOME, "GOME House Manager" has exerted great efforts in the promotion and implementation of relevant recycling management regulations to further improve the public knowledge and awareness of environmental protection.

In 2019, GOME's recycling service of home appliances covered all capital cities, over 70% second-tier to fourth-tier cities, and over 80% district and county regions in China. GOME also handled approximately 300,000 recycling orders for various wasted electrical appliances and electronic products.

III. SUPPORTING ENVIRONMENTAL PROTECTION ACTIVITIES

GOME is committed to energy conservation, environmental protection and reduction of emission. It cooperates with other major brands to promote the social awareness of energy saving and low carbon emission and speed up the development of green industrial chains.

In 2019, GOME joined the World Environment Day with the Worldwide Fund for Nature ("WWF") to promote environmental protection, green consumption, green disposal of obsolete electronic products and other services. In addition, GOME also cooperated with Beijing Energy Conservation and Environmental Protection Centre to spread the green consumption concept. Demonstrations of various energy efficient materials and specialized customer service counters were set up at stores, and promotion campaigns for energy efficient products were organized. Aiming to encourage the purchase of environmental-friendly products, GOME has established cooperation with major quality brands such as Haier, Gree and Midea to jointly promote Grade I and Grade II energy efficient products, setting industrial standards of energy conservation for whole process from production to retail.

During the National Energy Saving Publicity Week, GOME launched the "Energy-saving Monopoly" game (節能大富翁) with the National Energy Conservation Center and other relevant units in order to assist consumers in learning energy-saving know-how through the game.

In addition, GOME co-organized an environmental charity project, "Precious Earth" (地球寶貝), with SEE Conservation, with a vision to promote sustainable development of humankind and nature, and to strive for the integration of ecological efficiency, economic efficiency and social efficiency. GOME has actively shouldered more environmental and social responsibilities through holding environmental protection initiatives at stores and in communities in an attempt to solve the environmental issues such as waste treatments, land pollution and desertification in the northwestern region.

ENVIRONMENTAL



IV. RESPONDING TO GOVERNMENT POLICIES

Exchange Old for New

In 2019, the State further launched various consumption-friendly policy incentives to encourage the “Exchange Old for New” program. Since then, various local governments have also introduced corresponding policies to stimulate consumption, including the purchase subsidy for exchanging old home appliance and energy-saving products, in order to boost the home appliance market.

In 2019, GOME joined hands with various major brands to promote consumption upgrades by organizing a number of “Exchange Old for New” campaigns nationwide, covering a wide range of home appliances and 3C digital products. Customers may make appointments via GOME’s offline stores, GOME APP, ME Shop or WeChat official account of GOME House Manager to apply for the purchase subsidy and exchange old home appliances in one stop.

Energy-saving Subsidy

In 2019, the Chinese government issued the Implementation Plan for Further Optimizing Supply to Promote the Stable Consumption Growth and Facilitating the Formation of a Strong Domestic Market (2019) (《进一步优化供给推动消费平稳增长促进形成强大国内市场的实施方案(2019年)》), which provided supports to green and smart home appliance sales and promoted upgrades of home appliance products.

Benefitting from the new round of “Energy-saving Subsidy” policy, and leveraging on its extensive network in supply chain over the years and practical experience in the implementation of home appliance energy-saving subsidies in southern China and Beijing, GOME will strive to increase the penetration of green and smart home appliances nationwide, and in particular, to allow consumers in third- to sixth-tier cities to enjoy the benefit of both “Energy-saving Subsidy” and “Exchange Old for New” programs.



Home appliance “Exchange Old for New” and “Energy-saving Subsidy” activities

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



VISION OF WORKING ENVIRONMENT

Employees are the core of business development, and GOME has always regarded employees as its valuable assets. It has been active in recruiting outstanding and competent talents and has provided various training programs for its employees. The Group has always aimed to build a good working environment and provide fair promotion opportunities to each employee. In addition, GOME pays great attention to lifestyle for its employees by creating a harmonious working atmosphere and taking care of their physical and mental health, so as to achieve the goal of maximizing both corporate value and employee value.

A harmonious and friendly working environment enables employees to develop a strong sense of belonging; a diverse, scientific employee development channel boosts employees' enthusiasm at work; while a transparent communication mechanism ensures smooth communication between employees and the company, deepens the mutual trust between them and therefore, enables the company to receive valuable feedback from employees. As a result, it has always been GOME's focuses to carry out comprehensive trainings for its employees,

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

B1 EMPLOYMENT

I. EQUAL OPPORTUNITY

In terms of talent recruitment and employment, the Group adheres to the principles of fairness, impartiality and openness and strictly prohibits all types of discrimination, including discrimination on the basis of race, gender, birthplace, age, pregnancy and disability. The Group provides standardized trainings and promotes its staff according to their abilities, quality and performance. The Group organizes trainings for its employees who have not met the standard of performance required. Those who fail to improve after the catch-up trainings are transferred to different positions or dismissed. They are entitled to reasonable compensation (if any) in accordance with relevant national regulations. The Group maintains strict compliance with relevant laws and its policies for staff compensation, benefits, working hours and rest periods, treating all employees equally without any discrimination.

Basic information about the Group's staff	2018	2019
Number of employees	42,269	34,001
Male-female ratio	1:1.08	1:1.08
Proportion of minority employees	4.1%	4.5%
Proportion of disabled employees	0.3%	0.9%

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



Categorization by Type of Employment

Type of employment	2018		2019	
	Total number of employees	Proportion	Total number of employees	Proportion
Long-term employees	41,753	98.8%	33,556	98.7%
Interns	314	0.7%	412	1.2%
Temporary employees	202	0.5%	33	0.1%
Total	42,269	100.0%	34,001	100.0%

Categorization by Gender

Gender	2018			2019		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Male	20,357	48.2%	2.2%	16,319	48.0%	3.2%
Female	21,912	51.8%	2.2%	17,682	52.0%	3.0%
Total	42,269	100.0%	2.2%	34,001	100.0%	3.1%

Categorization by Age

Age	2018			2019		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Below 25	4,027	9.5%	3.7%	2,791	8.2%	4.6%
25-35	18,361	43.4%	2.9%	14,291	42.0%	3.4%
35-45	14,320	33.9%	1.3%	12,528	36.9%	2.3%
Above 45	5,561	13.2%	1.1%	4,391	12.9%	2.7%
Total	42,269	100.0%	2.2%	34,001	100.0%	3.1%

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



Categorization by Geographical Regions

Geographical regions (Note 2)	2018			2019		
	Total number of employees	Proportion	Average monthly turnover rate	Total number of employees	Proportion	Average monthly turnover rate (Note 1)
Headquarters of the Group	8,749	20.7%	1.9%	6,921	20.4%	2.8%
The Northeast China Region	2,565	6.1%	2.2%	2,130	6.3%	2.7%
The Northern China Region	8,952	21.2%	2.3%	7,847	23.1%	3.2%
The Eastern China Region	8,871	21.0%	2.1%	6,100	17.9%	3.4%
The Southern China Region	6,087	14.4%	2.1%	5,394	15.8%	3.1%
The Western China Region	7,045	16.6%	1.8%	5,609	16.5%	3.1%
Total	42,269	100.0%	2.2%	34,001	100.0%	3.1%

Note 1: Average monthly turnover rate = number of resigned staff/(number of resigned staff + total number of employees)/12

Note 2: The headquarters of the Group is based in Beijing

The Northeast Region includes Jilin, Shenyang, the Inner Mongolia, Dalian and other regions

The Northern China Region includes Beijing, Hebei, Henan, Shandong and other regions

The Eastern China Region includes Shanghai, Zhejiang, Jiangxi, Wuhan and other regions

The Southern China Region includes Shenzhen, Guangzhou, Fuzhou, Nanning and other regions

The Western China Region includes Shaanxi, Gansu, Qinghai, Xinjiang and other regions

II. STAFF WELFARE

Share Award Scheme

In order to align the personal interests of the senior management with the long-term development goal of the Group and encourage senior executives to achieve corporate targets and maximize their contribution, the Group has implemented a “Restricted Share Award Scheme” for senior executives above director grade at the headquarters and general manager grade at the branches, which accounted for approximately 30% of the total number of senior management members.

Statutory Benefits

The Group makes contributions to different social insurances, including pension, unemployment, occupational injury insurance, medical and maternity insurance, as well as housing provident fund in accordance with national requirements and local regulations relating to social security. The Group also offers statutory holidays, annual leave, marriage leave, compassionate leave, maternity leave, occupational injury leave and parental leave in accordance with national laws and regulations.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



Other Benefits

The Group grants body check subsidies, heat-stroke prevention fees, overtime meal allowances and travelling allowances to employees to promote their physical well-being. To enrich employees' work and personal life, the Group also provides festive and birthday subsidy and organizes various cultural and recreational activities. In addition, the Group also delivers groceries to in-store staff and provides designated vehicles and travel allowance to certain senior management members as benefits. Housing and living allowances are also offered to staff who are relocated.

III. STAFF COMMUNICATIONS

In order to show our care and motivate our employees to create more values, the Group has established direct communication platforms to facilitate dialogue with staff, enabling the Group to have better understanding of their opinions and needs.

General Manager Reception Day

The Group has been running the "General Manager Reception Day" since 2007, and it's now both a regular activity and an important communication channel of the Group. The event allows the management to get closer to its employees to learn about their work and life, so that they can keep abreast of issues in corporate management and explain the Group's strategic planning and development directions to the staff.

Employee Career Development Survey

The Group carries out the "Employee Career Development Survey" for key positions on an annual basis. It compiles and analyzes relevant data to prepare an analysis report, which is then further submitted to relevant functional departments and division management. Moreover, the Group also formulates and implements detailed and feasible career development plans based on employees' preferences.

Green Channels

The Group has internal communication channels in place to facilitate more efficient information transmission and sharing between the Group and employees and among all employees, allowing employees to have better understanding of the Group and to make suggestions and give opinions.

IV. STAFF CARE

The Group cares about its employees and has striven to reduce their work stress by improving their working environment and life quality, which has further enhanced their motivation, sense of belonging and loyalty.

GOME Love Mutual Fund

Initiated by the Group and with staff participating voluntarily, GOME Love Mutual Fund supports colleagues in need. In 2019, a total of RMB953,000 was raised by the fund, which benefited a total of 178 employees in need (2018: RMB1,057,000 for 203 employees).

Staff Activities

In order to implement a culture of "Trust" and boost employees' morale, the Group actively organizes diverse functions centering on cultural and sports activities, staff care and team building. These events enrich the working life and leisure time of staff while improving their working experience. During major holidays, the Group organizes festive staff activities and offers gifts. It also offers birthday presents to employees, thereby creating a family-like atmosphere in the workplace and helping them to cope with their homesickness.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



Staff activities

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



B2 HEALTH AND SAFETY

I. OCCUPATIONAL SAFETY AND HEALTH

The Group attaches great importance to building a safe, effective and congenial working environment for its employee and it values their health and well-being. In order to create a safe working environment and comply with relevant requirements of China, the Group conducts frequent workplace inspection and maintains suitable insurances for its employees. Regular trainings in occupation safety and health have been organized to promote work safety. The Group devotes substantial manpower, resources, time and costs to the abovementioned initiatives every year.

II. WORK-LIFE BALANCE

Work-Life balance may create a win-win situation for the Group and its employees, which will in turn enable the employees to be motivated at work. To this end, the Group organizes and encourages its staff to join the art troupe, various clubs, workout classes and other regular activities as a way to enrich their lives.

GOME Art Troupe

The GOME Art Troupe is a highlight in our corporate culture development, with the aim to present and promote GOME's corporate culture through performances. The art troupe delivers astonishing performances at various events of the Group, with employees participating in the shows. The troupe will boost their enthusiasm and foster a stronger sense of belonging.

Senior Executives Club

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

Staff Health Care

Established in 2009, the Health Club of the Group organizes a wide range of activities for its employees in a bid to enhance their physical well-being. Body check-ups are also provided for employees on a regular basis. In addition, the Group also organizes seminars on health to raise the awareness of employees.

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



B3 DEVELOPMENT AND TRAINING

I. INTRODUCING TALENTS

Campus Recruitment

The Group initiated the “Reservoir” (蓄水池) project in 2002 and gives campus talks at colleges and universities across China every year to attract high caliber graduates to participate in the project. The project is one of the most important talent training programs of the Group and serves as a foundation for talent selection, training and deployment.

Summary of the Group's “Reservoir” project	2018	2019
Number of employees recruited	346	569

Introducing Middle and Senior Level Talents

In order to support its strategic implementation, the Group makes various efforts to bring in middle and senior level talents with professional backgrounds through public recruitment.

Summary of the Group's recruitment of middle and senior level talents	2018	2019
Number of employees recruited	383	49

Introducing New Talents

In recent years, the Group stepped up the recruitment of internet IT and logistics talents in line with its strategic planning to keep abreast of times.

Summary of the Group's introduction of new talents	2018	2019
Internet technical staff	361	204
Logistics system staff	3,826	200

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES

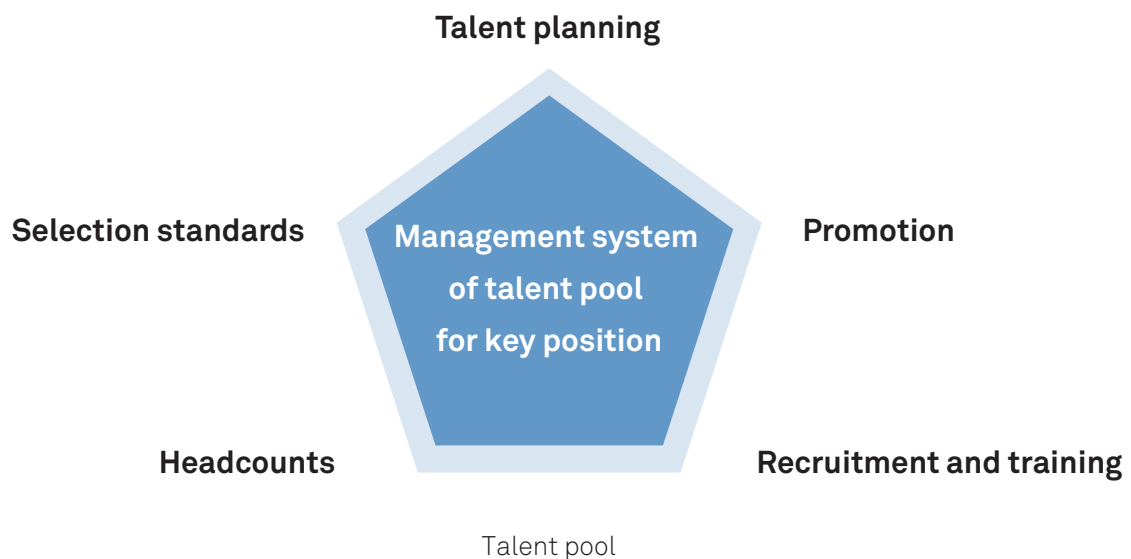


II. STAFF DEVELOPMENT

In 2019, the human resource center of the Group adopted a training strategy which aims at “creating a team of competitive employees based on its training and learning mechanism”. It consolidated the talent pool for key positions and put great efforts in improving learning and working skills of frontline staff in order to fully support the transformation and development of “Home • Living” strategy.

Consolidating the Talent Pool for Key Positions

Aiming at improving operating performances and providing training to future management teams at all levels, the Group has been recruiting more talents for key positions and optimizing its training mechanism. The Group has also updated the competency standards required for management at different levels. Coupled with optimized procedures for talent selection, training, retention, appointment and replacement, the Group has created a talent pool for key positions.



SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



Improving the Learning Capability of Frontline Staff

The Group organized a wide range of training programs for store managers and sales teams, such as “Star Shopping Guide of the Store” (終端門店星級導購), “The Challenge” (誰與爭鋒), “Skill Competition for Store Managers” (店長技能大賽) and “TOP Sales Service Case Sharing” (TOP銷售服務案例分享), in order to enhance the capabilities of frontline staff in terms of customer management, resource integration and community marketing as well as improve operation and sales performance.



Learning and development map of GOME

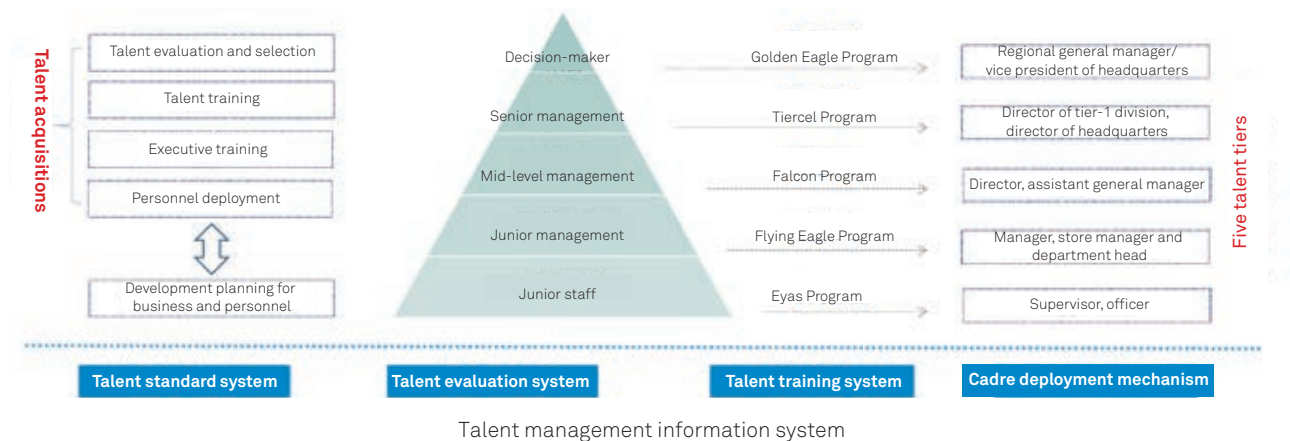
SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



Improving Working Skills through Daily Training

Online Training: “ME E-Learning” (美E學) is an online platform allowing knowledge sharing among all employees of the Group. The online platform meets the needs of employees of fragmented time in learning through sharing general skills, basic leadership skills and other relevant knowledge and has created an atmosphere of knowledge and experience sharing.

Offline Training: “Guide for Newcomers” (新人攻略) and the “Reservoir” projects provide new employees with guidance on basic working skills and professional thinking mode and enable them to adapt to new working environment. The “Meetup with the Masters” Lecture (‘大咖來了’大講堂), broadens the horizons of employees by inviting well-known trainers to share their experience. The “Eagle Project” (鷹計劃) is a program providing training to talents for key position at all levels.



“12-hour Leadership Program” (領導力十二小時), an emotional intelligence leadership training program

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



“Meetup with the Masters” Lecture (“大咖来了”大講堂)



“Guide for Newcomers” (新人攻略) for 2019, a training program for new employees

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



B4 LABOUR STANDARDS

I . PREVENTING CHILD AND FORCED LABOUR

The Group strictly complies with the State Council Decree No. 364 on the Prohibition of the Use of Child Labour, which prohibits the recruitment of minors under the age of 16. Furthermore, it provides HR staff with training on relevant laws and regulations from time to time to fundamentally eliminate the legal risks of hiring child workers. Meanwhile, the Group strictly implements the Paid Annual Leave Regulations and promotes efficient working practices. It encourages employees to complete their tasks within working hours and does not recommend working overtime. Managers at all levels are responsible for making reasonable arrangements for staff's working hours. Overtime work based on actual operational needs is subject to a stringent approval process and the overtime working hours of any employee shall not exceed 36 hours per month. Employees who work overtime on working days and public holidays are given priorities for days off. The Group is dedicated to putting an end to the "overtime work culture".

Summary of working days and holidays of the Group	Seniority	2018	2019
The ratio of working days/holidays	Over 10 years	1.916	1.936
	10 years or below	2.090	2.037

SOCIAL, EMPLOYMENT AND LABOUR PRACTICES



VISION OF SUPPLY CHAIN

Since the adoption of the “Home • Living” strategy, GOME has rapidly evolved from a retailer of home appliances to an integrated home solution, service solution and supply chain provider based on the concept of “Home • Living”, providing customers with all kinds of home appliances, decoration, home furnishings and household services. In addition, capitalizing on its competitive edges in supply chain and IoT technology, GOME has fully set foot in sectors such as smart home appliances and smart home systems in an effort to provide customers with “Comprehensive Solutions for Smart Home”.

In its daily operation, GOME follows strict standards in screening suppliers, their products and services to ensure they are of the highest quality. The Group also encourages its suppliers to provide green products as part of its energy conservation and emission reduction initiatives.

B5 SUPPLY CHAIN MANAGEMENT

I. SCREENING OF SUPPLIERS

The Group follows the principles of openness, fairness and transparency in selecting suppliers and service providers and has established a supplier assessment system to assess suppliers’ performance in terms of price, quality, cost, logistics and after-sales services, etc. The Group will maintain long-term cooperations with qualified suppliers. In addition, the Group also implements a long-term monitoring system to ensure they can always supply the best quality goods and services to the Group.

Summary of suppliers of the Group	2018		2019	
Geographical location	Total number of suppliers	Proportion	Total number of suppliers	Proportion
The Northeast China Region	1,255	13.0%	1,218	11.8%
The Northern China Region	2,695	28.0%	2,473	23.9%
The Eastern China Region	2,111	21.9%	2,115	20.4%
The Southern China Region	1,686	17.5%	1,773	17.1%
The Western China Region	1,563	16.2%	2,180	21.1%
Others	331	3.4%	593	5.7%
Total	9,641	100.0%	10,352	100.0%

II. INFORMATION SHARING

After more than 30 years of development, GOME has developed many SKUs and has established strong strategic relationship with many business partners. GOME works hand in hand with our suppliers to provide innovative quality services by using cutting edge technologies. We share our information, resources and interests with our partners with a view to achieving a win-win situation in pursuit of our common goals in both market share and reputation.

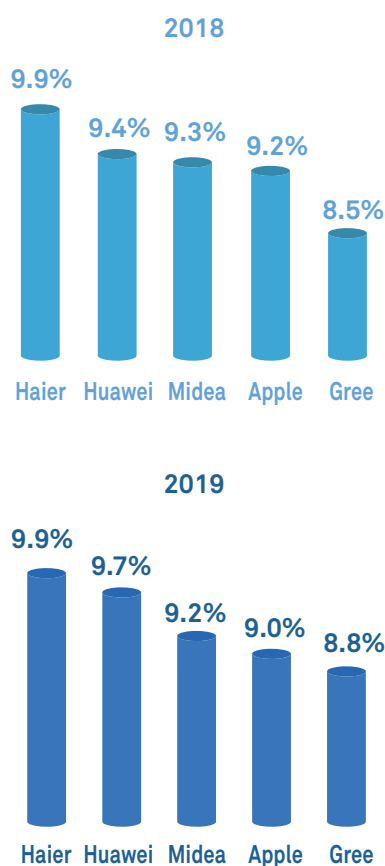
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III. ESTABLISHMENT OF SUPPLY CHAIN DATA PLATFORM

GOME has developed strong management in supply chain for more than 30 years. We have established an information platform of supply chain to visualize the processes such as sales, procurement, storage, pricing, allocation and distribution. The data are automatically updated daily to monitor the operation in various dimensions of different segments. The data collected are analyzed by using AI technology to facilitate dynamic decision making of operation management.

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



B6 PRODUCT RESPONSIBILITY

I. QUALITY CONTROL OF PRODUCTS

The Product Quality Law of the People's Republic of China stipulates the seller's responsibility and obligation regarding product quality. A seller must practice a check-for-acceptance system while replenishing stock, examine the quality certificates and check the labeling. A seller must adopt measures to keep the products for sale in good condition. Sellers are not allowed to sell any product that has been officially prohibited by the State and are not allowed to sell invalid or deteriorated products. Any labels on the seller's products must conform to the provisions of Article 27 of the above-mentioned Law.

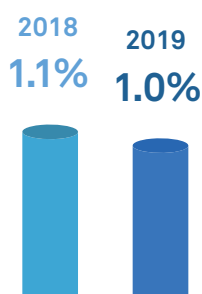
In order to comply with regulatory requirements and to guarantee the quality of our merchandise, GOME requires its suppliers to provide third-party quality inspection reports for every batch of supplies, which observe, measure and test the quality of the products and compare the results with the standard quality requirements to determine whether the requirements have been fulfilled.

Before accepting stock, GOME adheres to a strict sampling test and acceptance regulation, where the name, type, quantity and other information of the products are examined. If there's any damage or obvious stain, deformation, moisture, mildew or wet stain on the packaging, the product will be treated as an unqualified product. The same strict quality control measures also apply to the accessories and attachments of the in-stock products. If the defective rate of the initial sampling test is higher than a designated percentage, we double the number of items for testing in accordance to the sampling rule. If the defective rate is still higher than the designated percentage, the whole batch will be disqualified and will be returned to the supplier.

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The Defective Rate



II. ADVERTISING AND PUBLICITY

The following practices are regarded as false advertising: the misrepresentation of commodity performance, function, origin, usage, quality, ingredients/components, price, manufacturer, valid period, sales and awards; and in the case of service items, its scope, providers, format, quality, price, sales and awards, and promise related to the commodity or service and has a material influence on the purchase decision. When an advertisement cheats or misleads consumers by using false or misleading content, the advertiser shall be investigated for legal responsibility in accordance with Advertising Law of the People's Republic of China.

The Group strictly complies with the law mentioned above to avoid false advertisements which contain deceiving or misleading information. The Group guarantees the rights and the benefits of its customers who have purchased its goods or have enjoyed its services according to the law. It also formulates strict advertising regulations.

III. PRODUCT IDENTIFICATION

According to Article 27 of the Product Quality Law of the People's Republic of China, all labeling on products or packages must be authentic and must meet the following requirements: 1) come with certification to show the product has passed quality inspection; 2) name of the product, name and address of the factory that produced the product, all being marked in Chinese; 3) corresponding Chinese indications regarding the specifications, grade of the product, the main ingredients and their quantities contained in the product, are to be indicated according to the special nature and instructions for use of the product; 4) relevant information to be indicated on the outer packaging or provided in advance if such information needs to be acknowledged by the consumers; 5) production date, safe-use period or expiry date to be indicated in a prominent position if the product is to be used within a time limit; 6) warning marks or warning statements to be indicated in Chinese for products which, if improperly used, may cause damage to the products or may endanger the safety of human life or property.

In addition, for home appliances produced and sold in China, the labeling of their product identifications shall comply with the Provisions on Product Identification. The Group strictly complies with the relevant product identification provisions, establishes and implements the inspection and acceptance system for incoming goods, and verifies product qualifications.

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IV. PRIVACY PROTECTION

The Law of the People's Republic of China on the Protection of Consumer Rights and Interests stipulates the legal protection for consumers' personal information. It stipulates the obligations of business operators in collecting personal information of consumers, and business operators are not allowed to disclose and buy or sell personal information of consumers at will. If the personal information of consumers is leaked, remedial measures should be taken in a timely manner. At the same time, commercial messages should not be sent to consumers without consent. With the development of e-commerce, the security of consumers' personal information becomes more and more important. The Group strictly complies with relevant laws and regulations in the maintenance of consumer information security.

V. AFTER-SALES SERVICES

Based on the Group's online and offline integration, it has formulated the "Manual of Service Quality Standards", along with supporting training plans to ensure its implementation, so that customers can truly enjoy their shopping experience.

"GOME House Manager" is committed to service commercialization under which a horizontal approach has been adopted to provide full life cycle services of "purchase, delivery and installation, repair and maintenance, cleaning, replacement and repurchase" of home appliances. In addition, based on its vertical approach, the Group optimizes the management of each service item according to its stringent service standards in an effort to enhance customer experience, confidence and satisfaction.

VI. COMPLAINTS HANDLING

In its continuous pursuit of the "Home • Living" strategy, GOME further strengthens its service quality and addresses the enquiries and problems raised by its customers. Adhering to its customer-oriented principle, GOME has prepared the "Management Manual for Customer Service Centre". In order to promptly and efficiently resolve customers' complaints, stringent management regulations have been formulated with regard to the complaint management and settlement efficiency.



"2019 Best Reputation Customer Contact Centre"

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VISION OF INTEGRITY AND CULTURE

GOME believes that integrity is a core part of its culture of “Trust” and that an honest cultural atmosphere is vital for the company’s sustainable and healthy development. Integrity and red line management constitute the moral foundation for all GOME employees around which their daily work is organized. This is not only a requirement for professional ethics, but also a responsibility and an obligation for GOME employees.

B7 FIGHT AGAINST CORRUPTION

I. EDUCATION ON INTEGRITY

In order to strengthen the anti-corruption system, maintain an integrity atmosphere and raise the integrity awareness of employees, GOME implements education and training sessions on integrity throughout the process of its staff’s employment, promotion, demotion and transfers. GOME also formulates the regulation in accordance with the relevant laws of China, and signs the “GOME Ethical Commitments” with every member of management staff, which stipulates strict regulations on unethical behavior such as bribery, extortion, fraud, money laundering, etc. The Group also keeps a record of the commitments in each employees’ profile as an attachment of the labour contract.

II. INTEGRITY POLICY

The GOME Staff Integrity Policy has been promoted regularly at morning meetings, regular business meetings, regular management meetings, and annual meetings of stores, branches, regions, and headquarters. At the same time, supplements and updates have been made regularly in accordance with the adjustments to the Group’s corporate strategies and management philosophy.

III. DEPARTMENT AGAINST CORRUPTION

In order to comprehensively supervise and deal with all violations in daily operations, the Surveillance Center at the headquarters was established in 2002, consisting the disciplinary inspection office, audit office and supervision office as well as executive bodies.

IV. MEASURES AGAINST CORRUPTION

In order to strengthen the moral system, the Group set up green channels for whistle-blowing by means of hotlines, emails and short messages, etc. The Group also formulated an all-rounded management system against corruption, including reporting reward system, integrity interview system, integrity debriefing, integrity responsibility system and staff red line management approach, etc., to ensure a healthy and favorable corporate environment.

In the event of non-compliances and disciplinary offenses by staff of the Group, the Group will carry out investigations and judge the non-compliances and disciplinary offenses in a pragmatic manner. Subject to the availability of adequate evidence and appropriate procedures, the Group will discuss with the staff involved and take disciplinary action against him/her pursuant to relevant regulations of the Group according to the severity of such non-compliances and disciplinary offenses. Staff will also be given the right to make an appeal. The Group believes that punishment is an educational method and it helps staff of the Group to avoid improper behavior.

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VISION OF COMMUNITY ENGAGEMENT

Over the years, GOME has always been committed to public welfare by performing social responsibilities as a corporate citizen. In the future, GOME will continue to actively participate in public welfare and poverty alleviation activities. Leveraging the reputation of its own brands, GOME will establish an open public welfare ecosystem to connect all public welfare organizations and promote public welfare establishments, allowing hundreds of millions of families to experience the core value of “Better home and lifestyle through GOME”.

B8 COMMUNITY INVESTMENT

I. PROMOTING EMPLOYMENT

Providing knowledge is the best way for charity work. In order to improve the incubation of and trainings for E-Commerce brands and talents, GOME has established a copyable pilot project called “Poverty Alleviation through Venture”. GOME has cooperated with targeted poverty alleviation provinces to provide E-Commerce trainings to local residents. On the other hand, in order to provide E-Commerce talents to poverty areas, GOME has cooperated with local vocational colleges to incorporate E-Commerce practical trainings into their courses. GOME has established an elite lecturer team led by its senior management, which shares E-Commerce experiences with trainees. Five sessions of E-Commerce technology poverty alleviation training courses were jointly organized by GOME, the Department of Commerce of Chicheng county, Hebei province (Chicheng county is a national poverty county (國家級貧困縣) and a role model of E-Commerce in rural areas (全國電子商務進農村示範縣)), the Chicheng Vocational College (赤城縣職業技術學校) and the Henan Zhengzhou Vocational College (河南鄭州職業技術學院).

Leveraging on over 1,000 county-level stores throughout the country, GOME has provided job opportunities to residents in poverty areas. More than 100 poverty residents had become employees of GOME county-level franchised stores. Marketing skills and other professional knowledge have been provided to them, eventually maximizing incomes of poverty residents and achieving poverty alleviation through employment.

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II. DRIVING ECONOMIC DEVELOPMENT

With more than 2,600 stores in over 700 cities across the country, GOME continues to boost the economic development of various regions in recent years. GOME continues to establish large-scale integrated flagship stores in the first- and second-tier cities, providing integrated smart solutions of “Home • Living” for consumers. With the high demand in rural areas, GOME continues its county-level store network expansion in the third- to sixth-tier cities, bringing more green and smart electrical appliances into the regions.

Through the “partnership” franchising model, GOME has expanded its market at county level by providing working capital, supply chain, management, information system and marketing supports to its franchisees. The market coverage of GOME has rapidly expanded with outstanding results. As of the end of 2019, GOME has opened 1,026 county-level stores (2018: 513 stores), and GMV of county-level stores recorded a 61% year-on-year growth. The proportion of sales revenue from the county-level stores to total revenue of the Group increased by 3.01 percentage points from 4.06% in 2018 to 7.07% in 2019.

Furthermore, in response to the country’s “West Development Policy”, GOME has been actively opening new stores and extending the logistics and distribution system to remote areas, including Guizhou, Yunnan, Gansu, Shaanxi and Xinjiang for a number of years. As of the end of December 2019, GOME has opened a total of 345 stores in the above-mentioned areas (2018: 272 stores).

Number of stores established by the Group in western China	2018	2019
Guizhou	20	26
Yunnan	38	38
Gansu	38	56
Shaanxi	133	176
Xinjiang	43	49
Total	272	345

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III. YOUTH EDUCATION

Future Space

Since its establishment in 2013, the “Future Space” charity project of GOME has been continuing evolving and optimizing. In line with the “Future Space” charity project, GOME has established “1+N Charity and Assistance System” and organized a wide range of charity activities, such as “GOME Future Fund” (國美未來基金), “Interactive Experience Program” (互助體驗會), “Walking for Love” (為愛益起行) and “Buy and Donate” (有買有善) through its charity platform. Such charity activities achieve synergies that allow the sustainable development of the “Future Space” of GOME.

Practice Base for Youth Security Education

In September 2019, GOME launched the “Youth Security and Rescue Base” (青少年安全救助基地) with China Volunteers Association Culture & Art Committee and Youth Security Center. Through co-operations between the Group and social organizations, the security and rescue system for youth was promoted into the community, creating a warm social atmosphere of “Caring for the Youth by Safeguarding their Growth”. In the future, GOME will continue to cooperate with interested parties in the society to promote safety education for teenagers and take care of their healthy growth.

Other campaigns relating to youth education

Date	Event
April 2019	Xi'an GOME organized the eighth round of Angel Artist with a theme of “A Tale of Spring” (送你一個春天的故事).
May 2019	Dazhong Appliances organized “Youth Security Charity Lecture” (青少年安全防衛公益大講堂).
July 2019	Henan Yongle organized 20th Anniversary Heartwarming Action (20周年暖心行動) to show love to Zhengzhou Institute for Children's Welfare by donating air-conditioners, washing machines, quilts, milk and other materials.



Visiting the elderly



Angel Artist activity

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IV. ELDERLY CARE

Elderly care activities

Date	Event
May 2019	Xi'an GOME visited the elderly at Xi'an Chaoyang Home for the Elderly (西安市朝阳敬老院) and donated roller washing machines. Xi'an GOME not only provided necessities, but also showed loving care for the elderly.
September 2019	GOME participated in the "99 Charity Day" (99公益日), during which GOME invited the public to donate warmhearted gifts financially or physically to help children pursuing their colorful dreams.

Awards

Date	Event	Awards received by GOME
December 2019	GOME was awarded the certificate of honor by China Foundation for Poverty Alleviation in recognition of its achievements in the "Buy and Donate" education aid program.	Outstanding Contribution of 2019 (2019年作出突出贡献)
January 2020	The 9th Charity Festival "Because of Love" Ceremony in 2019 (第九届中国公益节暨「因为爱」2019致敬盛典) held by the Mass Media Association (大眾媒體聯袂).	Responsible Brand Award of 2019 (2019年度責任品牌獎)



Award of Outstanding Contribution of 2019 (2019年作出突出贡献)