



紅星美凱龍家居集團股份有限公司

Red Star Macalline Group Corporation Ltd.

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)

H Stock Code: 01528 A Stock Code: 601828

2020

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT



About this report

This report contains details about the performance of Red Star Macalline Group Corporation Ltd. in respect of social responsibilities for the period from 1 January 2020 to 31 December 2020 ("2020"). To facilitate presentation and reading, "Red Star Macalline Group Corporation Ltd." is referred to as "Red Star Macalline", "the Company" or "we" in this report.

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited in December 2015 and the Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange issued by Shanghai Stock Exchange in May 2008 for strengthening listed companies' undertaking of social responsibilities. The Company has complied with the provisions of "Comply or Explain" set out in the Environmental, Social and Governance Reporting Guide.

Information contained in this report is from formal documents and statistic reports of Red Star Macalline Group Corporation Ltd., and summary and statistics provided by subsidiaries. As there is no assurance to the accuracy of information regarding environment provided by Managed Shopping Malls, key environmental performance indicators disclosed in this report do not cover Managed Shopping Malls.

This report is available on the websites of Shanghai Stock Exchange (www.sse.com.cn), The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and Red Star Macalline Group Corporation Ltd. (www.chinaredstar.com).

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CHAIRMAN'S STATEMENT

Dear stakeholders,

The sudden outbreak of COVID-19 has caused some impacts on the original ecology of all industries in China. As the home furnishing brand industry is inherent in fierce competition, the entire industry has gradually entered a stage featured by traffic competition. Under such external environment, Red Star Macalline recorded growth against various challenges. In line with the vision of "creating a global brand of Chinese nation" and proactively following the national call of the Belt and Road Initiative, we contribute our part to promoting China's home furnishing industry going global along the Silk Road Economic Belt, and help establish China's image as a major and powerful country with renowned home furnishing brands.



Red Star Macalline has always been closely connecting the needs of shareholders, employees, customers, suppliers, communities and other stakeholders with its business development, and has taken active measures to listen to the opinions and suggestions from all stakeholders. In 2020, we worked hard to constantly create value and returns for our shareholders. Meantime, we attach importance to caring for our employees who are considered valuable wealth of the Company. While fully responding to employees' demands and helping employees enhance their strengths, we have formed an efficient talent team to forge ahead and harvest achievements jointly with our employees. Following our commitment to providing consumers with high-quality products and services, we continued to improve our after-sales service system and fully upgraded our service commitments to customers. Our supplier management system has also been upgraded to ensure continuous optimization of supplier resources. We spared no efforts in fulfilling our mission of contributing to the community, and took active participation in various public welfare causes.

In 2020, we further applied the Internet, big data, artificial intelligence and other technologies in the development of home furnishings retail. Through in-depth cooperation with Alibaba, we have established the "malls + Qing stores" digital and intelligent Tongcheng Station which can drive sales via live broadcasting platforms and expand our presence in the new retail industry, so as to promote the digital transformation of new home furnishings retail. At the same time, we are committed to implementing the concept of "Eco-friendly and Healthy Home". While reducing resource consumption in the operation of shopping malls to build an environment-friendly company, we also strove to bring high-quality and environment-friendly home furnishing products to more consumers, thus creating a comfortable and healthy home and living space for consumers.

In face of the widespread COVID-19 outbreak around the world, we are determined to forge ahead in high spirits. As one of the largest home improvement and furnishings shopping mall chain company, we are fully aware of our mission as a leading company. In the external side, we took the lead in advocating "1+1+1" self-help model in the industry, which represents the exemption of one-month rent for Macalline Portfolio Shopping Malls, one-month supporting policies for relevant products from factories, and one-month self-help for dealers. In the internal side, we have gradually established and improved a number of emergency measures to ensure the healthy life of our employees and customers during the COVID-19 outbreak. Although unexpected challenges were imposed on Red Star Macalline due to the COVID-19 outbreak, we firmly believe that every challenge will bring opportunities for our development and change.

We have taken effective measures following careful consideration, and embark on a new path in the times of change. In the future, we will continue to deepen our concept of corporate social responsibilities, and take steady steps to provide consumers with better products and services and life aesthetics, thus bringing more values to our shareholders, customers, employees, suppliers, communities and other stakeholders.

CHE Jianxing

Chairman

Shanghai, 2021

About Red Star Macalline

Corporate Profile

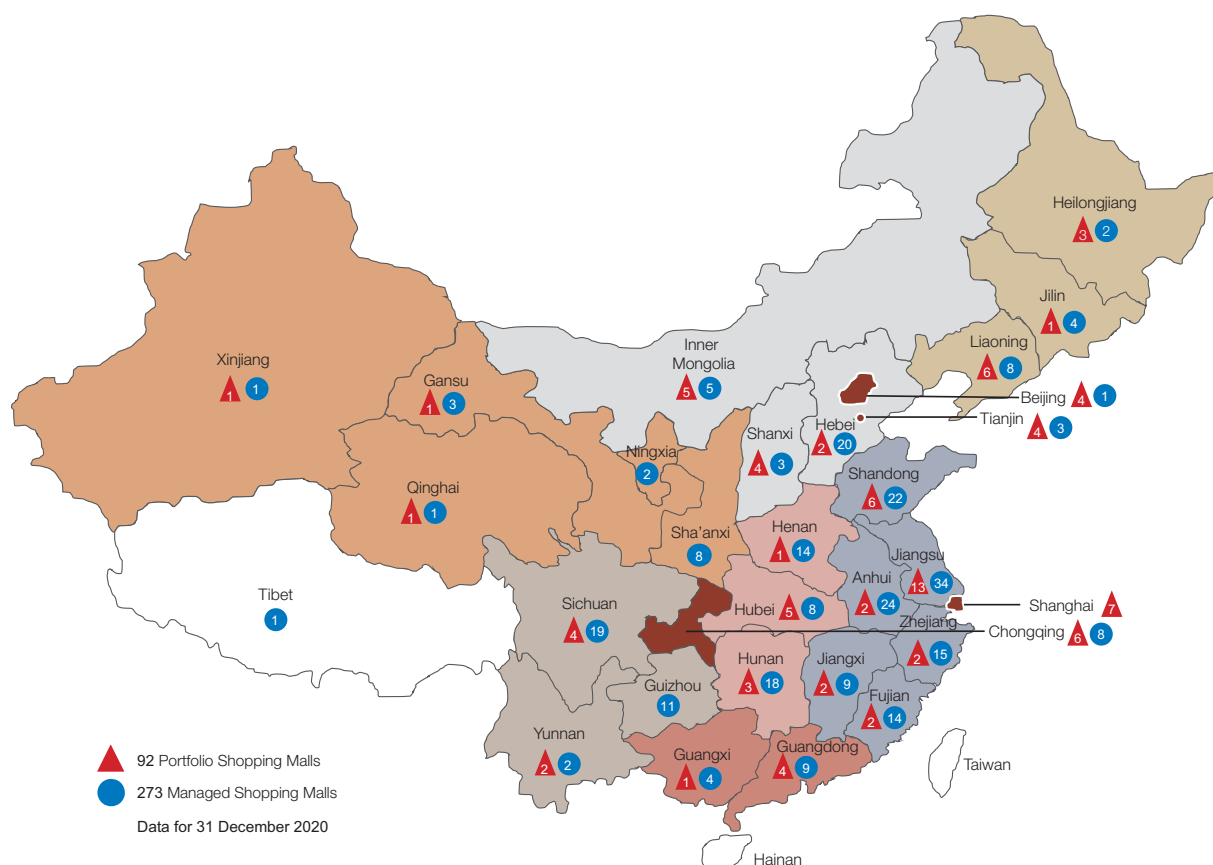
Founded in 2007, Red Star Macalline Group Corporation Ltd. is headquartered in Shanghai, the PRC. It was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 June 2015 (stock code: 01528. HK) and was later listed on the Main Board of the Shanghai Stock Exchange on 17 January 2018 (stock code: 601828.SH). It is the first company that has been listed on the A stock market and H stock market in China's home improvement and furnishings industry.

As a leading home improvement and furnishings shopping mall operator in China, Red Star Macalline mainly engages in the business of offering comprehensive services to the merchants, consumers and partners of the home improvement and furnishings shopping malls under "Red Star Macalline" through the operation and management of both Portfolio Shopping Malls and Managed Shopping Malls. We are also involved in pan-home furnishings consumption services, including Internet home decoration, Internet retail, as well as logistics and delivery services.

Directed by the vision of "creating a global brand of Chinese nation", we always shoulder the responsibility of "building a cozy and harmonious home, and improving the taste in shopping and home life", followed the operational management mode of "market-oriented operation and shopping-mall-based management" and implemented multiple-brand strategies, including "Red Star Macalline", high-end fashion brand "Red Star Ogloria", light-fashion living centre "Xingyijia" and home decoration brand "Betterhome", to meet diversified and upgrading consumption demands.

Statistics show that as of 31 December 2020, the Company operated 92 Portfolio Shopping Malls and 273 Managed Shopping Malls, and operated 11 home furnishing shopping malls through strategic cooperation. Besides, the Company had authorized the opening of 66 franchised home building material projects by franchise, bringing the total number of home improvement material stores/industrial streets to 476. Our Portfolio Shopping Malls and Managed Shopping Malls covered 223 cities in 30 provinces, municipalities directly under the Central Government and autonomous regions in China, with a total operating area of 22,055,668 sq.m. Our malls offer more than 31,300 brands in total.

National Strategic Layout



Major Economic Contributions in 2020 (The following amounts are presented in RMB)

Asset size 131,548 (RMB million)	Operating revenue 14,236 (RMB million)	Operating cost 5,480 (RMB million)	Net profit 2,064 (RMB million)
Amounts paid to staff 3,512 (RMB million)	Total tax paid 2,057 (RMB million)	Community investments 3,215 (RMB ten thousand)	Social contributions per share 2.56 (RMB)

About Red Star Macalline

Development History

Since 2000, we have achieved many major milestones, including opening our first shopping mall, expanding our scale and businesses and becoming a dual-listed Company

2000

Red Star Macalline opened Shanghai Zhenbei Mall in Shanghai, which was the first shopping mall under the “Red Star Macalline” brand

2002

Red Star Macalline expanded its business to North China by opening its first Portfolio Shopping Mall in Beijing

2006

Red Star Macalline expanded its business to West China by opening its first Portfolio Shopping Mall in Chongqing

2007

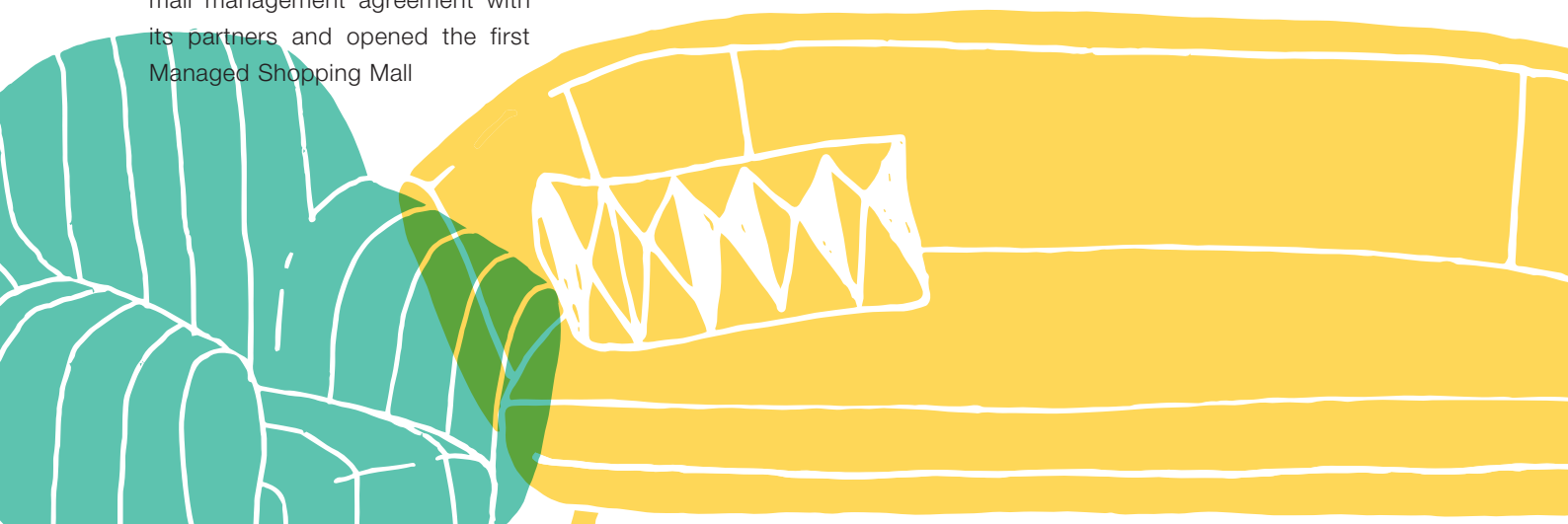
Shanghai Red Star Macalline Home Living and Decorating Company Limited* (上海紅星美凱龍家居裝飾品有限公司), predecessor of the Company, was established; the Company entered into the first shopping mall management agreement with its partners and opened the first Managed Shopping Mall

2008

Red Star Macalline expanded its business to South China by opening its first Portfolio Shopping Mall in Shenzhen

2010

As the sole representative of the home furnishing circulation industry, the Company attended the “Home Loving Day” initiated by Shanghai World Expo, becoming a model in transmitting home culture





2012

The Company opened its 100th home improvement and furnishings shopping mall, following which the Company became the first company operating 100 home improvement and furnishings shopping malls in the industry; the Company made its first presence at the Milan International Furniture Fair

2013

Shanghai Pudong Jinqiao Mall, the first ninth-generation shopping mall of the Company which offers modern shopping environment and high-end products, and contains more artistic elements in its decoration, commenced operation. The Company also started to expand into new businesses, including offering home design and prepaid cards

2014

The Company expanded its operations across 100 cities in China, opened its 150th home improvement and furnishings shopping mall, and further expanded into new businesses of consumer financing, and delivery and logistics

2015

The Company was listed on the Main Board of The Hong Kong Stock Exchange, and the Company launched the nationwide Red Star Macalline membership program and O2O business; established HomeFax to further expand its Internet finance business

2016

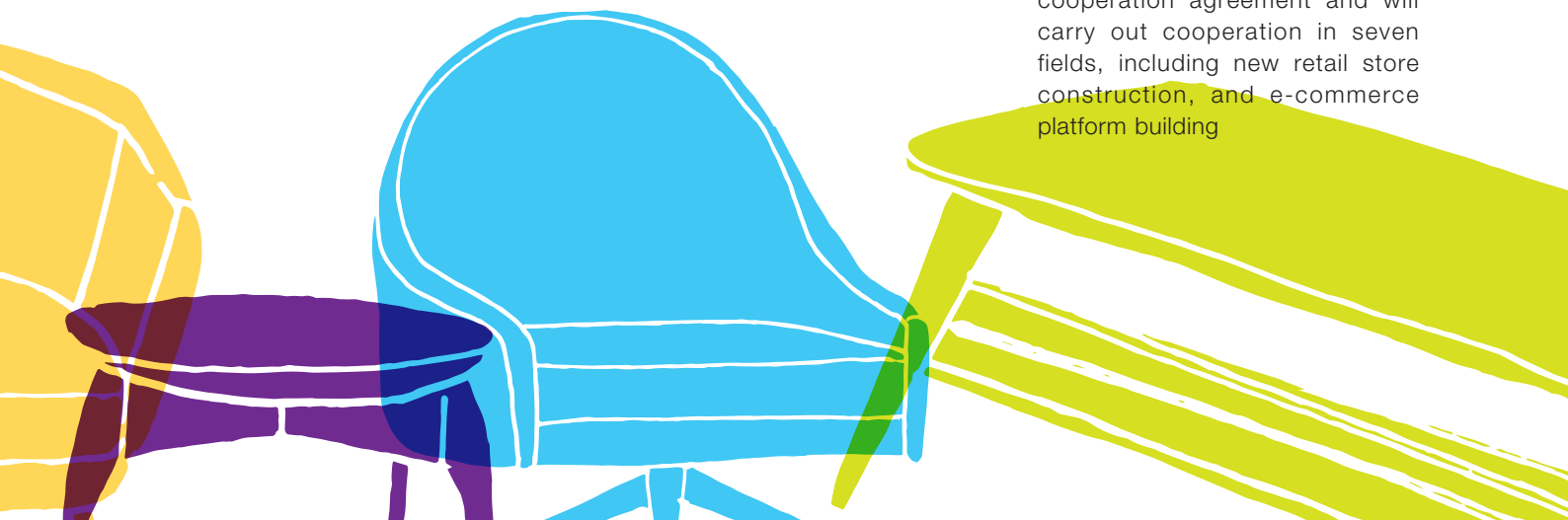
Its 200th home improvement and furnishings shopping mall commenced operation

2018

Following its listing on the Shanghai Stock Exchange, the Company became China's first home improvement and furnishings service provider being listed in both the A stock market and H stock market

2019

Alibaba (China) Technology Co., Ltd. (hereinafter referred to as "Alibaba") fully subscribed for the 2019 non-public issuance of exchangeable corporate bonds (first tranche) issued by the Company's Controlling Shareholders; signed a strategic cooperation agreement and will carry out cooperation in seven fields, including new retail store construction, and e-commerce platform building



Management Approaches

Corporate Social Responsibilities

Standing in the position of customers, Red Star Macalline is committed to offering reliable and high quality home product circulation platform to the market, sets an example for the industry, realizes mutual development between income, the environment and the society, and earnestly fulfils corporate social responsibilities, strives to become:

- A company that serves customers with heartiness. Red Star Macalline takes the experience and demands of customers seriously, actively responds to customers' feedback, makes continuous adjustments according to five dimensions of the "Word of Mouth Advertising" project, and improves the service system.
- A company that contributes to the development of the home improvement and furnishings industry. Red Star Macalline makes continuous innovations in management system and consumption services, sets the benchmark for the home improvement and furnishings industry, promotes continuous consolidation and optimization of upstream and downstream resources, and improves overall strength of the industry.
- A green and environment-friendly company. Red Star Macalline earnestly fulfils the environmental responsibilities, puts great efforts to save energy and reduce emission, and actively contributes to the improvement and protection of ecological environment. Meanwhile, it urges suppliers to fulfil their environmental and social responsibilities.
- A company with sustainable development. Red Star Macalline improves the value creation ability to bring continuous and steady returns to shareholders; cares about the interests of staff, responds to their demands, cares for their health, and offers them a working environment as warm as home; pays attention to social demands, participates in poverty alleviation, education support and other charitable activities, and contributes to promoting the harmonious development of the society.

Social Responsibility Governance

The Board of Directors is responsible for our social responsibility report, including evaluating and determining risks associated with social responsibilities, and ensuring that an appropriate and effective system for social responsibility risk management and internal monitoring has been established. We have appointed our business departments to identify relevant social responsibility issues and evaluate the importance of relevant issues to our businesses and stakeholders by reviewing the Company's operations and holding internal discussions. The management has confirmed to the Board of Directors in respect of the effectiveness of the social responsibility risk management and internal monitoring system. According to general disclosure requirements of the Environmental, Social and Governance Reporting Guide, relevant identified major environmental, social and governance issues have been set out in this Report, with an aim to disclose the social responsibility performance of Red Star Macalline in its operations based on the principle of balance.

Communication with Stakeholders

Red Star Macalline has extensive stakeholders including investors, government/regulators, staff, customers, suppliers, non-governmental organizations and communities. We give full consideration to the demands of all stakeholders and maintain formal and informal contact with them.

Stakeholders	Areas of concern	Methods of communication
Investors	Ensuring Shareholders' rights and interests; maintenance and appreciation of assets value; improvement in corporate governance; true, accurate, prompt and complete information disclosure; lawful and compliant operations	General meeting of Shareholders; press release and announcements; external reports; publication of information on the website of the Company; investors' meeting
Government/regulators	Legality and compliance; equal employment opportunities; health and safety; environmental protection; industry development; repaying the society	Compliance reports; site inspections; participation in meetings/seminars; special inquiry/inspection; license application
Staff	Equal employment opportunities; remuneration and welfare; training and career development; humanistic care; staff health and safety management	Labour contract; labour union/congress of workers and staff; leisure-time activities; voluntary activities; communication channels between enterprise and staff; collective bargaining agreements; safety and compliance meetings
Customers	Customers' satisfaction management; customers' complaints management; product responsibility; customer services; quality assurance	Daily operation/interaction; key customer seminars; customers' satisfaction survey; regular visits; Customers' Service Center/hotline
Suppliers	Industry development; supplier access management; suppliers' evaluation; protection of suppliers' rights and interests; cooperation with suppliers	Management-level meetings; bidding and seminars; marketing summits; supplier access and evaluation; site visits; daily communication
Non-governmental organizations	Local development investment; participation in local community projects; undertaking of environmental responsibilities; equal sharing of benefits	Annual corporate environmental and social responsibility reports; direct communication; company visit
Communities	Promotion of home life culture; dedication to public welfare; enthusiasm in community services; undertaking of environmental responsibilities; promotion of job opportunities	Public benefit activities; community services; environmental protection activities; recruitment notices

Management Approaches

We attach importance to the protection of all stakeholders, treat all stakeholders fairly, take the initiative to listen to the opinions and suggestions of all stakeholders, realize two-way communication and form constructive interactions. The communication approaches adopted by the Company mainly include regular announcement and interim report, general meeting of Shareholders, company websites, telephone counseling, press conference, etc., and timely held analyst's explanation session, performance explanation session and roadshow activities, received consultation from analysts, investors and media, etc., to enhance communication with investors and other stakeholders.

In July 2020, we planned and carried out the "Open Day for Investors" to invite institutional investors to our Hongqiao headquarters for a reverse roadshow. In the reverse roadshow, the executives of the Company mainly demonstrated positive measures we have taken in the first half of 2020 to fight against COVID-19, as well as our innovation and progress in home decoration business, new retail, and corporate governance. The panoramic cloud design and home improvement shopping service platform for merchants and consumers was also introduced to participants. Although there was only a few hours for communication in the activity, the executives of the Company have carried out a vivid sharing and efficient communication, which enables investors and analysts have an in-depth understanding of our digital upgrading, smart retail system, and corporate social responsibilities. Through on-site experience of our internal driving forces and the potential of our new businesses in future, their confidence in the management team of the Company and in the growth of our value was further enhanced. Following this activity, the management of the Company also had a deeper understanding of investors' concerns. After listening carefully to and absorbing in stakeholders' suggestions, we will continue to stay true to our original aspirations and forge ahead bravely.

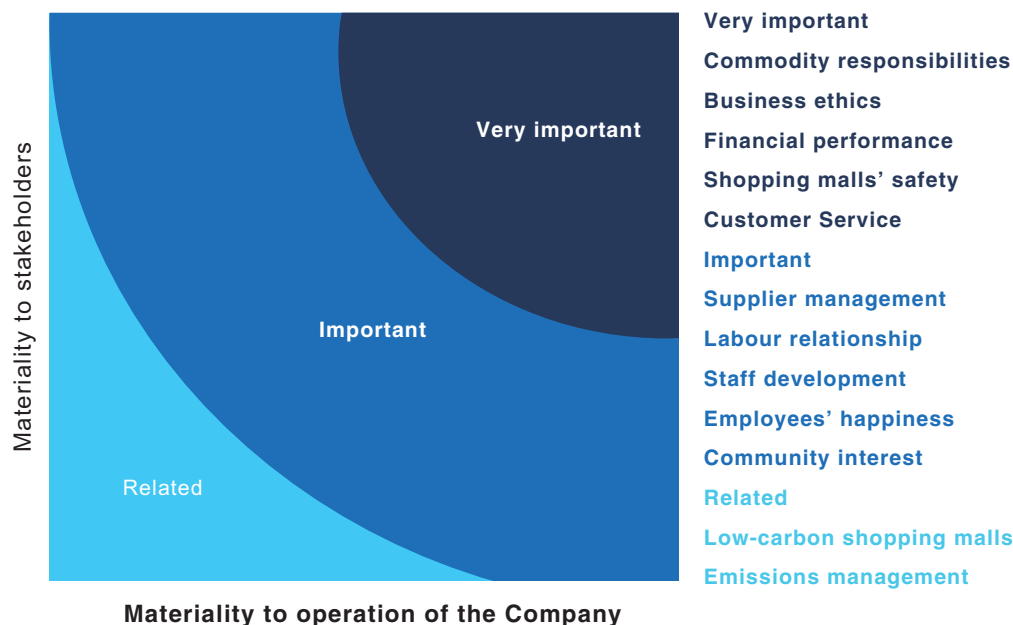


▲ In the "Open Day for Investors", we invited institutional investors to our Hongqiao headquarters for a reverse roadshow.

Selection of Material Issues

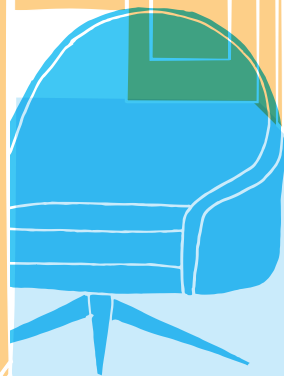
We communicated with our internal and external stakeholders, conducted surveys with them, and received plenty of suggestions. Judging by the impact on the operation of the Company and the impact on stakeholders, we selected key issues, and our senior management scored and sorted these key issues to reflect the material impact we have had on the environment and the society, and to better respond to expectations and demands of stakeholders. Material issues we have selected are as follows:

Materiality evaluation matrix



Market

Red Star Macalline always gives play to its role as a standard setter and supervisor of leading green home building materials in China, and is committed to meeting the diversified and individualized demands of consumers in the market. Our delivery and construction capabilities continue to enhance based on the preferences of consumers. We have always been committed to improving consumer satisfaction, and providing customers with high-quality and innovative home furnishing products and warm home improvement experience. On the other hand, we are determined to integrate best industrial resources worldwide through strengthening and upgrading the management of suppliers. In order to build a safe and reliable supply chain featured by flexibility and connectivity along the upstream and downstream industry chain as well as a synergetic development mechanism for common growth and mutual trust and benefit, we urge suppliers to perform their social responsibilities, thus fostering a strong competitiveness in the industry.



Market

In the course of ordinary operation, we strictly comply with the Trademark Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Advertisement Law of the PRC, use all registered trademarks in a legal and compliant manner, and make objective statements on the quality of our products and services, so as to maintain a just and fair market order.

We always persist with the spirit of innovation and craftsmanship, and make intensive and penetrative efforts in the home improvement and furnishings industry. In strict accordance with the Standards for the Management of Corporate Intellectual Property Rights of the PRC, we protect our intellectual property rights from infringement by signing confidential agreements with our employees and conducting relevant training.

New Home Furnishings Retail

In order to achieve the digital operation of the Company and the digital construction of stores, we continued to explore how to accelerate the offline to online transformation of home building materials in 2020. Through connecting online and offline sales channels, we have fully promoted the integration of home improvement and actively expanded new businesses models.

Smart Retail

We apply Internet, big data, AI and other technologies in the development of retail for the home furnishing industry. Through strategic cooperation with Alibaba, we brought a new model of smart retail of online introduction + offline experience and deal in home furnishing industry. Leveraging our digital and intelligent Tongcheng Station, live broadcasting sales and smart marketing platform, we are committed to promoting the digital transformation of new home furnishings retail.

Building the “malls + Qing stores” digital and intelligent Tongcheng Station

As for the construction of new retail stores, we worked closely with Alibaba in expanding our presence in the new retail industry based on the purpose of “focusing on user needs” in 2020. In collaboration with Alibaba, we launched businesses at the Tongcheng Station in 22 cities, covering 56 shopping malls, 16,000 brand merchants and 478,000 online products, so as to set a sales benchmark through the Tongcheng Station and Malls Digitization. At the same time, through optimizing the product structure of Tmall Tongcheng Station, we enhanced our capabilities to obtain traffic and established cases of top merchants. As a general cooperation brand of massive promotion activities including the Tmall 618 Shopping Festival and the Double 11 Shopping Festival, we gave top priority to building the Tongcheng Station as a traffic marketing platform for shopping malls and merchant in the new home furnishings retail industry.



▲ Tmall 618 Fan Festival to celebrate the anniversary of Red Star Macalline



▲ Red Star Macalline became a sponsoring brand of Tmall Double 11 Carnival Night

In addition, we have also launched a Tongcheng Qing store (“同城輕店”) app for tenants, enabling Red Star Macalline’s dealers/brand operators to operate both online and offline. The whole regional operation of Qing store has changed the previous passive order receiving sales method into an active one with strong interactions with consumers, turned extensive operation into refined division of customers and improved the matching of people and goods.

Obtaining traffic via live broadcasting sales

We have also completed the conversion of public domain traffic to private domain traffic through innovative e-commerce live broadcasting sales in the home furnishing industry. Since the outbreak of COVID-19, the Company has steadily promoted the Tmall live broadcast programs, created C-terminal live broadcast column, promoted B-terminal shopping guide live broadcast, created a new scenario for goods promotion, achieved incremental traffic, and gained long-term operation income. As experiential and immersive sales are critical to the home furnishing industry, e-commerce live broadcast can make use of extensive and fragmented traffic to effectively break physical limit, enhance the efficiency of consumer decision and reduce the customer acquisition cost of brands. Relying on professional hosts such as shopping guides, hotel testers, and designers in various segments of the home furnishing industry, we can promote non-linear expansion of sales through driving widespread sales with Key Opinion Leaders. In 2020, the total view of online live broadcasting sales reached 33.25 million.



▲ Our Executive CEO presented in live broadcasting to offer gifts



▲ Guiding consumers in choosing home furnishing products in live broadcasting

Whole-chain digital marketing

In 2020, the Company continued to iterate the Intelligent Marketing Platform (“IMP”), a global home furnishing intelligent marketing platform. IMP has not only independently developed the 2B2C and 2E digital marketing system – “Tumbling Cloud” (“筋斗雲”) for the home decoration and home furnishing industry, but also established the largest data center in the home furnishing industry with the strategic support of Alibaba cloud. They have jointly customized more than 2,000 exclusive user volume labels for the home decoration and home furnishing industry, and installed a powerful data engine for “Tumbling Cloud”, enabling Red Star Macalline and the home decoration brand dealers in the platform upgrade from the traditional marketing model to the digital user operation model covering the full domain, full scenario, full link and full cycle.

In 2020, IMP has provided DMP (Data Management Platform) advertising service for 9 categories of goods, more than 100 home furnishing brands and more than 20,000 dealers. The cost of customer acquisition has dropped for 19 consecutive months on a month-on-month basis, and the conversion rate of clue intentions were more than three times the industry average level. At the same time, relying on the strong advantages of the platform and the digital marketing system “Tumbling Cloud”, the Company has established a huge private domain traffic pool, which has become the industry-level traffic entrance. In the first half of 2020, the national marketing platform, which gathered 200,000 shopping mall guides, home decoration designers and KOLs (Key Opinion Leaders), have attracted more than 1 million targeted participants for various major activities, category festival activities, brand day activities and alliance activities. In the first half of 2020, the community of property owners, which was composed of 20,677 groups of middle-and high-end property owners covering 3.48 million targeted home furnishing users in China, had greatly increased the total per capita consumption of Red Star Macalline home furnishing users by virtue of the high repurchase and high conversion characteristics. The total per capita consumption of community channels was 39% higher than that of non-community channels, and more than 556,000 consumers were attracted to various activities.

Market

Design aesthetics

In our persistent pursuit of aesthetics, Red Star Macalline is determined to build the life design aesthetics for the Chinese people and take lead in the new fashion of home aesthetics. In 2020, we launched the 3rd M+ China Top Interior Design Competition. Based on home improvement topics highly related to consumers, we also integrated the live broadcasting and continued to tap potential designers.

In 2020, Red Star Macalline Life Aesthetics Center was established in the core area of Chengdu Tianfu New District, a national new district, which enables consumers to have direct contact with our gene and space for life aesthetics. In terms of business format planning, Life Aesthetics Center combines the full scenario format and life-based format to build an integrated family-based cultural consumption place. In space design, we have planned and designed the intelligent commercial center, themed IP block and sky garden in Life Aesthetics Center to provide a comfortable and casual lifestyle for consumers. As for shopping experience, we cooperate with Alibaba to provide online and offline interaction so as to optimize the offline intelligent experience of customers. We will develop online and offline experience stores for new retail, thus providing customized AI home services. Relying on the Life Aesthetics Center which acts as an aggregating place for retail brands and a social platform for sophisticated aesthetics, we can bring more consumers with humanities, arts and experience, and promote the development of new business zones.

Green Home Furnishing

In line with our corporate mission of “taking charge of the home environmental protection of each family”, we are committed to enhance consumers’ awareness of “Eco-friendly and Healthy Home”, including holding the “Green Week” theme activities, the live broadcast “Furniture Inspection-Exploring Laboratory Test of Home Furnishing Products” for publicizing green and environmental protection, and the “Elite Gate-keeper -Purchase Guide for Home Furnishing Products”. We also organized the China Quality Week for Home Furnishing Products, and continued to issue the list of Leading Green Home Brand.

Live broadcast for publicizing environmental protection

As affected by the COVID-19 outbreak, we proactively adopted online channels to promote environmental protection concept and publicize environmental knowledge. In cooperation with Shanghai Jianke Technical Assessment of Construction Co., Ltd., we launched a live broadcast “Furniture Inspection-Exploring Laboratory Test of Home Furnishing Products” with a total of 14.38 million views. The live broadcast focused on four categories, namely floor board, wooden furniture, mattress and sofa, which are sources of consumer pain points. Through combining visual live demonstration with rigorous testing data, we provided vivid and interesting professional knowledge with popular and easy-to-understand explanations.

In the live broadcast, we not only demonstrated to the audience the reactions of floor boards made of different materials and the DNA differences between real and fake solid wood furniture, but also made full use of experimental demonstration to show what has happened to a mattress rolled over for 30,000 times by a 70-kg adult and to a sofa seated in turn by 20,000 people.



▲ Live broadcast “Furniture Inspection-Exploring Laboratory Test of Home Furnishing Products” for the Green Week



▲ Test demonstration in the live broadcast “Furniture Inspection”

In 2020, capitalizing on our large operation resources, we held a total of 871 live broadcasts under the publicity series of “Elite Gate-keeper -Purchase Guide for Home Furnishing Products”. It aims to guide consumers to understand the key points in purchasing home furnishing products and the selection of environment-friendly and high-quality home furnishing products, so as to help business operation with professional guidelines.



▲ The elite gatekeeper introduced product test standards and selection tips in the live broadcast.

The commodity inspection and pricing professionals acted as elite gatekeepers of sofa and mattress in Red Star Macalline shopping malls. Through Taobao live broadcast and Star TV, they introduced and publicized test standards and selection tips of home furnishing products to consumers with popular and easy-to-understand explanations. In cooperation with experts from numerous quality inspection authorities, including the National Center for Quality Supervision & Inspection of Furniture and Indoor Environmental, the Shanghai Jianke Technical Assessment of Construction Co., Ltd., the Nanjing Institute of Product Quality Inspection, the Suzhou Institute of Product Quality Supervision and Inspection, and the Hebei Province Institute of Product Quality Supervision and Inspection, these live broadcasts can maintain professional in all aspects to publicize accurate knowledge.

These live broadcasts also launched a lot of creative experiments. For example, in order to visually show how to judge functions of different springs when selecting a mattress, the elite gatekeeper conducted a “bowling test” in the live broadcast, which demonstrated the non-interference among separate spring bags in a mattress.

“Green Week” Public Welfare Activity

Red Star Macalline has cooperated with the China Quality Certification Centre in the “Leading Green Home Brand” appraisal campaign for eight consecutive years. This programme is the most influential certification programme of green environmental protection in the home furnishings industry in the PRC, and it has the most advanced and stringent standards of furnishings test. In the past eight years, Red Star Macalline’s test charges specific to environmental protection reached RMB50.00 million each year, and carries out the selection and certification of Leading Green Home Brand in cooperation with the China Quality Certification Centre. More than 100 experts from the 14 top laboratories in 11 certification sub-centres strictly supervised and controlled the production capacity of factories and environmental quality of products. At the same time, national testing authorities are engaged to conduct sampling tests of key categories and core brands in shopping malls every year on a regular basis, so as to ensure that products meet national mandatory standards on environmental protection. In 2020, the Green Week covered more than 300 Red Star Macalline shopping malls in 180 cities nationwide.



▲ Red Star Macalline shopping malls nationwide held the “Green Leader and Innovator” green running activities.



▲ “Green Leader and Innovator” green running activities were officially launched

Market

In 2020, we organized the third green running activities with the theme of “Green Leader and Innovator” (綠色領跑•創造贏) in 233 shopping malls across the PRC, with participants of more than 33,000 consumers, market supervision officials, leading green home brands and employees of shopping malls. In addition to on-site visit of landmarks, we also upgraded and innovated interactive activities including creative track obstacles, novel doodles, creative interaction and group photos. The healthy running aims to encourage home furnishing stakeholders to run for green life.

In 2013, Red Star Macalline has cooperated with the China Quality Certification Centre to launch the “Leading Green Home Brand” appraisal campaign, where in-depth factory production inspection and product sampling tests are conducted and end-user and end testing data were also considered. In the past eight years, we continued to select the “Leading Green Home Brand” to promote and recommend high-quality green brands for consumers.

In 2020, we selected and held awarding ceremony for 104 “Leading Green Home Brands” for the year in China International Furniture Fair (Shanghai), leading the new era of consumption. At the awarding ceremony, “Leading Green Home Brands” for the year were awarded a certificate of honor. The selected brands were awarded the exclusive certification mark of Leading Green Home Brand, which will be recognized by consumers when they select green home furnishings in shopping malls.



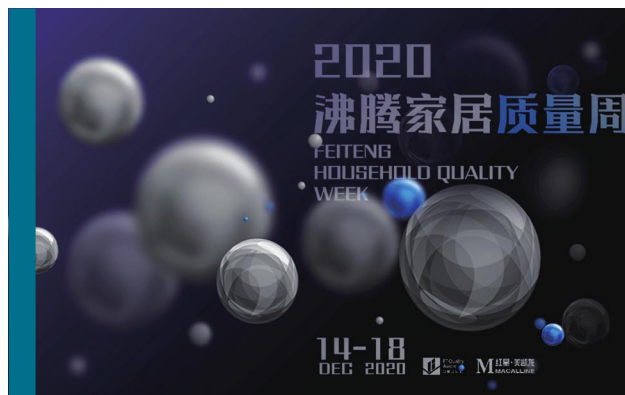
▲Selected Leading Green Home Brands (Part I)



▲Selected Leading Green Home Brands (Part II)

China Furniture Quality Week

In 2020, in response to the national call, we proactively promoted the campaign of “revitalizing and empowering the country with quality”. We had cooperated with the organizers of the FT Quality Award to launch the “China Furniture Quality Week”. Relying on in-depth cooperation in quality evaluation, industry interaction and promotion, we worked together to optimize the production process and quality management system of home furnishing brands. We participated in the “Corporate Quality and Integrity Initiative” held by the China Association for Quality Inspection in the 2020 National Quality Month, and was awarded the “China Benchmarking Enterprise in Terms of Quality and Integrity”.



▲2020 FT Furniture Quality Week

Customer Services

Adhering to the consumer-centered belief, we are always committed to providing consumers with safe and healthy products. To this end, the Company established a strict product quality management system to control product quality, enhanced the mechanism of customer complaint management and tenant management, and continuously improved the after-sales service system, so as to respond to consumer demands in a timely and prompt manner, protect the basic rights and interests of consumers and enhance our service awareness, thereby constantly enhancing customer satisfaction. In respect of the privacy of customers, we strictly followed the Law on Protection of Consumer Rights and Interest, and set the authorization of access to the files of customers based on duties of sales personnel during the operation to prevent data and information leakage. In addition, the supervisory department conducts daily supervision and inspection. Once any act of leaking consumer privacy is found, it will be dealt with seriously to effectively protect the rights and interest of consumers.

We participated in the “Integrity and Commitment of Product and Service Quality” activity under the “March 15 International Consumer Rights Day” program organized by the China Association for Quality Inspection in 2020, and were awarded the “National Leading Enterprise in the Home Furnishing Retail Industry” (全國家居零售行業質量領先企業), the “National Outstanding Enterprise in Terms of Quality and Credit” (全國質量信用優秀企業), and the “National Advanced Enterprise in Terms of Quality and Integrity” (全國質量誠信先進企業). Meantime, following over half a year of preparations as well as the on-site evaluation by expert groups and industry experts and the random investigations by third parties, the Red Star Macalline 400 Call Center has been recognized by the PRC and the industry, and was awarded the “Excellence Service Award” by the China Information Industry Association under the National Development and Reform Commission.

After-sales Service System

In 2020, we further enhanced our after-sales service system to respond to the diversified and individualized needs of customers in a prompt manner, thus providing customers with more professional, efficient and high-quality services.

Overall upgrade of service commitments to customers

In 2020, Red Star Macalline significantly upgraded its service commitments and launched the 2020 “Star Commitment · Heart Service”. We added two new services, namely the one stop service for home design and decoration and the online and offline integrated service, and upgraded three consumer protection services covering refunding the price difference, return service and delivery service.



▲ Red Star Macalline's Briefing Conference for Strategically Upgrading 2020 “Star Commitment · Heart Service”



▲ Contents of 2020 “Star Commitment · Heart Service”

The new one stop service for home design and decoration, where Red Star Macalline will provide customized original home design and construction services to customers, is committed to providing customers with one-stop move-in ready home design and decoration service experience. The new online and offline integrated service, which enables customers to search home decoration design and home furnishing products online anytime and anywhere on the Red Star Macalline APP, aims to realize the consumption mode of reserving orders online, offline experiencing products and placing orders if satisfied.

At the same time, Red Star Macalline upgraded the commodity price guarantee system, by upgrading the original city-wide price comparison service from refunding 3 times of the price difference to 5 times of the same, and extended the original price comparison time from 7 days to 30 days. In addition, by improving the calculation of the time limit for the return of goods under the original return service guarantee system, Red Star Macalline increased the compensation for delay in delivery, ensuring that customers can purchase best products at the most transparent price and via more convenient services.

Market

“Enabling Warmer Home Furnishings Consumption” Public Consultation Activity

In 2020, in active response to the call of the China Consumers Association, Red Star Macalline organized 227 “Enabling Warmer Home Furnishings Consumption” public consultation activities in the name of each shopping mall. Focusing on promoting the upgrade of service commitments, we replied a total of nearly 20,000 consultations from consumers in the consultation sites in shopping malls nationwide, key business zones, communities and streets. These activities have also been highly recognized by the China Consumers Association. As an outstanding enterprise representative, we participated in the shooting and recording of a series documentaries “Walking with Warm Heart” (與溫暖同行), which was produced and widely publicized by the China Consumers Association and the People’s Daily.

Door-to-door Service

Red Star Macalline began to provide home maintenance services since 2015. In the past five years, we integrated advanced maintenance technology teams and well-known large brand factories based on actual needs of consumers, and upgraded the home maintenance service to professional home maintenance service. In 2020, Red Star Macalline integrated the resources and teams of third-party door-to-door service companies. As such, we provided professional, high-quality home services for a total of 229,000 households, including killing mites in mattress, cleaning home furnishings, appliance and air, deep cleaning, sofa maintenance, and floor waxing, which achieved 100% customer satisfaction.



▲ Maintenance employees provide “Door-to-door Services” in Chongqing



▲ We have successfully organized the “2020 Door-to-door Services – Refreshing Service with Warm and Grateful Heart” in December, which provided free mites killing and other special services for 76,000 customers under the Software Category Festival.

Mechanism for Managing Customer Complaints

In 2020, we updated a series of customer complaint treatment standards including the Detailed Implementation Rules for Treatment and Management of Customer Complaints and Standards and Basic Process of Customer Complaint Treatment Services to clearly explain the process and skills of managing complaints and the duties and responsibilities of all departments.

Emphasizing the improvement of customer satisfaction

With customer satisfaction for handling complaints as the focus of our customer complaint management in shopping malls, we conducted following-up visits to customers who submit a complaint to collect customer feedback, and continued to optimize customer complaint handling procedures based on such feedback and reduce the average time for handling customer complaints. In 2020, the customer complaint satisfaction reached 91.5%, representing an increase of 6% compared with 2019, and the average closing time of customer complaints was no more than 5 days.

Establishing a green channel for handling customer complaints

As for customer complaints relating to environmental protection issues and fraud, the headquarters of the Company has established a green channel, under which the tenant sourcing department, the planning department, the legal affairs department and the operation department will make prompt responses and decisions to deal with customer complaints. Meanwhile, we have proactively integrated factory resources to deal with customer complaints from the factory and brand sides, so as to reduce the time for handling customer complaints and effectively protect the legitimate interests of customers.

Enhancing the efficiency of compensation in advance

In order to earnestly fulfill its commitment to improve the implementation of compensation in advance, Red Star Macalline optimized its internal process in 2020. Shopping malls can provide compensation in advance after verifying relevant materials, and relevant internal approval procedures will follow then, which significantly improves the timeliness of compensation in advance.

Market

Supplier management

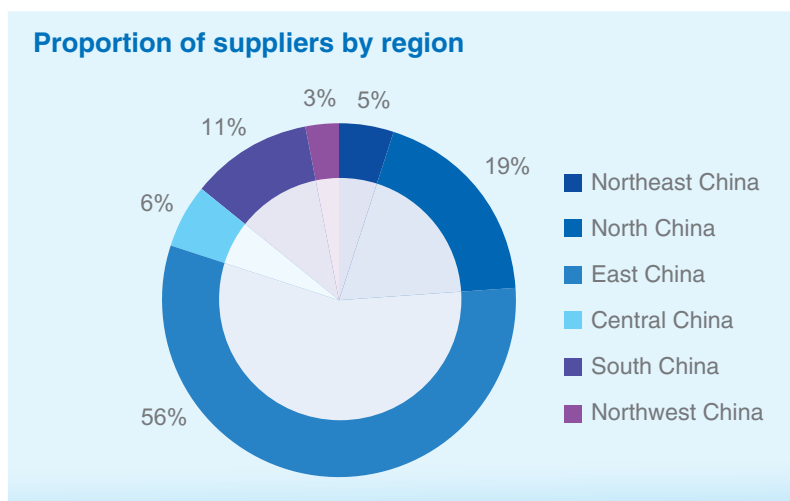
Our suppliers include brand partners and materials and service suppliers. Brand partners are responsible for providing home furnishing products sold in Red Star Macalline shopping malls, and materials and service suppliers are responsible for providing products other than home furnishing products (such as office supplies).

For suppliers, we have formulated the “Product Qualification Management Regulations”, which clearly regulates the charging standards and compliance verification for access qualifications. We evaluate brand partners through a number of comprehensive management methods including field visit, review of source of products, spot check of service timeliness and contents, and phase out unqualified brand partners according to the results of annual comprehensive evaluation. We implement the “Standards for Evaluation for Factory Quality Guarantee Capacity”, which sets out our own requirements for our brand partners in terms of company qualification, quality assurance systems, quality safety, design and development of environmental protection products, procurement and receiving inspection, production process control and process inspection, factory inspection and confirmation of inspection, inspection of instruments and equipment, control of unqualified products, package transportation and storage, important environmental factors in the life cycle of products, etc.

In terms of system construction, we have upgraded the policies relating to supplier management, and published the Supplier Management Policy of Red Star Macalline Group. The Policy specifies detailed rules for supplier management, including supplier access standards, supplier verification requirements, supplier KPI assessment system and supplier elimination mechanism. We have established a multi-dimensional assessment system with participation of multiple departments, based on which all cooperation suppliers will be assessed on an annual basis. The assessment score will be used to eliminate suppliers in lowliest rankings, thus ensuring the continuous optimization of supplier resources.

In terms of procurement information construction, we have completed the construction of the “Supplier Collaboration Platform”, which covers 80% of suppliers by the end of 2020. Relying on the platform, online suppliers can update real-time information including delivery of goods, inspection and receipt in warehouses and issuing invoices, which significantly enhanced the efficiency of procurement, optimized the procurement process, and deepened the collaboration and resilience of suppliers. In addition, we have conducted in-depth cooperation with Alibaba to build an intelligent procurement e-commerce platform, so that our over 400 stores can provide a variety of standardized products with competitive prices and efficient distribution capabilities relying on advanced online e-commerce models in China. In 2020, the program was awarded the “Innovation Award for Digital Procurement Platform” jointly issued by the Shanghai Economy and Information Technology Commission and the Shanghai Electronic Commerce Association.

Based on our own business needs, we aim to build an in-depth and expandable supplier management system that can constantly absorb advanced management methods and apply advanced management tools. Meantime, we captured external resources to build a unique supply chain system with efficient capital expenditure and expense utilization, thereby enhancing our operation capabilities and corporate profitability. As of 2020, the number of suppliers with Red Star Macalline’s effective supplier main data is 359, and the main distribution is as follows:



Business Ethics

In order to create a “clean, fair and transparent” operation environment and implement the core corporate culture of “righteous staff, work and business” (做人正、做事正、走正道), the Company has worked out the “Supervision Management Rules” of the Red Star Macalline Group (紅星美凱龍家居集團督察管理制度) to build a sound integrity supervision mechanism. In 2020, we published a number of important documents including the “26 Rules on Integrity” (倡廉26條) and the “Eight Prohibitions” (八項禁令), which instruct zero tolerance for corruption issues and further strengthen the work environment featuring steady and focused operation at all levels of the Company.

We have established a special supervisory department to severely punish various violations of rules and regulations, such as embezzlement and misappropriation of the Company’s assets, receiving or asking for commercial bribery and seeking illegitimate benefits by taking advantage of positions. We set up a multi-level integrity supervision network, under which the 365 shopping malls operating in China, various function centres and regions at provincial level have been provided with grass-roots supervisors, supervision managers and part-time supervision department heads, respectively. We instructed shopping malls to supervise processes and tap potentials, so as to recover various direct or indirect economic losses through investigations, case inspections and publicizing integrity. In addition, we continued to improve the mechanism for handling the information reported to ensure unimpeded access to information of various shopping malls and centers and handle various types of letters, visits, reports and complaints through standardized procedures.

While improving our integrity and supervision system, we also vigorously promoted the signing of the “Supplier Commitment on Integrity”, which was signed by the substantial majority of key suppliers by the end of 2020. In order to maintain the order of fair market competition, strengthen the integrity and self-discipline management of relevant personnel through mutual supervision, and abide by business ethics, we are committed to preventing and curbing violations of laws, regulations and disciplines from the source.

In 2020, as affected by the COVID-19 outbreak, we have taken active measures to change our work methods including reducing travel. The Supervision Department of the Group gave play to inspectors at all levels, and handed some cases to inspectors at function centers and provincial marketing and development centers for assisting and supervised inspections. Through case investigation and inspection, shopping malls were guided to conduct process supervision and publicize integrity. The Supervision Department has identified two employee corruption cases which were submitted and concluded. Relevant employees were dealt with, and a large amount of economic losses were recovered. Meanwhile, no money laundering behavior was found in 2020.

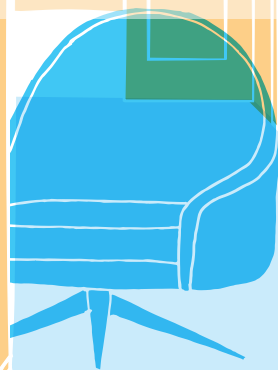
In 2020, under the lead of the Supervision Department of the Group and the assistance of the large operation center, we have jointly promoted the shared anti-fraud mechanism in the home furnishing industry. The mechanism established a shared platform covering factories and distributors in the upstream and downstream of the industry, which aims to cut off the benefit chain and provide a strong foundation for the healthy and orderly development of the home furnishing industry. Meantime, we also took the lead in holding the first seminar on the shared anti-fraud mechanism for the home furnishing industry, and over 50 participants from home furnishing factories and dealers were invited and reached a consensus on the shared anti-fraud mechanism for the home furnishing industry.



▲ In August 2020, the Supervision Department of the Company held an annual supervision work meeting, attended by inspection officials and inspectors from all function lines by way of on-site and online video meetings. In addition to commendation and summary work, the meeting also conducted trainings for inspectors at all levels on case investigation, clue analysis, evidence collection, and conversation skills.

Staff

We have been regarding staff as our most valuable treasure. While proactively protecting the basic interests of staff, we offer them competitive remuneration and keep improving the promotion system in strict accordance with relevant employment laws and regulations. Meanwhile, we create a harmonious and open working environment, respect staff, and improve staff's capability through multi-dimensional and systematic trainings from the management school, so as to realize the promising vision of happy growth and mutual development of the Company and staff. In 2020, we have been awarded six authoritative awards for employer brand, including “Pioneer Employer” (先鋒僱主), “Employer Excellence of China” (中國典範僱主), “Work Different” (多元非凡僱主), TOP100 Best Employers During COVID-19 (2020 抗“疫”民營企業最佳僱主排行榜TOP100), “2020 China Best Employer” (2020中國年度最佳僱主), and “2020 Annual Best China Employer Award for Campus Recruitment” (2020中國年度最佳僱主校招案例獎).



Labour Relationship

We have formed an equal and harmonious labor relationship with our staff by ways of actively protecting their rights and interests, creating a diverse and inclusive working environment, carrying out democratic communication and other ways, through which we have achieved a joint development with our staff.

Labors' Rights and Interests

We strictly comply with the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. We adhere to equal employment to ensure there is no discrimination against job applicants for their races and genders, etc., and enter into labor contracts with all our employees. In addition, we comply with the provisions of the Social Insurance Law of the People's Republic of China, the Regulations on Management of Housing Provident Fund and other laws and regulations and pay pensions, medical insurance, maternity insurance, work injury insurance, unemployment insurance and other social insurances for our staff.

We boycott child labor and forced labor. The "Employee Management" section in the Employee Manual of Red Star Macalline stipulates that the Company shall strictly implement the Provisions on Special Protection for Juvenile Workers 《未成年工特殊保護規定》, the Provisions on the Prohibition of Child Labor and other laws and regulations, protect the legitimate rights and interests of juvenile workers, and strictly prohibit child labor. Our human resources information system can automatically identify juvenile workers and child labor. We require employees to close stores and get off work on time. If overtime work is required, an application must be submitted in advance. In order to effectively protect the legitimate rights and interests of employees who work overtime, we continue to implement the leave rearrangement policy and the mechanism of leave-into-salary. We did not identify any violation of laws and regulations relating to the employment of child labor or forced labor in 2020.

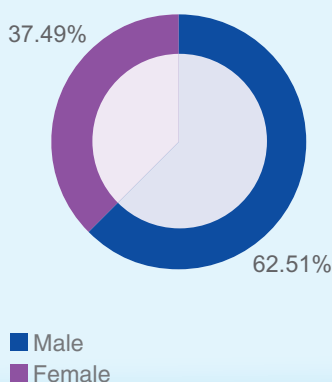
We have also established a comprehensive compensation management system to organically link our employees' rights and interests with the Company's performance, which not only increases our competitive edge, but also improves our employees' satisfaction, thus effectively protecting our employees' rights and interests. As for all our employees, we take into account the operating position, the changes in the consumption index and the salary situation in the market of the place where they work as well as their work performance and results, and the changes in position and work nature, when determining the range of salary adjustment. In addition, for the talents who held key positions, we effectively used a number of incentive measures to enhance their work enthusiasm, so that employees can become shareholders of the Company, share the achievements of the development of the Company, and effectively stimulate and retain talents for key positions of the Company.

Diversity and Inclusion

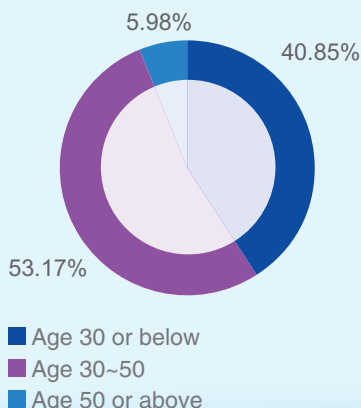
We attach great importance to the diversification of employee structure and recruit more employees with different backgrounds, and encourage them to bring diversified idea and value to the Company, thereby creating an inclusive corporate culture and enhancing the vitality of the Company and employees.

We focus on recruiting more female employees, especially increasing the proportion of female employees in management. In 2020, our female employees accounted for 37.49% of our total staff. Apart from Chinese nationality, our employees also include foreign individuals from Italy, Australia, the United States and other countries. In addition, around 4.25% of our employees are ethnic minorities, including the Manchus, the Huis, the Bais, the Zhuangs, Mongolians, the Bouyeis, the Dongs, the Miaos, the Tujias and the Yis. In 2020, we had 25,201 employees.

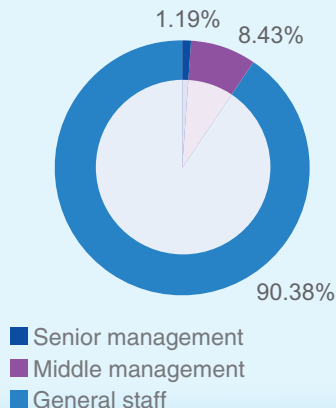
Employees by gender



Employees by age group



Employees by type



Staff

Democratic Communication

We are committed to creating a democratic and open communication environment and strengthening the interaction and connection between the Company and its employees. We have set up various communication channels. Employees may report problems and suggestions to the Company in respect of personal labor relations, work life, employee rights and interests and the Company's operation and development by means of employee representative meetings, ordinary business meetings, union chairman's suggestion box, WeChat official account, Dragon's Eyes App (龍眼APP). For feedbacks from our employees, the Company has designated specific personnel to collect, investigate, follow-up on, coordinate and handle them, and inform the employees of the solutions and results in a timely manner.



▲ In 2020, the Company held a labour union committee meeting to discuss benefits for employees and development goals of the Company.

Staff development

The intelligent support of employees are critical to the strategic development and business operation of a company. Therefore, Red Star Macalline concerns about the development and growth of talents, plans a clear career path for employees in different positions, and provides customized knowledge and skills trainings adapting to market competition for our employees, so as to help employees improve their strength and knowledge to become backbones of Red Star Macalline and even the society.

Career Development

We actively listen to the development needs of employees, maintain communication with employees, and design reasonable career development channels according to the actual situation of employees and the characteristics of each position.

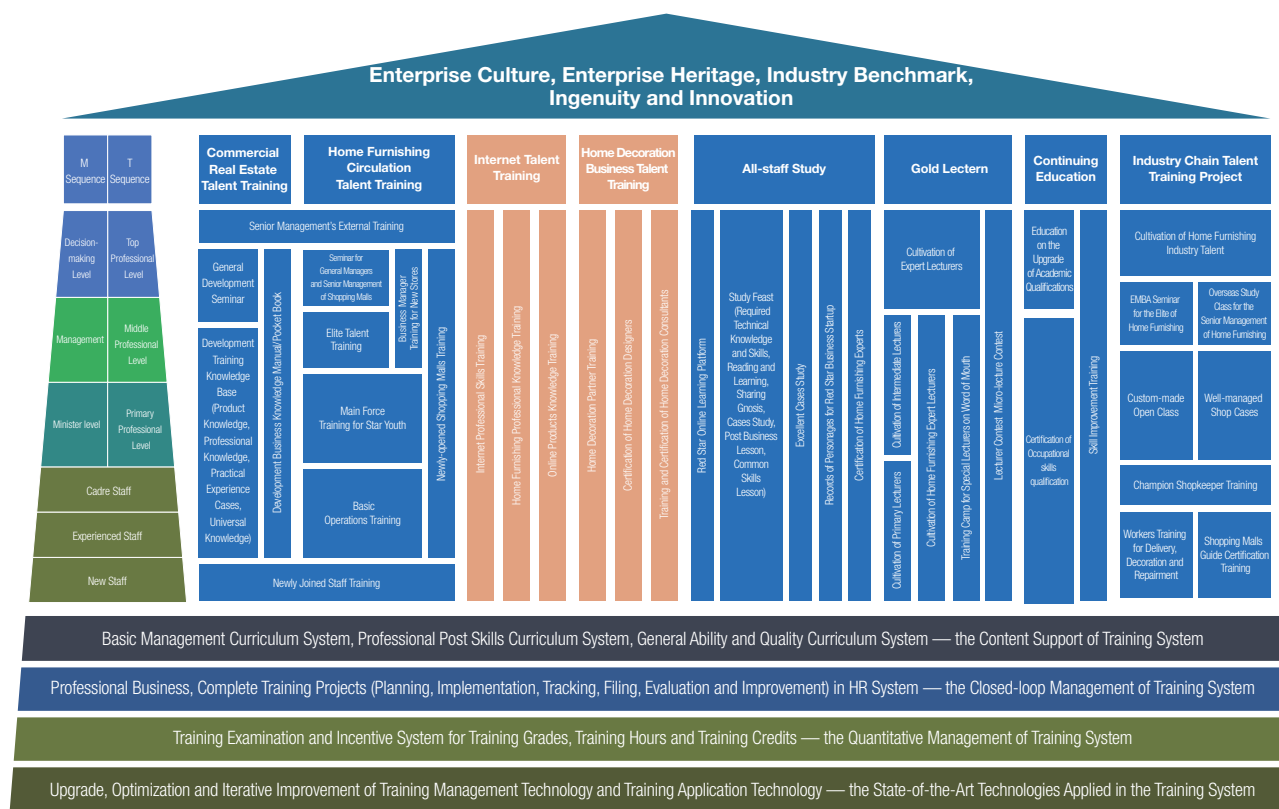
We have established a comprehensive evaluation management system for all staff. We make a comprehensive evaluation for staff through performance and capability evaluation with performance, attitude and capability as assessment dimensions, thereby stimulating their potential and realizing their personal development. Staff can learn about the completion of their performance indicators through the performance evaluation results and recognize their own shortage of capacity through capacity evaluation, so as to carry out independent learning and achieve comprehensive development.

In addition, we also design a talent development plan for some key positions according to the Company's business and job characteristics. For example, we are committed to building an agile talent supply chain system for the echelon of key positions from manager level to general managers of the malls. We determine the training objectives and career development plans of talents through talent review and talent evaluation, and accelerate the key talent growth and development through training measures such as job rotation, project-based mechanism and mentoring mechanism. For marketing employees, we continue to improve the performance evaluation system and introduce assessment of values, with an aim to enhance the cohesion of the Company and our employees' sense of identity. In 2020, we summarized a total of 122 outstanding performance cases, of which 31 selected outstanding cases were issued and promoted for learning in a prompt manner to enhance the ability of external extension marketing personnel.

Employee Training

With the aid of information technology and according to the rank of different employees and job characteristics, we have established a sound staff training system and formed the training content of basic management, professional post skills, and general abilities with the whole closed-loop quantitative management. For all training projects, we adopt the project-based management model and conduct researches before all training programs are officially approved to respond to employees' training needs. In 2020, the average number of training time of employees reached 245 hours, and the proportion of employees receiving training reached 100%.

Room Diagram of Red Star Macalline Training System



In 2020, Red Star Macalline management school continued to deepen the Online-Merge-Offline trainings, and empowered staff's personal development in two ways through combining the online "Star Creation Academy" Mini Program and offline core talents training programs.

"Digital" Learning

In 2020, we continued to apply the "Star Creation Academy", a Mini Program independently developed by the Company, to encourage and support our staff's independent study during their fragmented time. In 2020, the Company provided 700 micro classes, 82 online special learning topics and 30 live broadcast lectures relying on the digital learning platform and technologies of the Group. The digital learning platform breaks limitations on training space and number of participants, improves the learning efficiency of employees, and enhances the sharing and transformation of internal business skills of the Company.



▲ The interface of "Star Creation Academy" Mini Program is clear and concise, which enables our staff to choose applicable learning content easily.

Staff

Core talents training program

According to the competency model and business needs of different positions, we set up courses to meet their requirements. In 2020, the Red Star Macalline management school continued to develop core talents training projects specifically for college graduates, primary and middle-level staff of shopping mall, and general managers of shopping mall and senior management of the Company.

For college graduates, we have launched the "Star Power Plan" for 13 consecutive years, which adopted the method of "overall planning by the Group, independent practices by four regions, and implementation in two stages" in 2020. The 6-day customized training was attended by a total of 178 trainees, covering special items including orientation meeting, quality expansion, compulsory courses of masters, elective courses for regions, practices in shopping malls and unified exams. They have grown rapidly through the intensified trainings of standardized job rotation and work trial, counselor system, practice-based training, monthly communication and phased special training.

For primary and middle-level staff of the shopping malls, Red Star Macalline management school continued to promote "Main Force Training Camp", to enhance the comprehensive management capabilities of middle-level staff of the first-tier shopping malls from four dimensions including industry and enterprise series, shopping mall operation and management series, shopping mall general management system and leadership series. In 2020, we organized over 100 training sessions with nearly 10,000 participants, which covered the middle-level managers of the marketing and development centers and shopping malls in various provinces, significantly improving their comprehensive management capacities.

For general managers of shopping malls, we organized the special class for general managers of shopping malls (for home furnishing) in 2020 with over 100 participants. Through centralized penetrating trainings, heads of shopping malls can promptly enhance their skills and knowledge of home furnishing business, thus helping promote our strategic business.



▲ "Star Power" trainees participated in the practical competition in shopping malls.



▲ Middle management participated in the "Main Force Training Camp"



▲ Red Star Macalline continued to provide the special class for general managers since May 2020

Employees' happiness

We care about the spiritual demands of all employees, and proactively listen to voices of employees. In order to enhance the sense of belonging and happiness of our employees, we optimized their living environment and care about their emotional life, with a view to providing a positive, warm and harmonious workplace for every employee.

Improve Employees' Living

We treat our employees as our own family, pay attention to their material and emotional lives and provide help and care by carrying out one-day donation activities of the Red Star Love Fund, providing public rental housing for employees and organizing social activities.

Red Star Love Fund

In order to establish a comprehensive employee assistance system and a long-term mechanism for caring and helping our employees, we set up the Red Star Love Fund in 2015 to provide employees and their families with Medical Green Channel, help with serious diseases, education for children of staff with financial difficulties and provide help for family emergencies with accidental assistance and other matters requiring assistance. In order to ensure that every penny of the Red Star Love Fund can be effectively used and the relevant information is truthfully and effectively disclosed. We set up an independent account and announce the income and expenditure of donations to fund council and employees every year.

As of 2020, the size of Red Star Love Fund has reached RMB3.83 million, and we helped 52 employees with serious illness and financial difficulties, and paid RMB1.3188 million from the Love Fund.

Care for Emotional Lives of Staff

In today's society, singleness and marriage are no longer personal problems. According to various data, Chinese society is facing social problems such as low marriage rate, low birth rate and high divorce rate. In order to solve the marriage and relationship problems of young single employees, Red Star Macalline acts as the parent of our staff and jointly organized single youth friendship activities with government units in 2020. A total of over 200 excellent young men and women participated in our offline events. At the same time, such activities also adopted live broadcasts with the maximum of 58,000 online viewers.

In addition, for Red Star employees who have built their own family, we have carried out parent-child activities for 11 consecutive years to enhance parent-child emotional communication. In 2020, we held the first "Second Generation of Stars" painting competition of Red Star Macalline, with the participation of 78 families and 127 painting works. Through participating in parent-child activities, our employees can promote the close relationship with their children, which helps create a family environment full of affection and care.



▲ The first "Second Generation of Stars" painting competition in 2020

Fighting COVID-19 with employees

In 2020, to cope with the impact of the COVID-19 outbreak, the State Council issued the "Six Guarantees" policy. In order to provide a peaceful environment and stable employment, the Company launched the 2020 Salary Adjustment Plan for Frontline Employees of Home Improvement and Furnishings Shopping Malls, which increased the average employee salary by 8%. The salary adjustment was mainly for grassroots employees, so that employees can maintain their confidence in the Company and enhance their cohesion under the special condition.

Staff

Since the resumption of work and production in April 2020, we have taken active measures to mobilize all kinds of resources and have procured and distributed over 10,000 pieces of preventive supplies to protect the safety of frontline staff. For example, we purchased over 10,000 pieces of preventive supplies and distributed them to shopping malls in Wuhan and Shanghai. The labour union of Liaoning Marketing and Development Center purchased 6,000 masks to solve our difficulties in obtaining preventive suppliers.

During the COVID-19 outbreak, we also set up a catering committee to ensure the catering safety of our employees. For salespersons in shopping malls, we also provided a variety of work meals and vegetable gift boxes to ensure reliable, safe and healthy meals for our employees.

Work-life Balance

In order to optimize the office experience of our employees, we settled our new headquarter in Hongqiao, Shanghai and became one of the well-known companies located in the Hongqiao Business District. Our new headquarter is based in a super-grade-A 5A intelligent office building which adopts the most advanced, intelligent home furnishing system. In the online side, our employees can remotely control the air conditioner and lighting, and visitors can enter the building and obtain building guidance via the invitation code sent by our employees. In the offline side, in addition to traditional offices, the new headquarters also has new functional areas including a super first-class international conference center, Red Star museum, staff canteen, and Red Star apartments for temporary rest and overnight business trips.

In addition, in order to ease the work pressure of employees and help them maintain a good attitude, we have built a shared home for employees that is based on the needs of our employees and combines online and offline functions. The shared home, covering a total area of 1,000 square meters, is also equipped with study room, Pilates room, yoga room, dance room, gym, running track, and capsule apartments and other facilities. In order to enrich employees' life in spare time and enhance their happiness, we also invited professional trainers to teach modern dance, yoga, boxing and other interest classes, which can enhance the cohesion and unity of our workforce.

In 2020, we also set up a staff club which provides six cultural and sports activities including badminton, football, basketball, table tennis, running and chorus. There are 678 members from all departments, and dozens of activities have been held. It meets the spiritual and cultural needs of employees, inspires their enthusiasm for work, and enhances their sense of recognition and belonging to the Company. Meanwhile, as a cultural business card of Red Star, it also contributes to uniting employees with corporate culture, promoting the harmonious environment of the Company, creating our profound culture towards a century-old enterprise, and boosting the development of the Company.



▲ Chorus Club



▲ Basketball Club



▲ Badminton Competition



▲ Dance Class

Care for Staff's Health

Red Star Macalline cares for the staff's health. By creating a green channel for Red Star Medical, upgrading union membership cards, and establishing the Health Room (健康小屋), etc., we help employees do well in health management and enhance vitality and motivation for the Company's development. In 2020, we continued to give play to the Green Medical Channel, and applied for union membership cards for our staff to cover serious illness medical insurance, thus further improving the health protection of employees.

In addition, we have built an inclusive health room for employees equipped with intelligent testing equipment, which can provide numerous health services such as measuring bone density and blood pressure and identifying the type of body. Relying on self-examination of employee health, we can know about the physical health data of our employees in a prompt manner and improve the quality of their life and work.



▲ We invited community doctors to provide health consultation services for our employees.

Shopping Malls' Safety

The shopping mall safety management relates to the safety issues of staff, customers and surrounding communities, so we pay special attention to it. Our safety hazards are mainly the construction safety during the construction of shopping mall, the fire hazards in the daily operation of the shopping malls, falling objects from height, and personal injury cases caused by non-standardized operations. In 2020, there was a "deemed work-related injury" in Wuhan Zhuyeshan shopping mall that an employee on duty died of the sudden cerebral hemorrhage despite of emergency rescue efforts. After that, we provided pension for the family of the deceased, and gave full assistance in the subsequent funeral issue. In the face of such heartbreaking fact, we will pay attention to the normal physical examination of employees at the end of each year, and constantly provide and promote trainings on health awareness, so as to ensure that our employees can protect their own safety during work hours.

In 2020, our shopping malls nationwide were awarded 92 honors and award certificates by local governments, including the advanced unit in fire safety, advanced unit in electricity safety, advanced unit in epidemic prevention and control, and advanced individuals in safety. Highly praised by local governments and other competent authorities, we also played a positive leading role in the safety management and control capabilities of shopping malls among comparable local companies.

During the construction of shopping malls, we followed the "Administrative Regulations on the Work Safety of Construction Projects" issued by the State Council of China and the "Standards of construction safety inspection" issued by the Ministry of Housing and Urban-Rural Development of China to manage construction sites and establish an on-site safety management system.

- After the completion of the new shopping mall constructions, we strictly followed the Chinese GB/T28001-2001 "Occupational Health and Safety Management System Code" (職業健康安全管理体系規範), and formulated the "Acceptance Process and Standards for Renovation Project of Shopping Mall" (商場工程改造項目驗收流程及驗收標準), and the "Special Management Plan for Building Structure Risks" (建築結構風險專項管理方案), specifying safety management requirements for new shopping malls.
- In daily operation of the shopping malls, we have also formulated the "COVID-19 Prevention Requirements for Shopping Mall" (商場新冠肺炎疫情防範要求), the "Disinfection Rules During COVID-19" (新型冠狀病毒消毒細則), the "Requirements on Critical Points of Extreme Accidents and Emergency Response" (極端事故臨界點及應急處置要求), and the "Technical Management Manual of the Properties of Shopping Malls" (商場物業技術管理手冊), which set out the rules on safe operation and emergency plan of relevant facilities and equipment in properties, as a preventive measure.

In 2020, we conduct regular safety inspections and establish safety risk files in accordance with the newly revised "Safety Risk Rating Standards" (安全風險等級評定標準). In 2020, the stores identified a total of 12 risk hazards, and the main hidden dangers were equipment failures and catering management non-compliance issues. In response to these security risks, we issued 11 targeted guidance documents, requiring shopping malls to formulate rectification plans and implement each and every rectification. As a result, the completion rate for rectification reached 100%. In 2020 we continued the use of interactive mechanism and organization of fire drills, as well as updated fire alarm system, to ensure the safety of employees, customers and surrounding communities.

Staff

Interactive mechanism

We have established a mutual-examination system with our neighbors, under which a total of 1,764 mutual examinations were carried out during the year. In order to improve the investigation mechanism against potential safety hazards of adjacent properties and reduce safety incidents in neighborhood communities, we organized a total of 613 joint fire drills and 745 written and conference communications.

Fire prevention and fighting

In 2020, we organized 6,750 fire drills with a total of 144,510 participants, including 308 drills with participants from local firefighting departments, news media and other government departments. These fire drills were mainly for emergency evacuation of all staff, comprehensive fire drills for the initial fire handling process, and the full-time fire brigade handling process in shopping malls, which increased employees' fire safety awareness and emergency response capabilities in the face of emergencies. At the same time, we continue to promote intelligent fire protection, implemented intelligent fire protection projects in 29 shopping malls, and intensified the construction of facility and equipment management platform for two shopping malls, so as to enhance the technical prevention capabilities of shopping malls. In addition, we strengthened requirements on the frequency of cleaning smoke pipelines since October 2020. Heavy catering facility shall be cleaned once every half month, while light catering facility once every quarter, and all relevant shopping malls have conducted cleaning work on schedule.



▲ Employees were participating in a training on fire safety

Safe operation code

Falling objects and non-standardized operation may threaten the safety of employees and customers. To eliminate the unnecessary personal injury and property loss caused by falling objects, we conduct periodic stability check on pendants at height, sign boards within the shopping malls, which focused on a comprehensive inspection of external tiles covering all suspending layers in the mall halls. A total of 279 shopping malls were fixed with pressing bars to avoid the risk of falling objects. To prevent personal injuries, we have formulated regulations of safety practice for employees with focuses including electric technical operations, operation at height, operations with fire-hazard and maintenance operation. No personal injury of employees caused by falling object or non-standardized operation happened in 2020.

In 2020, we also conducted safety management and control over the decoration sites of tenants, and provided 6,893 safety education and training sessions for decoration workers with a total of 51,337 participants. Meantime, 258 shopping malls have installed surveillance cameras in the decoration sites, so as to eliminate the use of illegal materials and tools and reduce safety accidents at decoration sites.

COVID-19 prevention and control of shopping malls

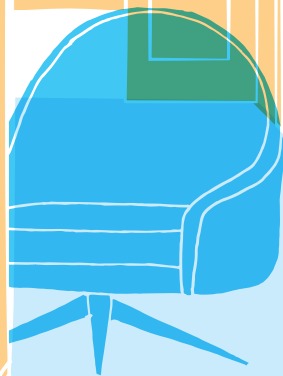
In 2020, in strict accordance with epidemic prevention requirements of governments, we have established eight policies on epidemic prevention for shopping malls, which regulate the disinfection standards for shopping malls during COVID-19, emergency response procedures for COVID-19, storage requirements for epidemic prevention supplies, epidemic protection requirements of on-the-job personnel, epidemic prevention requirements for entry and exit of shopping malls, registration system for returned employees, requirements for ventilation of shopping malls, epidemic protection requirements of booths in decoration, daily random check of fresh air ventilators in shopping malls, daily follow-up on allocation of epidemic prevention supplies, and two random video checks of epidemic prevention work in shopping malls, so as to ensure that there will be no COVID-19 cases in our shopping malls.



▲ Disinfection in a shopping mall during COVID-19

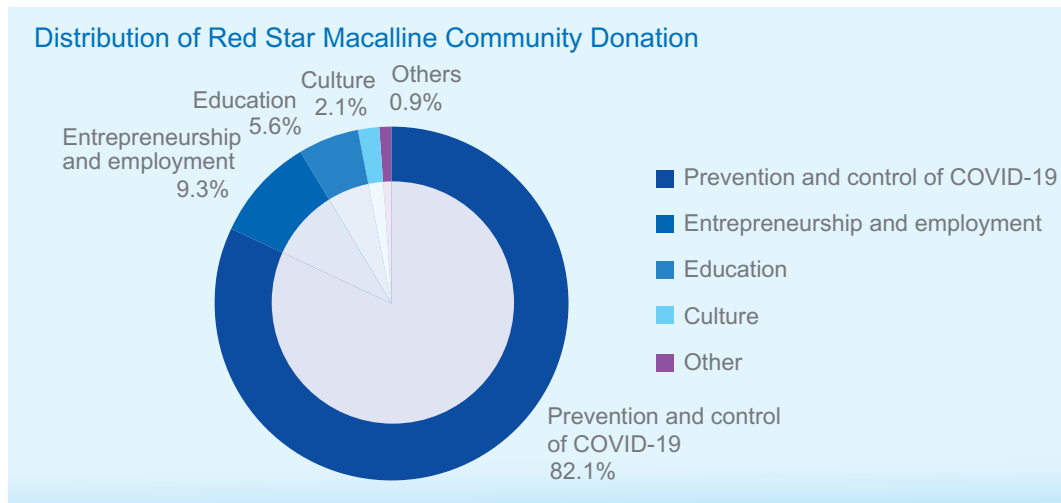
Communities

While pursuing our self-growth, we proactively participate in public welfare undertakings and insist on contributing to the society with high sense of social responsibility and a grateful attitude. We are committed to public welfare undertakings and sharing our operation achievements with the society, thus contributing our part to the prosperity of communities.



Communities

We pay attention to the public's demands and successively set up a variety of special funds to support local economic development. We adhere to sustainable development and strive to make contributions in terms of social, economic, environmental and other aspects. In 2020, we invested approximately RMB32.15 million in the prevention and control of COVID-19, entrepreneurship and employment, education, culture and others.



Encouraging Entrepreneurship to Create Jobs and Explore Opportunities

In order to help the contemporary Chinese aspirational young people to start their own business, we made a contribution of RMB20 million to the China Foundation for Youth Entrepreneurship and Employment, with a term of seven years starting from 2017. We donated another RMB3 million in 2020.

Embracing Culture and Art to Develop Sense of Aesthetics

As an advocate of quality life, we actively promote the concept of aesthetics through the promotion of traditional Chinese art culture and various art activities, etc., to enhance the aesthetic appeal of the public, thus improving the quality of public life. In 2020, we donated about RMB666,540 to the Shanghai First Financial Community Foundation to help the development of culture and art.

2020 marks the final year of the "New Adventure M+ Dunhuang Grottoes Bingling Secret New Construction Plan". We continued to cooperate with the Shanghai First Financial Community Foundation to deepen the cooperation content of Dunhuang Bingling Temple Grottoes, and selected the Maijishan Grottoes under the Dunhuang Academy China as our partner. We selected 20 outstanding designers to carry out on-site learning in the Oriental Sculpture Museum (東方雕塑館) of the Maijishan Grottoes. Through systematic cognitive learning of oriental aesthetics, designers enhanced their capacities to inherit and understand aesthetic art with contemporary design languages, thus improving the influence of the project.



▲ Designers were learning the sculpture and exquisite mural paintings in the Maijishan Grottoes, which aims to transmit oriental aesthetics through space design.



▲ Designers were communicating with local researchers.

Fighting against Poverty to Deliver Benefit of Kind

We are concerned about impoverished groups and provide them with financial assistance. We also conduct a series of support programs to help people in poor areas improve their livelihood. In 2020, we were awarded as one of the advanced private enterprises under the “Ten thousand enterprises help ten thousand villages” (萬企幫萬村) program by the All-China Federation of Industry and Commerce and the State Council Leading Group Office of Poverty Alleviation and Development.

In 2020, we initiated the “Warm Winter School Uniforms” (暖冬愛心校服) assistance project to purchase school uniforms for 1,630 elementary students in Shaxi Town Central School in Jianchuan County. (In addition, we helped the construction of infrastructures, including renovating dilapidated houses, building retaining walls along the river embankment, and paving village roads, in 5 villages in Huize County, Qujing City, Yunnan Province.



▲ We helped pave village roads in Huize County, Yunnan Province.

Supporting Western Development

In active response to the national policy of the Belt and Road Initiative, we launched two major projects under the “One Store in Each City” (一店一城) plan, namely the Global No. 1 Furniture Store and the Asia-Europe International Home Furnishing Expo and Trading Center (亞歐國際家居博覽交易中心) in Urumqi, Xinjiang, which aim to form an urban landscape of City-Industry Integration and support the globalization of China’s furniture industry along the Silk Road Economic Belt.

In addition, in order to promote the development of the agricultural trade industry in western regions and build a logistics channel and sales platform for “transporting fruits in western regions to eastern regions” (西果東輸), we promoted such fruits to more consumers relying on the fresh food retail platform “Fresh DD Buy” (叮咚買菜). Meantime, we continued to help the consumption poverty alleviation work in Kashgar to promote its economic construction and development.

Pioneer in Fighting COVID-19

Caring for medical workers

In February 2020, Red Star Macalline pledged a donation of RMB66 million to China Soong Ching Ling Foundation to launch the Red Star Macalline Home Loving Fund (紅星美凱龍愛家基金). Among them, the first Loving Fund of RMB26 million will be allocated to designated hospitals accepting COVID-19 patients in Wuhan and other cities in Hubei Province, by the Red Star Macalline Home Loving Fund based on actual conditions. The first installment will be utilized in the caring actions for ICU medical workers, and will be allocated to ICU medical workers themselves.

Exempting one-month rent for tenants

Due to the impact of the COVID-19 pandemic, offline shopping malls have suffered greater impact. In order to help tenants tide over difficulties, Red Star Macalline exempted eligible tenants of 82 Portfolio Shopping Malls from one-month rent and management fees since January 2020 for any month in 2020.

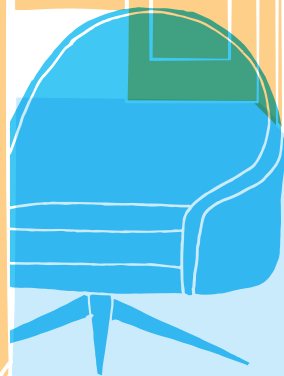
In addition, Red Star Macalline also advocated the “1+1+1” assistance program in the industry, representing one-month assistance from platforms and brands respectively and one-month self-help by tenants themselves. As such, tenants can safely tide over difficulties in the first three months. In May 2020, we were awarded as the “Advanced Private Enterprise in Fighting COVID-19” by the All-China Federation of Industry and Commerce.

Introducing financing platforms to help tenants obtain loans

We have promoted the introduction of numerous financial institutions and Internet financial platforms, which provided financing support and preferential interest rate for dealers across the country. Such loans can be utilized as order fund, rent and marketing expenses during the COVID-19 outbreak and the following-up resumption of production, thus helping tenants tide over the COVID-19 outbreak smoothly.

Environment

Red Star Macalline has raised the “green environmental protection” to strategic level of the Company since 2016. Besides “zero tolerance” for non-environmental friendly home furnishing products and brands, our environmental protection policy is always considered as priority in our operation, which is applicable to each stage and phase including the corporate development philosophy, management system, practices and performance.

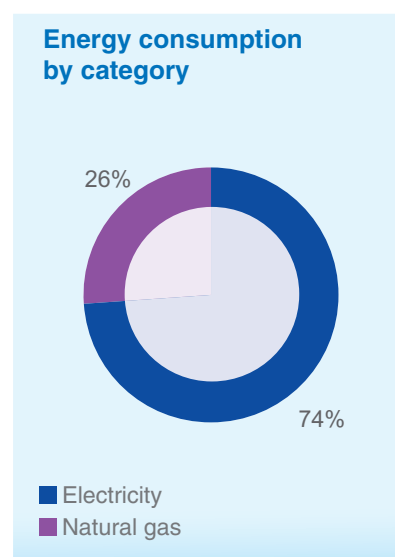
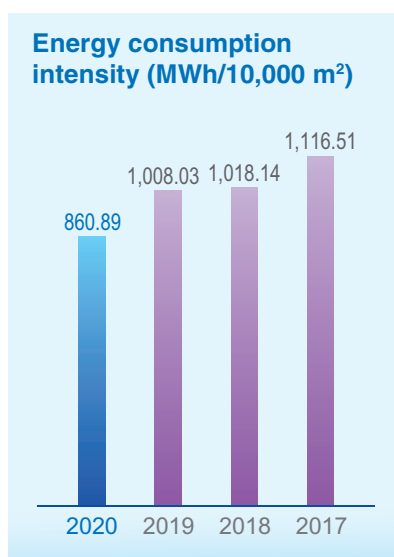
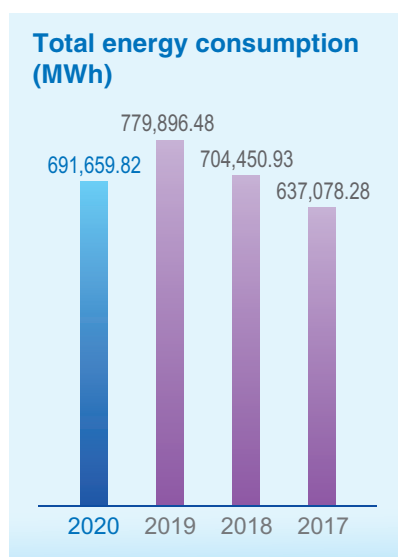


In our long practice of environmental protection concept, we strictly control the environmental protection management of each step from the planning and design of the construction projects of shopping mall to its building construction as well as to property management and office building management after the completion of a project, covering green building certification, natural resource conservation, energy efficiency optimization and environmental protection procurement and so on. We strive to create a kind of corporate culture that cherishes resources, promote the concept of green and environmental protection to employees, and encourage employees to actively participate in various environmental protection activities and adopt a green and healthy lifestyle. In addition to implementing the concept of environmental protection into our own behavior, we require that merchants shall comply with the laws, regulations, and environmental requirements of the place where they are operating, and encourage them to pass certification standards such as China's CQC environmental protection or water-saving product certification, China Environmental Labeling certification and ISO series system certification. We require that merchants shall adhere to the environmental protection concept in the process of decoration and construction and use green environmental protection materials, including the materials which comply with China Environmental Labelling certification and the wooden boards which comply with GB18580 standard E1, thereby encouraging them to create a green environment.

Red Star Macalline strictly complies with the Environmental Protection Law of the People's Republic of China, attaches great importance to environmental protection and increases investments in environmental protection, and management and control is in strict compliance with the "green and environmental protection management system" of the Company. In 2020, there were no business activities and events that had a material impact on the environment and natural resources.

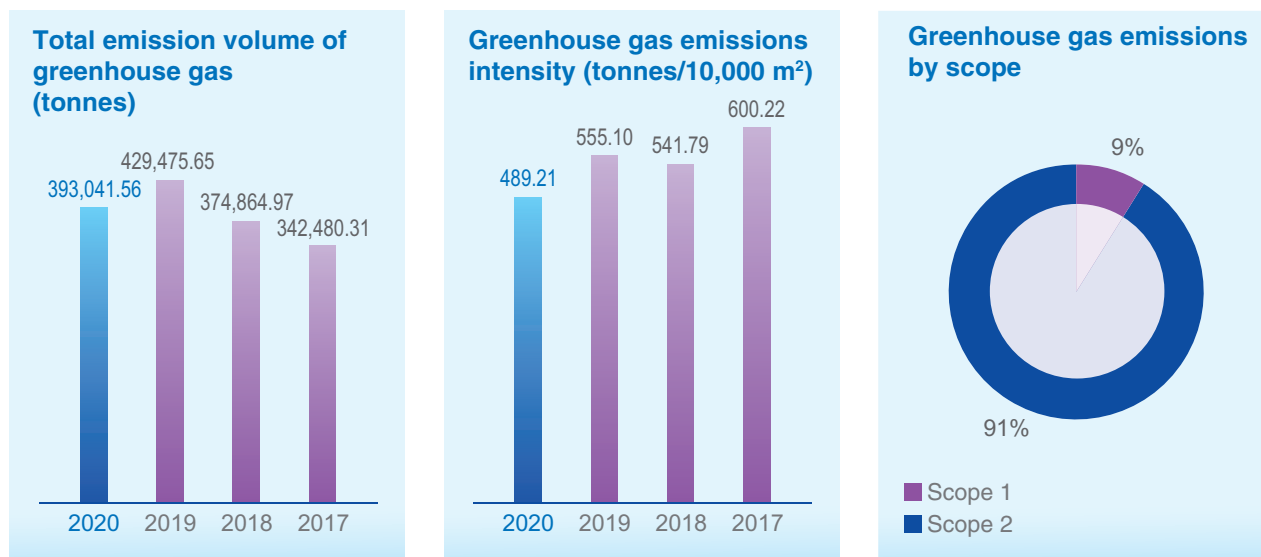
Low-carbon Shopping Malls

The major energy resources consumed by our shopping malls and offices are electricity and natural gas. We comply strictly with the Energy Conservation Law of the People's Republic of China in daily operation and have developed a series of energy saving strategies. In 2020, as a result of the reduction of business hours caused by the COVID-19 outbreak, our total energy consumption decreased by approximately 11% compared with 2019 and amounted to 691,659.82 MWh, of which electricity consumption approximately accounted for 74%, and the energy consumption intensity decreased to 860.89 MWh/10,000 m² compared to 2019.



Environment

In 2020, due to the reduction of business hours caused by the COVID-19 outbreak, electricity consumption decreased, which in turn caused our total volume of greenhouse gas emission to decrease by approximately 8% to 393,041.56 tonnes compared with 2019. The percentage of indirect greenhouse gas (scope 2) was approximately 91%, with a corresponding decrease in emission intensity to 489.21 tonnes/10,000 m².



Energy Saving of Shopping Malls

In order to reduce energy consumption, we set the goal of improving energy efficiency in the stage of project planning and design. In 2020, when the Company was launching its construction projects of shopping malls, energy saving was considered as a principal element.

- Energy-saving transformers, energy-saving control equipment and electric equipment were used
- Reactive power compensation device with automatic adjustment function was used to reduce loss of transformers
- Efficient water supply equipment was used and sanitary ware adopted water-saving products
- Energy-saving and efficient lighting source and lamps were used to improve power factor and power consuming efficiency

In 2020, we completed the LED lighting renovation in three shopping malls, which effectively reduce the energy consumption of shopping malls. Meanwhile, in order to enhance the operation efficiency of the central air conditioning system and achieve energy saving and reduce consumption, we implemented minor energy-saving renovations of central air conditioning system in 15 shopping malls, starting from the fillings of cooling tower, monitoring of air-conditioning water quality and centralized monitoring of fans in each floor.

Energy Saving of Office

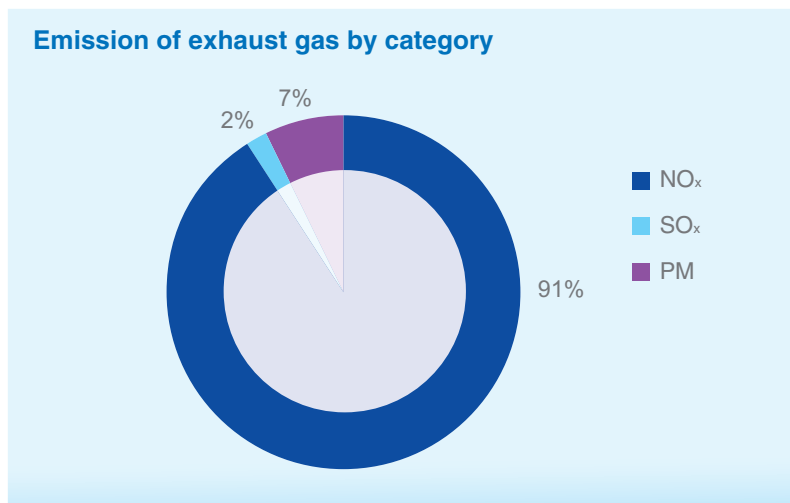
We continue to improve energy saving management system of office buildings with modern energy saving technologies. The Company optimizes daily management process, and conducts analysis on energy saving for existing key energy using equipment or systems and proposes plans for technical transformation of energy conservation. Relevant technical transformations projects of energy conservation can be applied to offices affordable for them in accordance with the actual conditions, e.g. LED lights, installation of frequency conversion escalator, air-conditioning transformation, photovoltaic power and so forth.

Emissions Management

Red Star Macalline imposes strict management on the treatment and emission of waste gas, waste water, and solid waste according to national environmental protection policies and relevant laws and regulations, thus satisfying the regulatory standards of the places of operations. While advocating energy saving, we are also trying our best to reduce the negative impact of pollutants on the ecological environment.

Exhaust Gas Disposal

Red Star Macalline strictly abides by the Law of the People's Republic of China on the Prevention and Control of Air Pollution. As a home improvement and furnishing shopping mall operator, it does not involve the production process. Therefore, the exhaust gas generated is mainly a small amount of nitrogen oxides, sulfur oxides and PM particles produced by vehicle exhaust emissions. In 2020, we released a total of 87.33 kg of exhaust gas, a slight decrease from 2019, of which about 91% is nitrogen oxides.



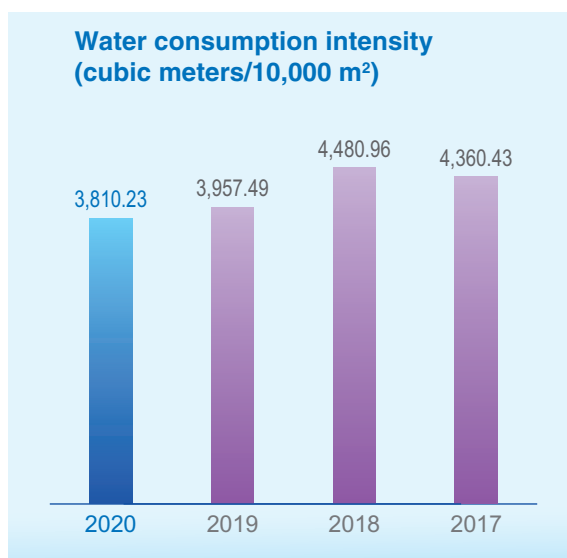
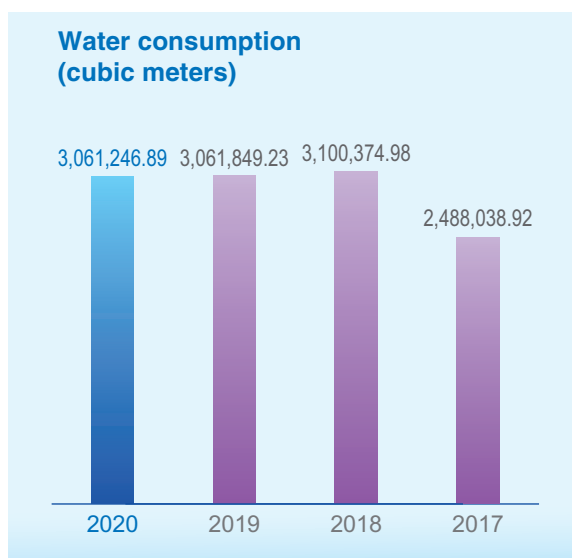
Environment

Waste Water Management

In 2020, our total water consumption was 3,061,246.89 cubic meters and the intensity of water consumption was 3,810.23 cubic meters/10,000 m², representing a slight decrease as compared with that in 2019.

The waste water produced by us is mainly domestic sewage. In accordance with the Prevention and Control of Water Pollution Law issued by the state and its supporting national standard Waste Water Quality Standards for Discharge to Municipal Sewers (GB/T 31962-2015), we include such standards into the contract template of shopping malls for air conditioning water treatment, and require suppliers to sign a letter of commitment. To ensure compliance with the Waste Water Quality Standards for Discharge to Municipal Sewers, all waste water must be neutralized and discharged after passing the test.

The shopping malls of Red Star Macalline are set with septic tanks for pre-treatment (primary treatment) and sedimentation of impurities for domestic sewage to hydrolyze larger molecular organics into smaller molecular organics including acids, alcohols, etc., thus improving subsequent waste water treatment. The shopping malls with catering facilities are equipped with oil separators for separation of oil, and only the waste water passing treatment acceptance can be discharged to reduce environmental pollution.



Waste Disposal

Wastes mainly included construction wastes and household wastes in course of the development of shopping malls of Red Star Macalline. We strictly abide by the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, continuously conduct proactive waste management and strengthen waste management on construction sites and waste recovery of shopping malls to reduce the generation of waste. The total amount of hazardous and non-hazardous waste we generated in 2020 was 2,032.90 tonnes, of which more than 98% of the waste is non-hazardous waste. As projects under construction throughout the year reduced due to the COVID-19 outbreak, the total amount of waste significantly decreased as compared with 2019. The waste discharge density was 2.53 tonnes/10,000 m².

Upon completion of shopping mall projects, we proactively collect waste cables, waste steel bars and other waste materials for recycling or secondary sales, which substantially reduces the waste of resources.

In property management, we proactively reduce waste, comply with the principle of environmental protection of "waste renovation and used materials recycling" and implement classified management for household waste and construction waste in shopping malls which are set with appropriate garbage chambers. Garbage is discharged on a daily basis. The household garbage is sealed and construction wastes are bagged before being cleared up by professional cleaning companies each day. Meanwhile, we actively respond to the government's advocacy on the classification of household waste, promote the classification of household waste in shopping malls in cities that already have the conditions for classification and transportation, and encourage customers and operators to classify waste by setting up sorting waste bins, publicizing waste classification knowledge, classified transportation, etc.

Noise Reduction

Noise generated from the operation of Red Star Macalline mainly comes from the power equipment including air conditioning units, air compressors, cooling towers and heat treatment equipment. We strictly comply with the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise, and control the noise by using environmental friendly equipment, installing noise-abatement equipment surrounding equipment and other measures. The noise measurement results of Red Star Macalline comply with the limits of the places of operations. Our main noise reduction measures include:

- Outdoor units of air conditioning, ventilators, etc. apply efficient and low noise products
- The inlet and outlet ducts of ventilators and air conditioners are set with muffler, and the air intakes and air outlets are set with mufflers or silencing shutters
- The water inlet and outlet pipes of pumps and cabinet air conditioners are equipped with vibration damping connectors; refrigerators, fans, pumps, etc. are set with a vibration damping foundation

Responses to Climate Change

With the excessive use of energy, excessive emissions of greenhouse gases, and improper disposal of waste, it has led to extreme changes in the global climate. In order to effectively deal with extreme weather, and further reduce and eliminate the losses of the Company caused by catastrophic climate, Red Star Macalline mainly adopts the preventive management and emergency response mode.

Firstly, we have established a preventive management system to deal with climate change, and formulates a monthly safety theme and preventive management and control work plan for shopping malls each month, which is committed to eliminating the impact of potential disaster weather on shopping malls from the source. Secondly, we have formulated five emergency plans that targeted at seasonal disastrous weather, and established the annual safety training program of the Company to regulate and implement emergency drill plans and requirements. In 2020, we carried out 15,360 drills of emergency plan covering shopping malls nationwide. Thirdly, the emergency tools and equipment for disaster prevention such as flood control, typhoon prevention, rain and snow prevention, etc. are arranged for all departments in advance, which greatly improves the ability to deal with disastrous climate.

In June 2020, we organized shopping malls nationwide to carry out the theme month of "Natural Disaster Prevention" with participation of 307 shopping malls; organized 829 natural disaster prevention training sessions, with 11,771 participants in total; and organized 527 inspections of flood prevention defects. The ability for shopping malls to deal with disastrous climates has been improved from the drills. In 2020, our shopping malls were not seriously affected by disastrous climate.

Overview of ESG Data

Overview of ESG Data

Overview of Annual ESG Data

	2020	2019	2018	2017
Number of employees				
Total number of employees	25,201	27,113	24,339	22,621
By gender				
Female	9,447	10,016	8,956	8,425
Male	15,754	17,097	15,383	14,196
By age group				
Below 30	10,295	12,259	11,343	9,815
Between 30 to 50	13,400	13,463	11,801	11,830
Above 50	1,506	1,391	1,195	976
By type of employees				
Senior management	300	302	603	504
Middle management	2,124	2,143	4,534	4,095
General employees	22,777	24,668	19,202	18,022
Development				
Percentage of employees trained	100%	100%	100%	100%
By gender				
Female	100%	100%	100%	100%
Male	100%	100%	100%	100%
By type of employees				
Senior management	100%	100%	100%	100%
Middle management	100%	100%	100%	100%
General employees	100%	100%	100%	100%
Average hours of training completed per staff (hours/year)	245	240	224	219
By gender				
Female	247	240	226	219
Male	242	240	224	219
By type of employees				
Senior management	241	192	192	192
Middle management	336	264	264	264
General employees	237	235	216	216

	2020	2019	2018	2017
Emissions				
Total emission of greenhouse gas (scope 1 & 2) (tonnes)	393,041.56	429,475.65	374,864.98	342,480.31
Total emission of direct greenhouse gas (scope 1)	36,314.50	47,854.83	48,141.03	43,648.67
Total emission of indirect greenhouse gas (scope 2)	356,727.06	381,620.82	326,723.95	298,831.64
Emission of greenhouse gas per 10,000 m ² operating area of Portfolio Shopping Malls (tonnes/10,000 m ²)	489.21	555.10	541.79	600.22
Total emission of waste gas (kg)	87.33	89.80	89.18	14.49
NO _x emission	79.86	81.17	80.70	13.10
SO _x emission	1.59	2.65	2.54	0.28
PM emission	5.88	5.98	5.94	1.11
Total hazardous waste produced (tonnes)	33.55	43.00	7.50	1.42
Oil paint	12.55	17.00	1.80	0.89
Glue	21.00	26.00	5.70	0.53
Total non-hazardous waste produced (tonnes)	1,999.35	10,977.97	10,035.70	257,516.77
Domestic waste	286.00	330.60	1,752.00	50,858.70
Construction waste	963.00	10,056.00	7,980.00	206,046.00
Scrap cable	14.35	19.37	17.30	23.71
Scrap steel	736.00	572.00	286.40	588.36
Production of non-hazardous waste per 10,000 m ² operating area of Portfolio Shopping Malls (tonnes/10,000 m ²)	2.49	14.19	14.50	451.31
Total production of hazardous and non-hazardous waste (tonnes)	2,032.90	11,020.97	10,043.20	257,518.19
Production of hazardous and non-hazardous waste per 10,000 m ² operating area of Portfolio Shopping Malls (tonnes/10,000 m ²)	2.53	14.24	14.52	451.31

Overview of ESG Data

	2020	2019	2018	2017
Water resource consumption				
Total water consumption (m ³)	3,061,246.89	3,061,849.23	3,100,374.98	2,488,038.92
Fresh tap water	3,061,246.89	3,061,849.23	3,100,374.98	2,488,038.92
Water consumption per 10,000 m ² operating area of Portfolio Shopping Malls (m ³ /10,000 m ²)	3,810.23	3,957.49	4,480.96	4,360.43
Energy consumption				
Total energy consumption (MWh)	691,659.82	779,896.48	704,450.93	637,078.28
Electricity	514,266.75	546,209.89	469,349.34	423,595.30
Natural gas	176,383.64	232,004.67	233,487.38	213,323.94
Gasoline	997.34	1,681.92	1,614.21	159.04
Diesel	12.09	0.00	0.00	0.00
Energy consumption per 10,000 m ² operating area of Portfolio Shopping Malls (MWh/10,000 m ²)	860.89	1,008.03	1,018.14	1,116.51
Social investment				
Social investment (RMB'0,000)	3,215	576	1,008	1,085

Appendix I – Content Index of the Environmental, Social and Governance Reporting Guide

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Aspect	Description	Place/notes
A. Environment		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environment
A1.1	The types of emissions and respective emissions data	Environment
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Overview of ESG Data
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Overview of ESG Data
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Overview of ESG Data
A1.5	Description of measures to mitigate emissions and results achieved	Environment
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Environment
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Environment
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Overview of ESG Data
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Overview of ESG Data
A2.3	Description of energy use efficiency initiatives and results achieved	Environment
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	N/A
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	N/A
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment

Appendix I – Content Index of the Environmental, Social and Governance Reporting Guide

Aspect	Description	Place/notes
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to remuneration and dismissal, recruitment and promotion, working hours, vacations, equal opportunities, diversity, anti-discrimination and other benefits and welfare	Staff
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Overview of ESG Data
B1.2	Employee turnover rate by gender, age group and geographical region.	Undisclosed
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Staff
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Undisclosed
B2.2	Lost days due to work injury	Undisclosed
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Staff
Aspect B3: Development and Training		
General Disclosure	Policies on the improvement of knowledge and skills for employees to perform their duties. Description about training activities	Staff
B3.1	The percentage of employees trained by gender and employee category (eg. senior management, middle management)	Overview of ESG Data
B3.2	The average training hours completed per employee by gender and employee category	Overview of ESG Data
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Staff
B4.1	Description of measures to review employment practices to avoid child and forced labour	Staff
B4.2	Description of steps taken to eliminate such practices when discovered.	Staff
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Market
B5.1	Number of suppliers by geographical region	Market
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Market
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Market
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Market

Aspect	Description	Place/notes
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Market
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Undisclosed
B6.2	Number of products and service related complaints received and how they are dealt with	Undisclosed
B6.3	Description of practices relating to observing and protecting intellectual property rights	Market
B6.4	Description of quality assurance process and recall procedures	Market
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Market
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Market
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Market
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Market
B7.3	Description of anti-corruption training provided to directors and staff	Market
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its business activities will take into consideration the communities' interests	Communities
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Communities
B8.2	Resources contributed (e.g. money or time) to the focus area	Communities