

金猫银猫CSmall

金猫银猫集团有限公司

CSmall Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1815

Environmental, Social and Governance Report

2019





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

CSMall Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) is pleased to present its Environmental, Social and Governance Report for the period from 1 January 2019 to 31 December 2019 (the “**Reporting Period**”). This report illustrates the impact of the principal operating activities of the Group on the environment and society, which include the design and sales of gold, silver and jewellery products in the People’s Republic of China (the “**PRC**”).

This report was prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Reporting Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). During the Reporting Period, the method used by the Group for calculation of staff turnover rate and on-boarding rate by category was changed to the calculation method provided in “How to Prepare an ESG Report – Appendix 3: Reporting guidance on Social KPIs” issued by the Stock Exchange. This report focuses on the policies and performance of the Group in the four main areas, namely environmental protection, employment and labour practices, as well as operating practices and community investment, during the Reporting Period.

GROUP PROFILE

The Group completed its global offering and listing on the Main Board of the Stock Exchange on 13 March 2018. The Group will continue to maintain its online-offline integrated jewellery retail model, which is different from traditional jewellery retail brands, as it takes advantage of the comprehensive benefits of the platform, technology, supply chain and new online-offline integrated retail platform to integrate, optimize and empower traditional jewellery retail franchisees, so as to complement the Group’s and the franchisees’ respective strengths and foster mutual development. As a leading online-offline integrated Internet-based jewellery retailer in the PRC, the Group appreciates diversified design and brand value, and currently has 21 registered and valid design patents.

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



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STAKEHOLDER ENGAGEMENT

The Group values all stakeholders and their views on the Group's business and environmental, social and governance ("ESG") issues. In order to know and understand the expectations of stakeholders, the Group has been maintaining close communications with stakeholders through various engagement methods and communication channels. The Group also takes into consideration the following issues of concern of stakeholders in the formulation of business and ESG strategies:

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

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MATERIALITY ASSESSMENT

The Group has identified the issues that are of practical relevance to its stakeholders in respect of the characteristics of its principal businesses. Based on the principle of materiality, this report illustrates the impact of our business on the environment and society.

The following table sets out the summary of the key ESG issues of the Group:

Environmental	Social
<ul style="list-style-type: none"> • emission control • waste management • resources utilization • energy management • water management 	<ul style="list-style-type: none"> • employment practice • occupational health and safety • career development and training • prevention of child labour and forced labour • supply chain management • product responsibility • customer service • privacy protection • intellectual property rights • anti-corruption • community investment

FEEDBACK

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



A. ENVIRONMENTAL PROTECTION

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

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

A.1 Emissions and Wastes

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

A.1.1 Emissions

Emission by vehicle	2019	2018
Type	Private car	Private car
Number	1 vehicle	1 vehicle
Mileage	67,800 km	61,789 km
Type of fuel	Unleaded petrol	Unleaded petrol
Fuel consumption by vehicles	7,614 litres	6,137 litres
Emission of NO _x	5,064.66 g	4,615.64 g
Emission of SO _x	111.93 g	90.21 g
Emission of particulates	372.90 g	339.84 g

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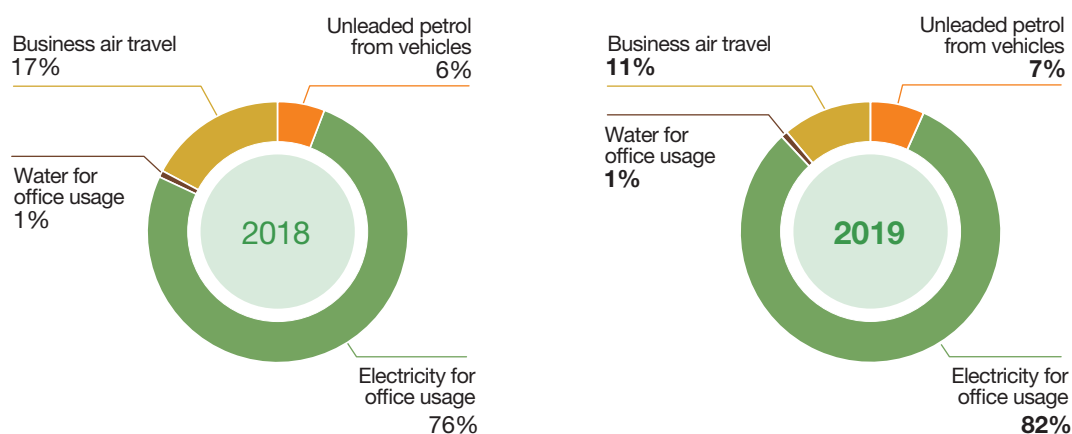
A.1.2 Greenhouse gas emissions

Since the Group does not have any manufacturing facilities, the gas emissions generated by the Group mainly come from the electricity purchased for our office, the business air travel by employees, the private car for visiting our customers and water consumption. The Group's greenhouse gas emissions during the Reporting Period were mainly carbon dioxide (CO₂), with emission data and diagram detailed below.

	2019		2018	
	CO ₂ equivalent emission (tonnes)	Intensity (Note 1)	CO ₂ equivalent emission (tonnes)	Intensity (Note 1)
Scope 1 – Greenhouse gas direct emissions				
Greenhouse gas emissions from mobile combustion sources	20.62	1.65	16.62	0.67
Scope 2 – Energy indirect emissions				
Mainly come from the electricity purchased	232.67	18.63	217.63	8.71
Scope 3 – Other indirect emissions				
Electricity used for processing fresh water and sewage by government department	1.59	0.13	1.56	0.06
Business air travel by employees	30.42	2.44	48.86	11.96
	285.29	22.84	284.67	11.40

Note 1: The intensity is measured in tonnes per RMB100 million of the Group's revenue, which was RMB1,249 million during the Reporting Period (2018: RMB2,498 million).

Proportions of CO₂e emissions





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A.1.3 Total amount and intensity of wastes and non-hazardous wastes generated

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

A.1.4 Treatment of hazardous and non-hazardous wastes

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

A.1.5 Measures for and results of reducing emissions

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

A.2 Resource Utilization

A.2.1 Direct and indirect energy

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

Resource utilization	2019	2018
Electricity consumption		
Usage (kW/h)	356,930	334,432
Intensity (Note 2)	28,578	13,389

Note 2: The intensity is measured in kW/h per RMB100 million of the Group's revenue, which was RMB1,249 million during the Reporting Period (2018: RMB2,498 million).

A.2.2 Total amount and intensity of water consumption

During the Reporting Period, our total water consumption in the office was 3,172 m³ (2018: 3,128 m³), representing an intensity of 254 m³ (2018: 125m³) per RMB100 million of the Group's revenue.

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A.2.3 Plan on energy utilization and proper use of water

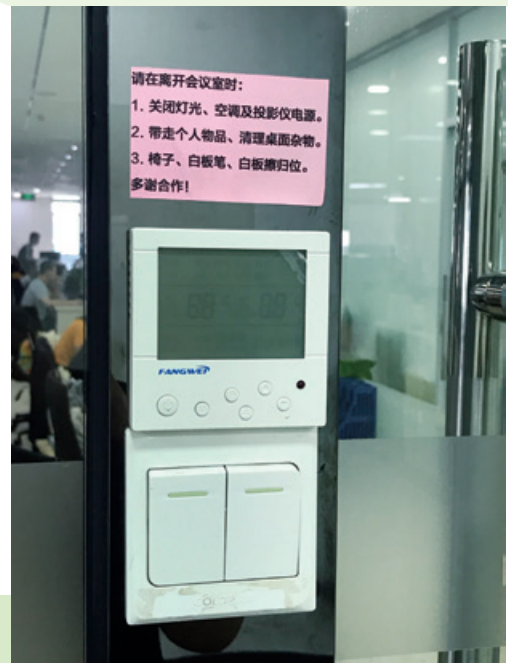
The Group understands that the greenhouse gas emissions and energy footprints in our operations are mainly from power consumption. Therefore, the Group has formulated energy conservation policies and other environmental protection measures in the hope of reducing greenhouse gas emissions.

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

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



Save paper



Save electricity



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

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

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

Type	2019		2018	
	Usage (tonnes)	Intensity (Note 3)	Usage (tonnes)	Intensity (Note 3)
Plastics	4.7	0.38	5.0	0.20
Corrugated paper	8.6	0.69	9.0	0.36
Paper sheets	0.6	0.05	0.5	0.02

Note 3: The intensity is measured in tonnes per RMB100 million of the Group's revenue, which was RMB1,249 million during the Reporting Period (2018: RMB2,498 million).

A.3 Environment and Natural Resources

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

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B. SOCIETY

B.1 Employment

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

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

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

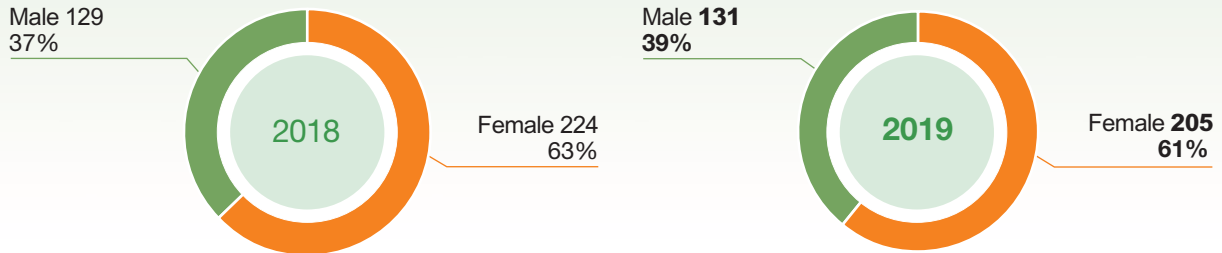
As at the end of the Reporting Period, the Group had a total of 336 employees, representing a net decrease of 17 employees when compared with the number as at the end of 2018. The following figures are compiled based on the total number of employees as at the end of the Reporting Period.



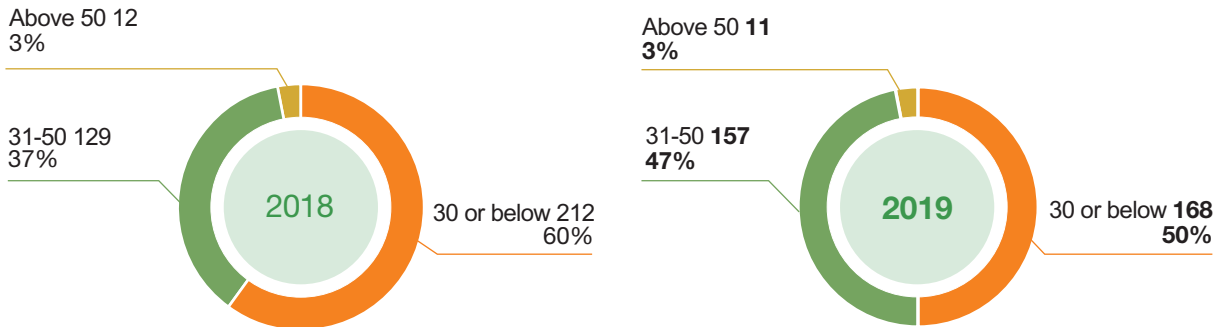
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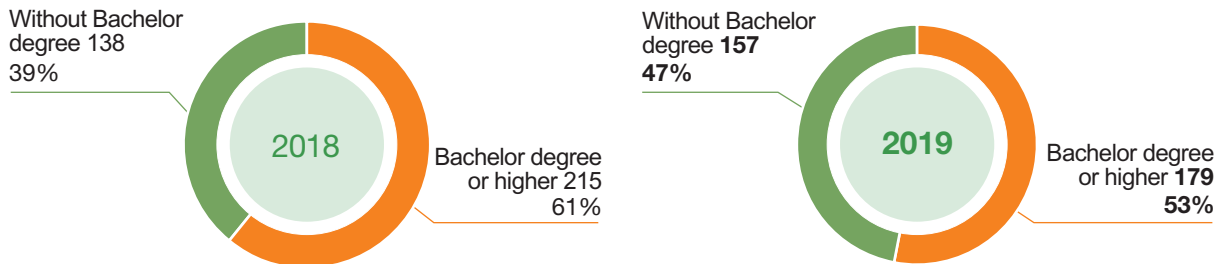
Group's staff number - by gender



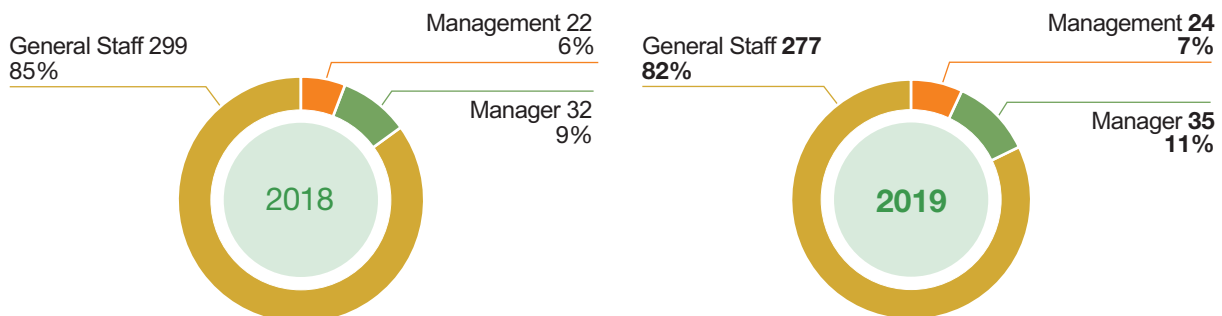
Group's staff number - by age



Group's staff number - by education



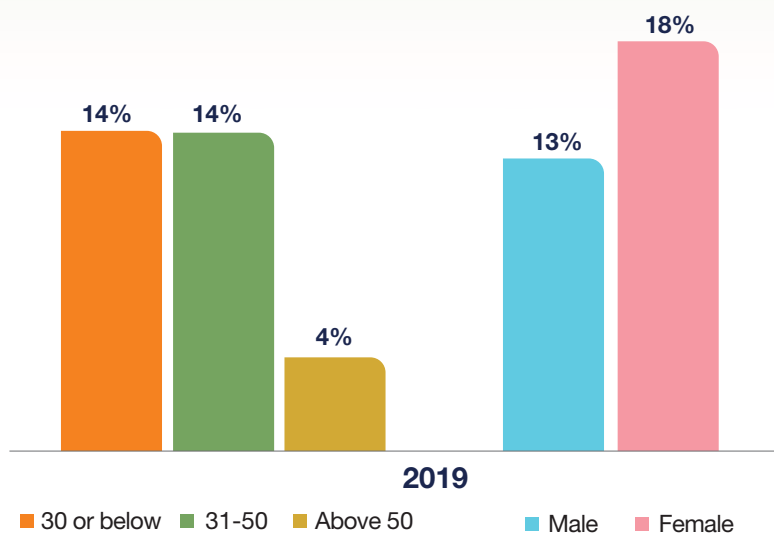
Group's staff number - by seniority



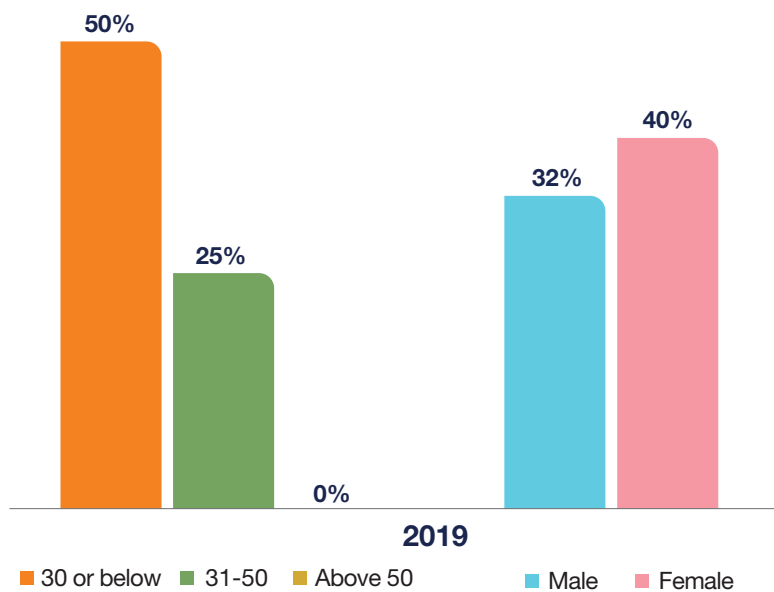
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The analysis of staff on-boarding and turnover rates during the Reporting Period is as follows:

Staff on-boarding rate



Staff turnover rate





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B.2 Health and Safety

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

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

- No smoking, no abuse of alcohol and no drugs in the workplace
- Provision of clean and tidy staff lounge
- Adequate illumination in the workspace and open and clear corridors, especially the escape exits
- Provision of adjustable chairs and computer displays so that our employees can maintain proper sitting postures and protect their eyes



Fire escapes are not blocked



Clean and tidy staff lounge

In addition, we have a fitness room in our office where our employees can use the equipment freely. The Group also regularly organizes various recreational activities for its employees, allowing them to take a break and also significantly enhancing their communication and interaction.



Fitness room



Badminton event



Basketball game

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B.3 Development and Training

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

The Group provided diverse training programs for our employees during the Reporting Period, including induction training, occupational safety and health education, company policy training and on-the-job training. The following table shows the number of hours that our employees spent on training during the Reporting Period:

	2019	2018
Training hours per head (hours)		
– Manager level or above	82	77
– Below manager level	124	101

The Company organized several staff activities during the Reporting Period, including year-end awards ceremony, team building activities and monthly staff birthday party.

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

The Company organized a two-day team building activity with the theme of building “communication, trust and responsibility” during the Reporting Period. The employees were divided into different teams to carry out a series of group activities so as to make them understand each other’s strengths and weaknesses and get interested in each other’s interests and to enhance their ability to deliver high quality work through teamwork. The purpose of the activities is to boost employees’ morale and motivation, improve cooperation in the workplace, increase productivity levels and enhance employees’ satisfaction and sense of belonging to the Company.





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At the end of the Reporting Period, the Company also held the year-end awards ceremony to present trophies to employees with outstanding work performance, thereby expressing gratitude for their hard work and dedication over the past year with the hope that our employees will remain true to their original aspirations and move forward with perseverance.



B.4 Labour Standards

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

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

B.5 Supply Chain Management

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

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In order to enhance the quality of our customer service, we have devised various policies and guidelines on various types of sales, covering areas such as operational procedures, warehouse management and employee training. In addition to satisfying the needs of customers, our employees are also trained to understand the trends of the market so as to further enhance customers' sense of superiority.

During the Reporting Period, we had a total of 16 suppliers, all of which are located in the PRC.

B.6 Product Responsibility

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

Product safety and quality assurance

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

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

Excellent service experience

Online

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



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Offline

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

After-sales service

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

Data privacy

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

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

Intellectual property rights

The Group's enthusiasm for innovation and arts has made us pay more attention to intellectual property rights. We regularly review relevant intellectual property policies and apply for registration of trademarks and patents on the brands and designs of the Group, thereby safeguarding our diversified design and brand values. As at the end of 2019, the Group has 54 (2018: 52) registered trademarks and 21 (2018: 19) registered and valid design patents in the PRC.

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

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B.7 Anti-corruption

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

In order to establish an open, fair and transparent business culture, and deter violations such as bribery, extortion, fraud and money laundering, the Group has established the Integrity & Compliance Department, which is responsible for receiving and reviewing relevant whistle-blowing reports and is determined to crack down on all corrupt sales activities.

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

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

The Group encourages whistleblowers to report by real-name and promises to protect their identities and keep their reports confidential. For all commenced investigations, the relevant departments will provide updates to the whistleblowers according to the contact information provided.

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

B.8 Community Investment

The Group encourages its employees to participate in community and charitable activities to give back to society. In addition, the Group organizes craft workshops with children from time to time to produce souvenirs to give them a deeper understanding of the history of silver and jewellery.

