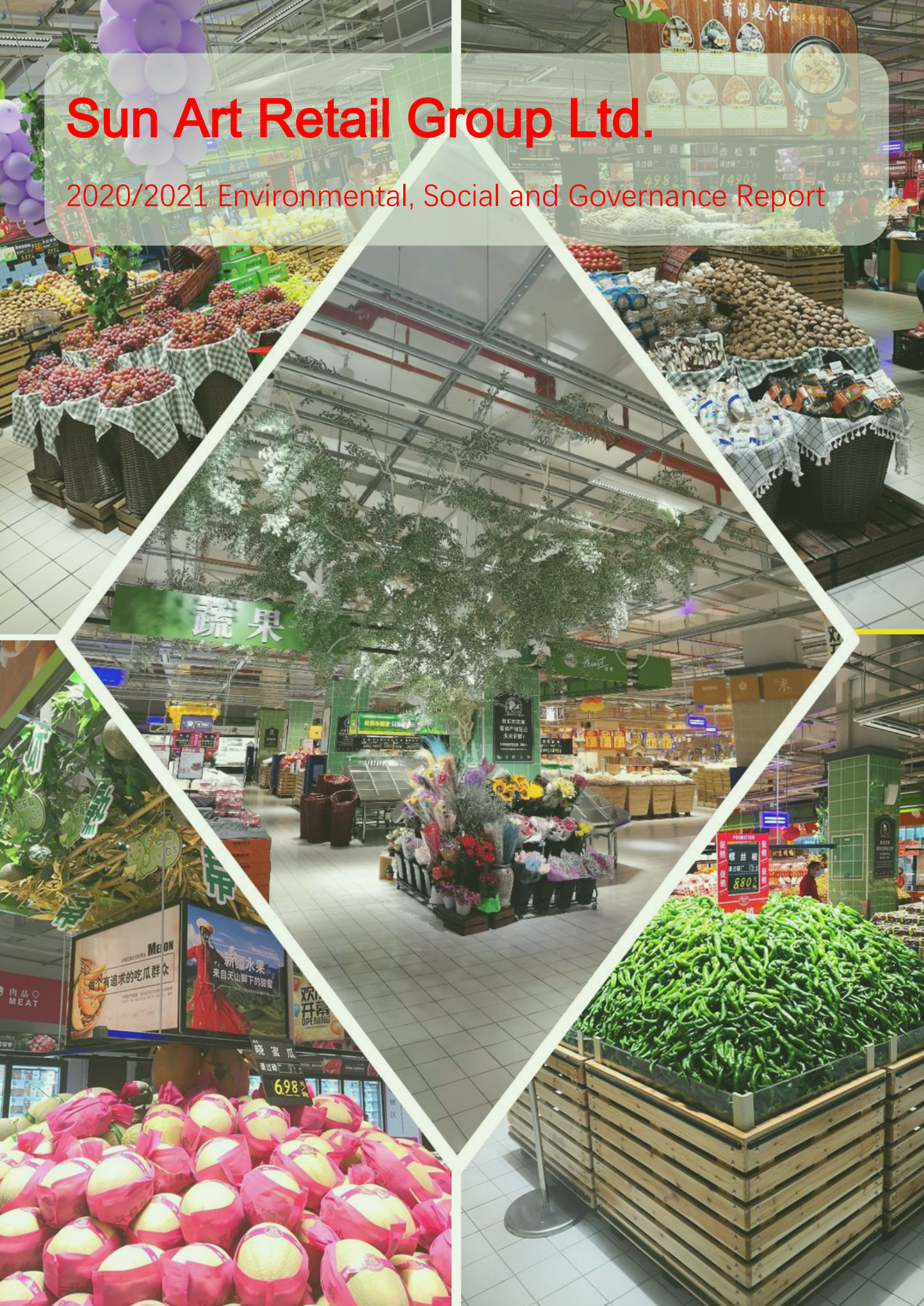


# Sun Art Retail Group Ltd.

2020/2021 Environmental, Social and Governance Report





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# About This Report

## Overview

This report is the fourth "Environmental, Social and Governance Report" (hereinafter referred to as the "ESG Report", "this Report" or "the Report") issued by Sun Art Retail Group Limited, whose aim is to disclose company's ESG governance, practice and performance to all stakeholders of the company.

## Reporting Period

This Report covers the period from January 1, 2020 to March 31, 2021 (the "Reporting Period" or "the Year"). To enhance the integrity of the Report, part of the contents precede or post-date the Reporting Period, as appropriate.

## Reporting Scope

This Report covers Sun Art Retail Group Limited and all its operating entities ("the Group", "Sun Art", "Sun Art Retail", "we" or "us").

## Report Preparation Standard

This Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). Meanwhile, we have referred to the Appendix 27 of Review of the ESG Reporting Guide and Related Listing Rules ("the ESG Guide") issued by the Stock Exchange in December 2019.

The reporting scope was determined, and the relevant materials and data were collected in accordance with the identification and prioritization of material stakeholders and ESG-related material issues. This Report is based on this information, and the data in the Report were reviewed to ensure the completeness, materiality, authenticity, and balance of the reporting content.

## Data Sources and Reliability Statement

The information and data in the Report were obtained from statistical data and official documents of the Group, and were reviewed and approved by the relevant departments. The Group guarantees that this Report does not contain any false records or misleading statements, and that the Group is responsible for the authenticity, accuracy and completeness of the Report.

## Report Language and Format

This Report is available in both Chinese and English versions in electronic form for reference. For more information about the background, business development and sustainability concepts of Sun Art Retail, please visit the official website of Sun Art Retail.

(<http://www.sunartretail.com/sc/global/home.php>)

## Recognition and Approval

This Report was approved by the Board of Directors ("the Board") on August 12<sup>th</sup>, 2021 after approval by senior management.



## Message from the CEO

2020 was a milestone year for Sun Art Retail. During the Year, Alibaba Group officially became the largest controlling shareholder of Sun Art Retail. Based on their strategic cooperation agreement, Sun Art Retail and Alibaba further deepened their cooperative development relationship. Sun Art Retail successfully implemented the digital transformation of its business and management utilizing resources and technology from various parties, completed the exploration of the transformation of its B2C business, and introduced many technological innovations and upgrades to ensure that the Company is equipped with stable and advanced technical support while developing multiple business formats. Facing new opportunities in the new retail industry and the critical point of transformation of Chinese supermarkets, we will continue to improve our new retail strategy to provide consumers with a more personalized, high-quality shopping experience, and contribute to the development of the new retail industry.

2020 was also a challenging year for Sun Art Retail. At the beginning of the year, the epidemic ravaged the country. After the outbreak of the epidemic, we closely monitored the trend of the epidemic in various regions of China, and actively responded to the call of the government and people from all walks of life, lending a helping hand to various regions through multiple channels to fulfill our mission of "being a good neighbor to the community". Faced with the huge impact of the epidemic on the retail industry, to strictly comply with local epidemic prevention policies and to meet the epidemic prevention requirements, the employees of Sun Art Retail stood firm at their posts and dedicated themselves to providing consumers with stable supply in a safe environment.

We understand that we have a greater responsibility than ever in times of crisis, and this responsibility is a key pillar of our sustainable development. In recent years, we actively strengthened communication and exchanges with internal and external stakeholders to understand their expectations and get their feedback on our sustainable development performance, to allow us to make continuous improvements and enhancements. Looking back at Sun Art Retail's 2020 ESG performance, in terms of the environment, we made continuous green improvements in reducing energy use and emissions waste, and actively cooperated with external parties to encourage consumers to engage in green shopping. In terms of governance, we have a comprehensive corporate governance structure to ensure compliance and established an initial ESG governance structure. We also established and are committed to following an ethical business code of conduct, which is deeply rooted in the hearts and minds of every employee. In terms of social governance, we ensure product quality and food safety to provide society with safe products, and we care about public welfare, bringing "Sun Art warmth" to the society through our charitable donations and activities.

Looking to the future, we will continue to work together with all sectors of society to achieve mutual growth and development, and move forward on the road of sustainable corporate development. Finally, on behalf of the management of Sun Art Retail, I would like to express my heartfelt gratitude to all our employees, customers and partners, and all our friends who have always cared about and supported Sun Art Retail.

Mr. Xiao Hai Lin  
CEO of Sun Art Retail  
August 2021





## Introduction to Sun Art Retail

Sun Art Retail Group Limited is a leading player in China's retail industry, with hypermarkets, superstores and mini stores under the RT-Mart, RT-Super and RT-Mini brands. As at 31 December 2021, Sun Art Retail had 484 hypermarkets, six superstores and 32 mini stores in China with a total gross floor area ("GFA") of approximately 13.07 million square meters, covering 232 cities across 29 provinces, autonomous regions and municipalities, bringing convenience to millions of people.

Sun Art Retail's main development strategy is "to synchronize our hypermarkets, superstores and mini stores, integrate our online and offline business, and develop multi-formats and omni-channels". We aim to remodel our physical space to become offline experience centers for customers and logistics fulfilment centers for our online business, as well as a leader in the digital transformation of physical retail and a benchmark for the new retail industry. Our controlling shareholder Alibaba

Group will integrate its online and offline professional capabilities with Sun Art to jointly explore new retail development opportunities in China's retail market.

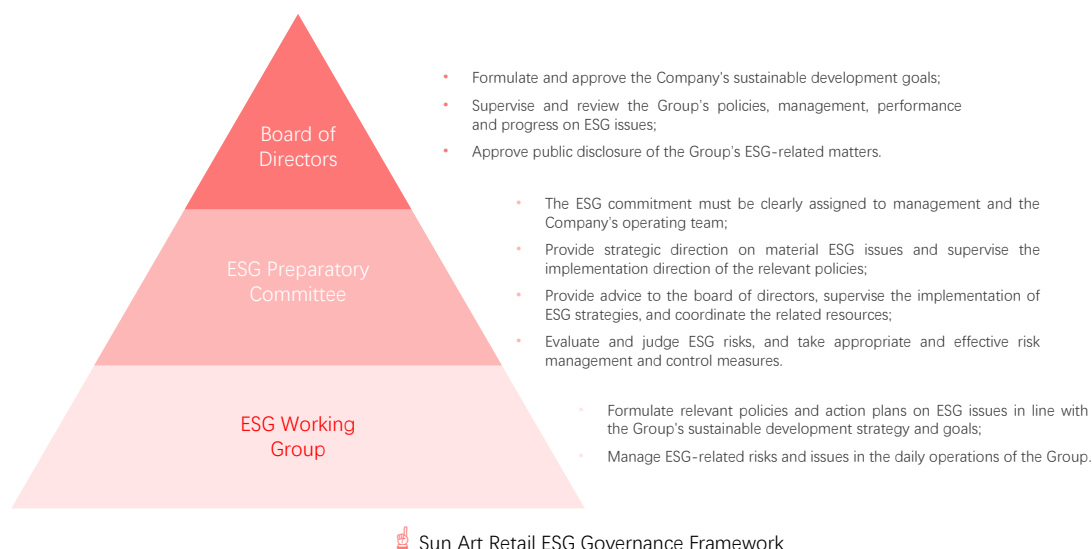
All advances and innovations in the retail industry have improved the quality of life for consumers and provided new lifestyle choices for society. Sun Art Retail upholds the following values: "Customer First, Trust, Integrity, Excellence, Team Work, and Openness". People and their well-being and our passion for service are at the core of everything we do. We want to provide an example to others through the quality of our exclusive products, our selected offers, our low prices, and the excellence of the customer experience. We set the tone for New Retail, opening up a bright future for the retail industry. To fulfil our corporate responsibilities, Sun Art constantly pursues sustainable development by paying attention and giving back to society.

# 1. Responsible Governance, Sustainable Operations

## 1.1 ESG Governance

The retail industry is one of the most important industries in the country, as it affects the well-being of hundreds of millions of households. As a leader in China's retail industry, Sun Art Retail is well aware of the importance of sustainable development and deeply integrates the concept of responsible governance into its daily operations. Through the coordination and cooperation of various departments in the Group, we actively assume social responsibility and promote the common development of the corporate and society.

The Group has preliminarily formulated an internal ESG governance framework, led by senior management with the participation of middle-level and grass-roots employees, to implement corporate social responsibility more efficiently and strengthen ESG management. An ESG preparatory committee was designated to manage related issues, and an ESG working group was established to promote the continuous improvement of Sun Art Retail ESG management.



## 1.2 Stakeholder Communication

In the Group's management process, Sun Art has always made use of collective intelligence and continuously increased the participation of its stakeholders. Our ESG stakeholders include mainly the Group's employees, suppliers, customers, shareholders and investors, as well as the government, and the communities in which we operate. Sun Art Retail attaches great importance to, and actively communicates with, its internal and external stakeholders. Through diversified communication channels, we have developed a deep understanding of the demands of all parties in our daily operations and management, encouraging suggestions and conducting effective communication and responses.

Stakeholders	Communication Expectations	Communication Channels	Communication Frequency
Government and Regulatory Authorities	<ul style="list-style-type: none"><li>Operate and pay taxes in accordance with the law</li><li>Increase social employment</li><li>Guarantee supply</li><li>Ensure food safety</li></ul>	<ul style="list-style-type: none"><li>Communication with officials</li><li>Cooperate with supervision and inspection</li><li>Attend related meetings</li><li>Consult officials on regulations and policies</li></ul>	<ul style="list-style-type: none"><li>Communicate with the government and regulatory authorities when necessary</li></ul>
Industry Association	<ul style="list-style-type: none"><li>Promote the healthy development of the industry</li><li>Promote industry guidelines</li><li>Establish an industry model</li></ul>	<ul style="list-style-type: none"><li>Industry seminars and forums</li><li>Peer investigation and research</li></ul>	<ul style="list-style-type: none"><li>From time to time</li></ul>

Stakeholders	Communication Expectations	Communication Channels	Communication Frequency
Shareholders and investors	<ul style="list-style-type: none"> <li>Guarantee investment income</li> <li>Protect the rights and interests of shareholders</li> </ul>	General meeting of shareholders	<ul style="list-style-type: none"> <li>Once a year, an extraordinary general meeting of shareholders is required for special issues</li> </ul>
		Board of Directors	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>
		Investor visits and research	<ul style="list-style-type: none"> <li>From time to time (no external communication during the "silent period")</li> </ul>
Consumers	<ul style="list-style-type: none"> <li>Guarantee quality and price</li> <li>Continuously optimize services and improve the shopping experience</li> <li>Meet different needs</li> </ul>	<ul style="list-style-type: none"> <li>Online and offline communication channels</li> <li>After-sales service</li> <li>Store service centers</li> </ul>	<ul style="list-style-type: none"> <li>Daily</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Fair trade</li> <li>Information sharing</li> <li>Guarantee delivery time</li> <li>Guarantee payment time</li> </ul>	<ul style="list-style-type: none"> <li>Communication with relevant officials</li> <li>Information management system</li> </ul>	<ul style="list-style-type: none"> <li>From time to time</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Improve employee remuneration and benefits</li> <li>Provide rich career development opportunities and training</li> </ul>	<ul style="list-style-type: none"> <li>Staff meetings</li> <li>Employee activities</li> </ul>	<ul style="list-style-type: none"> <li>From time to time</li> </ul>
	<ul style="list-style-type: none"> <li>Enhance the interaction and bonds between the Company and employees, boost employee morale, and provide encouragement</li> </ul>	<ul style="list-style-type: none"> <li>Annual meeting</li> </ul>	<ul style="list-style-type: none"> <li>Yearly</li> </ul>
News media	<ul style="list-style-type: none"> <li>Announce new developments of the Group</li> <li>Supervise public opinion strategy</li> </ul>	<ul style="list-style-type: none"> <li>Press conference</li> <li>Holiday promotion information publicity</li> </ul>	<ul style="list-style-type: none"> <li>From time to time</li> </ul>
Local community residents	<ul style="list-style-type: none"> <li>Care and provide welfare for the community</li> <li>Listen to the opinions of the community</li> </ul>	<ul style="list-style-type: none"> <li>Community tours</li> <li>Community and staff meetings</li> <li>Volunteer service</li> </ul>	<ul style="list-style-type: none"> <li>From time to time</li> </ul>

### 1.3 Materiality Assessment

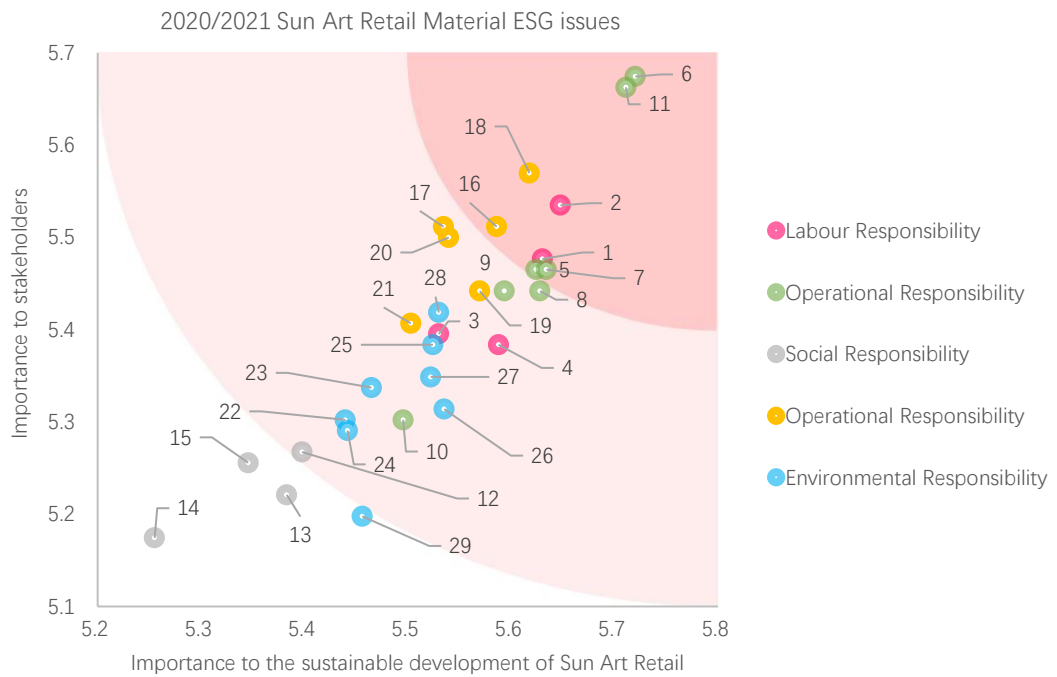
The materiality assessment matrix is based on an analysis and summary of the materiality assessment results of various stakeholders, and it plays a pivotal guiding role in Sun Art Retail's upcoming ESG work. The materiality assessment for this Report was mainly for external and internal stakeholders, including the Group's directors, senior and middle-level management, suppliers, consumers, shareholders and investors, industry's analysts, and regulatory authorities. We comprehensively considered ESG-related issues of concern to stakeholders, integrating this with the ESG guidelines set out by the HKEX, MSCI-ESG ratings<sup>1</sup>, CSA questionnaires<sup>2</sup>, etc., as well as social issues to create and distribute stakeholder questionnaires to understand the concerns of all stakeholders. We carried out a questionnaire covered 29 topics, including operations, labor, community, environment and governance. We received 1,854 responses from internal stakeholders. We screened various issues based on the results of the questionnaire and compiled a material issues matrix.

<sup>1</sup> MSCI ESG Ratings: This system focuses on the Company's performance on 37 key ESG evaluation indicators under 10 themes in three categories: the environment, society and governance. It includes four themes under the environment: climate change, natural resources, pollution and waste, and environmental opportunities; four themes in the social category: human resources, product credibility, shareholder veto power and opportunities to create value for society; and two themes under governance: corporate governance and corporate behavior.

<sup>2</sup> CSA questionnaire: The Dow Jones Sustainability Index (DJSI) evaluation system adopted the CSA questionnaire, combining company documents, public information, and four direct contact channels with the Company, and evaluates the sustainability of the Company from the perspective of investment through economic, social and environmental strategies.



Flow chart for identifying material issues



Sun Art Retail Materiality Issues Matrix

Materiality	No.	Issues	Areas
Extremely material	1	Employment and labor rights	Labor Responsibility
	2	Occupational health and safety	Labor Responsibility
	5	Customer relationship management	Operational Responsibility
	6	Product quality and safety	Operational Responsibility
	7	Responsible supply chain	Operational Responsibility
	11	Food safety	Operational Responsibility
	16	Anti-corruption	Operational Responsibility
	18	Compliance operations	Operational Responsibility
Significantly material	3	Development and training	Labor responsibility
	4	Employee care	Labor responsibility
	8	Consumer privacy protection	Operational responsibility
	9	Compliance promotion	Operational responsibility
	10	Nutrition and health opportunities	Operational responsibility
	12	Local procurement	Social responsibility
	17	Intellectual property protection	Governance responsibility

Materiality	No.	Issues	Areas
Significantly material	19	Economic performance	Governance responsibility
	20	Risk management	Governance responsibility
	21	Stakeholder participation	Governance responsibility
	22	Water resources management	Environmental responsibility
	23	Energy management	Environmental responsibility
	24	Greenhouse gas emissions	Environmental responsibility
	25	Emissions	Environmental responsibility
	26	Waste management	Environmental responsibility
Material	27	Packaging material management	Environmental responsibility
	28	Supply chain environmental management	Environmental responsibility
	13	Industry development promotion	Social responsibility
	14	Charity activities participation	Social responsibility
	15	Community participation	Social responsibility
	29	Climate change	Environmental responsibility

List of Sun Art Retail Material Issues

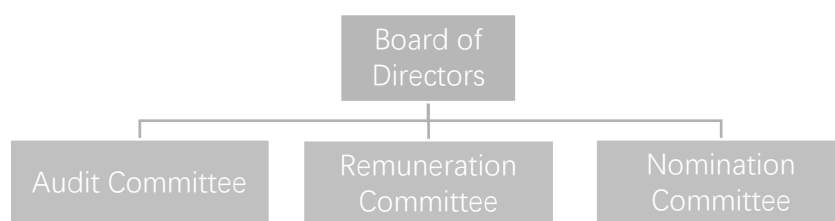



## 1.4 Corporate Governance Structure

The Group strictly abides by the requirements of the listing rules, and related laws and regulations, and is committed to upholding the interests of shareholders and generating continuous returns to shareholders, using this as a key principle of corporate governance to continuously improve the governance structure.

The Group formulated the "Corporate Governance and Compliance Manual" to maintain high standards of corporate governance. We regularly review the organizational structure to ensure that our operations are consistent with sound corporate governance practices and the latest developments. The Group's Board currently has seven directors: one executive director, three non-executive directors, and three independent non-executive directors. The Board is responsible for monitoring the business, strategic decisions, and performance of the Group, and regularly reviews the contributions the directors make when performing their duties, and whether they devote sufficient time to performing their duties.

There are three committees under the Board: audit, remuneration and nomination committees. The responsibilities of each committee are specified in hardcopy format.



 Sun Art Retail Board of Directors Structure

## 1.5 Risk Management and Internal Controls

To continuously improve the risk management level and implement relevant policies and systems, we regularly evaluate the effectiveness of, and deficiencies in, our risk management and internal controls, and formulate corresponding improvement measures. The internal audit department of the Group is responsible for reviewing the adequacy and effectiveness of our risk management and internal control systems, reviewing key issues, and providing audit findings and improvement suggestions to the audit committee. Management is responsible for supervising risk management and internal control evaluation and reporting to the Board and the Audit Committee on the effectiveness of the risk management and internal controls. The Audit Committee is responsible for assisting the Board in macro-control of risk management and internal control systems, as well as reporting to the Board. We are gradually incorporating ESG risks into the Group's risk management, and evaluating risk management and control in our ESG practices. Our initial findings are that our ESG risks are effectively managed and controlled. We have gradually incorporated ESG risks into the Group's risk management, combining our work on risk management and control in our ESG practices.

## 1.6 Compliance and Business Ethics

Sun Art Retail has always operated in compliance with all laws and regulations. We are committed to creating a clean, law-abiding work atmosphere throughout the Group, and ensuring that management and employees comply with all laws and regulations. The Group established a compliance team, which is responsible for overseeing the Company's internal operating standards, correcting violations of regulations and enforcing discipline, and establishing a firm line of defense against any improper business activities. We also formulated a list of standards to implement the principles of corporate anti-corruption, covering all subsidiaries and all employees of Sun Art Retail, including "Gift Handling Regulations", "Incorruption and Integrity Agreement Letters", and an "Employee Handbook".

To implement the principles of honesty and integrity and create a fair and harmonious corporate environment, Sun Art Retail set up a complete corruption reporting procedure. We strictly abide by the "Labor Law of the People's Republic of China", "The Unfair Competition Law of the People's Republic of China", the "Anti-Money Laundering Law of the People's Republic of China", the "Interim Provisions on the Prohibition of Commercial Bribery", and other national laws and regulations. Based on the relevant provisions of French Sabine No. 2 Act, a series of internal policies for compliance operations, including the "Code of Practice for Anti-Corruption and Corruption" have been formulated to promote the internal management and standardization of the Group.

➡ Supervising complaint channels: anti-corruption whistle-blowing hotlines, email addresses and website addresses in the branch staff channels

➡ Case acceptance: The Loss Prevention Team at headquarters collects case information from various channels every week.

➡ Case verification and handling: The Loss Prevention Team and relevant departments set up an investigation team, which is responsible for verification. Investigation reports are assigned to each district headquarters, and the internal control committee handles the verified personnel involved according to their job level.

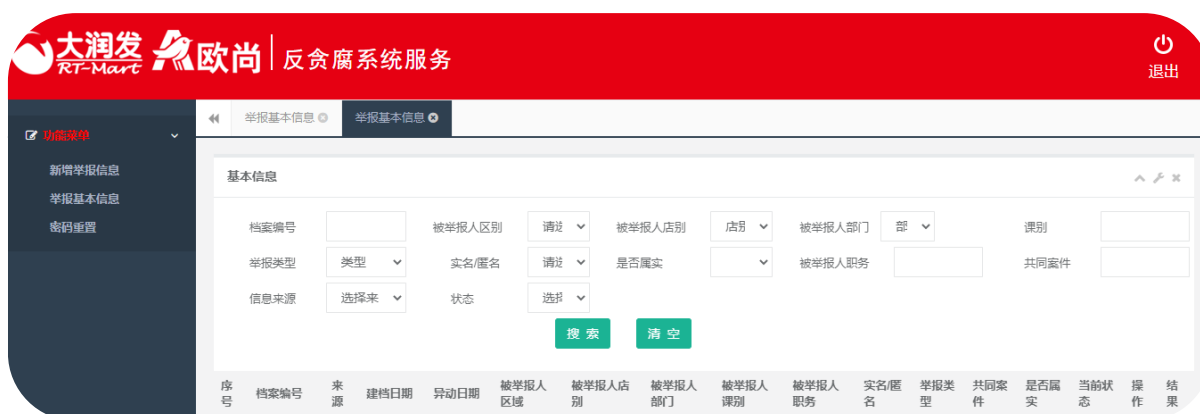
➡ Case closing and filing: No more than three months from acceptance to the end of the case; an extension can be applied for under special circumstances.

➡ Internal control tracks the progress and results of case processing once a week, summarizes it once a month, and submits it to management for review.

 Sun Art Retail Anti-Corruption Management Framework

The Human Resource Department adopted a dual-channel anti-corruption training method that combines online and offline, and provides training to in-service employees of RT-Mart through DingTalk Cloud Classroom. The content covers the "Professional Code of Ethics II", "Employee Handbook Amendments", and a "Professional Ethics Code II Test". The average training time for each employee is at least 45 minutes, which strengthens their understanding of how to prevent corruption and the professional code of ethics. In addition to the assigned learning on online DingTalk Cloud classroom, Sun Art organized several offline training sessions and requested employees to sign a "commitment letter". The signing rate reached 100% in 2020. The letters were archived in the district headquarters and the salary office of the stores. As at the end of March 2020, the completion rate of anti-corruption training for the employees of Sun Art Retail reached 96.22%.

The Group also provides employees with multiple channels for supervision and complaints, such as the "gift declaration system" and the "anti-corruption reporting system". Anti-corruption training is regularly provided to the Board and employees to continuously strengthen and improve anti-corruption awareness across the Group. We also set up various public whistle-blowing channels, including telephone, email, and our official website. Notification boards are posted in major stores in each region to publicize the reporting channels and to work with the public to continue to improve the Group's anti-corruption management.



 Anti-corruption Internal Whistle-blowing System

举报人：

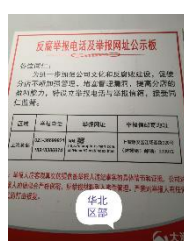
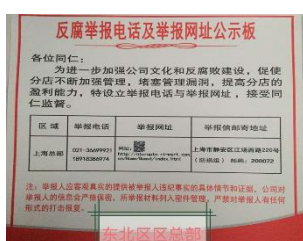
姓名 (必填)	<input type="text"/>		
电话 (必填)	手机 <input type="text"/>	或	电话 <input type="text"/>
公司 (必填)	<input type="text"/>		部门 (必填) <input type="text"/>
邮箱 (必填)	<input type="text"/>		

被举报人：

姓名 (必填)	<input type="text"/>			职务 (必填)	<input type="text"/>
区域 (必填)	请选择区域 <input type="text"/>		店别 (必填)	请选择店别 <input type="text"/>	
部门 (必填)	请选择部门 <input type="text"/>		课别 (必填)	<input type="text"/>	

举报说明 (必填)

Anti-Corruption Internal Whistle-blowing System on Sun Art Retail's Official Website  
(<http://ntcrptn.rt-mart.com.cn/Home/Guest/index.html>)



Sun Art Retail Stores Whistle-blowing Notification Board

During the reporting period, Sun Art was not involved in any concluded corruption lawsuits.

## 2. Product Service, Quality First

### 2.1 Quality and Safety Assurance

Sun Art Retail firmly believes that the overall improvement of product quality management plays a key role in promoting the long-term development of the Company. We are committed to providing consumers with quality products and services, adhering to our slogan: "safe products, happy shopping, and business thrives with integrity and quality". We strictly abide by the "Food Safety Law of the People's Republic of China" (《中华人民共和国食品安全法》), the "Implementation Regulations of the Food Safety Law of the People's Republic of China" (《中华人民共和国食品安全法实施条例》), and related laws and regulations. We have formulated quality management and food safety management rules and regulations, including "Food Safety and Quality Control Job Title" (《食品安全质量管控工作职章》), and we have continued to strengthen the Group's product quality and food safety management.

#### 2.1.1 Systematic Quality Management

We strive to establish a complete scientific, standardized quality management system and food safety management system, applying efficient quality management concepts and models in all our operations, including product procurement, supply and service. Sun Art Retail headquarters obtained ISO 9001 quality management system certification and ISO 22000 food safety management system certification. We accelerated the standardization, transparency and modernization of our quality assurance and food safety supervision on the basis of certification to achieve higher quality, and safer and more sustainable development.





ISO 9001 Quality Management System Certification



ISO 22000 Food Safety Management System Certification

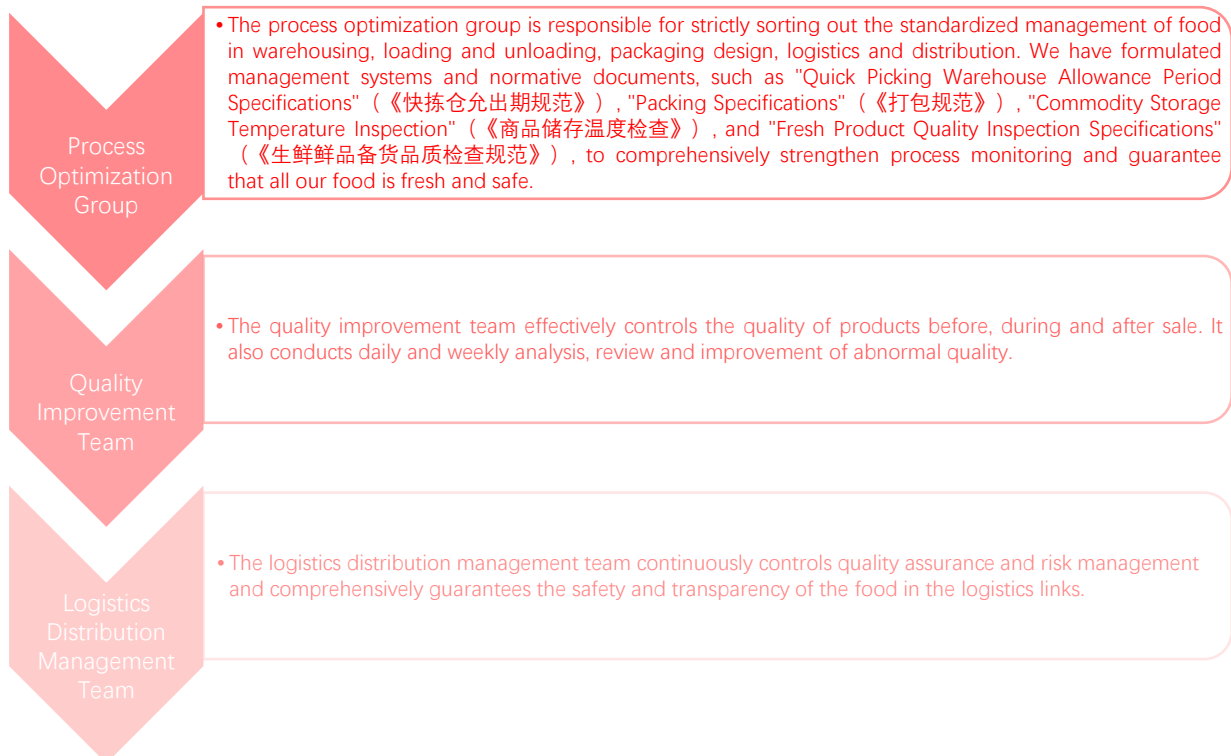
## Supply-Side Controls

The supply side is an important part of our product quality and food safety control. Regarding supply-side management, we have formulated a complete supply chain product quality and food safety management system, and strict product supply standards. We provide supplier supervision through mechanisms such as supplier access, regular and irregular audits, unannounced inspections, and automatic early warning systems, to fully control the products they supply.

During the reporting period, we carried out 36 training workshops for audit and inspection personnel to strengthen their professional capabilities to achieve more accurate quality and safety management.

## Integrated Internal Management

We established a process optimization group, a quality improvement group, and a logistics distribution management group to comprehensively manage product quality and food safety.



Sun Art Retail guarantees product quality through standardized packaging

#### Insulation goods

Polydiacetylene (PDA) is used in packaging operations to issue alerts when packaging insulated products, which are placed in an incubator according to system instructions. Dry ice and ice film are used to ensure that the products are at the right temperature.

#### Fragile commodities

Fragile commodities are packaged in separate gray boxes, with light products on top of heavy to ensure that the commodities are not damaged or squeezed.



Insulation Goods



Fragile Commodities

## Commodity inspection

To ensure product quality and food safety, Sun Art Retail requires all stores to check general information, such as product name, origin, specifications, implementation standards, manufacturer, contact information, production date and shelf life, for all categories of products. Special information checks are carried out for other important categories. Unqualified products identified in the inspection process are rejected at reception and are recorded to the WEB system. In addition, to continuously test the reliability and advancement of our receiving process and standards and ensure product quality and safety, we invite third-party cooperative agencies to conduct inspections of the product-receiving process at each store every two months.



## Early Warning of Risks

Under the concept "Food Safety is No Small Matter", Sun Art Retail continually strengthens its early warning system for food quality and safety risks, by striving to detect, analyze, control and prevent each key point of food safety and quality control, thereby effectively reducing food-safety risks. We also focus on strengthening the construction of food safety risk monitoring networks. We established a food safety platform and commodity data sharing platform with Alibaba and the China Chain Store & Franchise Association to achieve an early warning system for food risk control.

## Quality Safety Culture

Sun Art Retail understands the power of corporate culture in continuously improving the level of food safety management. During the reporting period, we implemented food safety-related training and publicity activities based on the attributes of each business and the characteristics of each department, while continuing to promote the infiltration of corporate food safety cultural concepts.

During the reporting period, we conducted six training sessions on product quality and food safety, involving the fresh food, fast-moving consumer goods and daily distribution departments. A total of 83,901 people completed the training, laying a solid foundation for ensuring quality and safety.

## 2.1.2 Commodity Recalls and Traceability

### Commodity recalls

In accordance with the requirements of the national "Measures for the Administration of Food Recall" (《食品召回管理办法》) and the "Interim Regulations for the Administration of Consumer Product Recalls" (《消费品召回管理暂行规定》), we formulated the "RT-Mart Material Abnormality Handling Process (Recalls)" (《大润发重大异常处理流程(召回)》), which regulates the requirements for recalling product types, levels, timelines and disposal to ensure that products ready for sale can be handled promptly and effectively in the event of safety or quality problems.

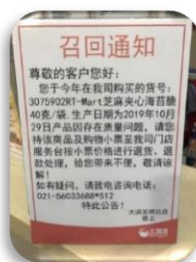
Upon discovery or receipt of dangerous or non-compliant products, the Group immediately implements a proactive recall process at the supply chain end and sets up a task force to investigate when the product was manufactured, where it was distributed, and the root cause of the problem. We implemented a public recall and refund process, submit the cases to local regulatory authorities, and work under the guidance of the relevant laws and regulations and local government organizations. For cases of consumer returns initiated because of product quality, our shops quickly organize self-investigations, report the results to the relevant quality inspection departments at headquarters, and carry out the relevant traceability work in accordance with Company procedures. During the reporting period, Sun Art Retail experienced 16 cases of returns to suppliers because of problems with product quality.

In addition, to ensure and evaluate the operability of the recall process, we organize recall training and drills every year, thereby strengthening Sun Art Retail's capability to respond to unexpected product recall situations. During the reporting period, there were no incidents in which Sun Art Retail sold or delivered products that had to be recalled for safety or health reasons.

#### Product Recall Drills organized by Sun Art Retail

In May 2020, the Quality Inspection Team, Operations Department, Procurement Department and other departments at Sun Art Retail Headquarters, together with the RT-Mart Zhabei Store, organized an irregular retrospective recall drill to enhance the ability and level of emergency food safety incidents handling.

The recall drill set the total number of bacterial colonies exceeding the standard level in the product sampling inspection as the background. Through the Sun Art retail product recall process, product circulation was strictly traced, and every department worked together to effectively implement the product recall.



### Merchandise Traceability

We are committed to establishing a comprehensive merchandise traceability program and strive to achieve comprehensive, timely and informative product information traceability. We launched a centralized food safety platform, which enables all products sold in our shops to be tracked and traced throughout the entire process from production to sale. In addition, we post QR codes next to the shelf cards of our products so that consumers can scan the QR codes to check the basic production, purchase and quality information on our products. As at 31 March 2021, the Group achieved the tracking and tracing of certain categories of goods in RT-Mart shops in Shanghai and Auchan's shops in Eastern China, including mainly offline vegetables, pork and chilled poultry.

### Products with an expiry date

We also set up a comprehensive management system for products with expiry dates. For all "expired goods", we put a prominent "expired goods" logo on the packaging to remind customers and distinguish them from goods that are being liquidated. We also put an "expired goods" logo on the packaging and a special "expired goods" sign when free goods approach their expiry date.



'Expired goods' are sold in a special area of the store, with prominent 'expired goods' signs and an 'expired goods' checklist in the area. The shelf life of the products is checked daily, and the products that have reached their use-by date must be removed from the shelves immediately and scrapped according to the Company's scrapping procedure.

In the back of the warehouse, we set up a special storage space for "expired goods" with prominent signs and arrange for someone to check the shelf life of the goods and fill in the checklist every day. We then dispose of them according to the Company's scrapping procedure.

For those goods that are approaching the end of their shelf life, we offer a 50% discount until their use-by date. If there is a conflict between the local regulations and the use-by date, we will remove the products before the standard use-by date.

## 2.2 Business Innovation

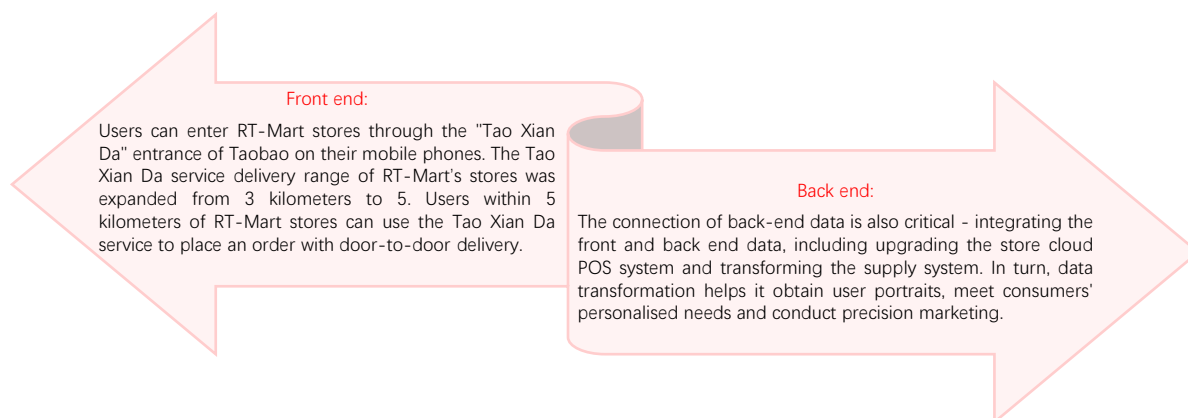
Sun Art Retail actively promotes the transformation and upgrading of traditional business innovation, and fosters and develops new digital systems to accelerate innovation in business systems and models. We adhere to the value concepts of open cooperation and swift response to meet and lead market demand and industry development.

### 2.2.1 Technology Transformation

Sun Art Retail has always used technology to drive business innovation, comprehensively promoting digital transformation, and online and offline integration. We are committed to providing users with a smarter shopping experience and better service experience through technological advances.

#### "Tao Xian Da" – Exploration of B2C Business Transformation

Sun Art Retail started piloting access to "Tao Xian Da" in 2018, and realized 100% of RT-Mart stores' access to Tao Xian Da before Double Eleven in 2018. Through the Tao Xian Da project, the integration of the membership system, payments, inventory, marketing, logistics and the supply chain had been implemented to provide assistance to physical stores. Driven by front-end and back-end technology and data, Sun Art Retail has continuously built a personalized and standard marketing ecosystem while improving the efficiency of our physical stores.



On the basis of product upgrades, we consistently explore technological transformation and consumption upgrading scenarios. Through the establishment of quick-pick warehousing and the transformation of the supply chain, we provide more technological retail solutions to stimulate consumption and enhance the value chain, while allowing customers to experience an upgraded service experience through industry-leading technology.



### *Quick-picking Warehouses*

- Advantages: The quick-picking warehouse uses centralized stocking, and guides inventory category, placement and quantity using big data. The picking line in the warehouse is carefully designed to reduce the frequency of picking personnel needed to pick up goods at the front end of the store, so that the front-line personnel outside the warehouse have more time to serve customers.
- More than 490 stores now have quick-picking warehouses.



### *Modification of the suspension chain system*

- Advantages: Setting up a suspension chain system and matching the loading ports of each category area allows employees to quickly allocate goods after receiving an order and transport the packages to the packing area on a suspension chain, greatly improve efficiency.
- More than 370 stores have a transformed suspension chain system.



### *Inventories Shared with Tmall Supermarket*

- Advantages: The launch of Tmall supermarket products on RT-Mart, the organic combination of various Sun Art Retail stores, and the supply chain benefits of Ali's new technology and door-to-door model improved corporate efficiency and provided consumers with a better shopping experience, resulting in a larger market share.
- Number of stores reached in half a day: more than 150.

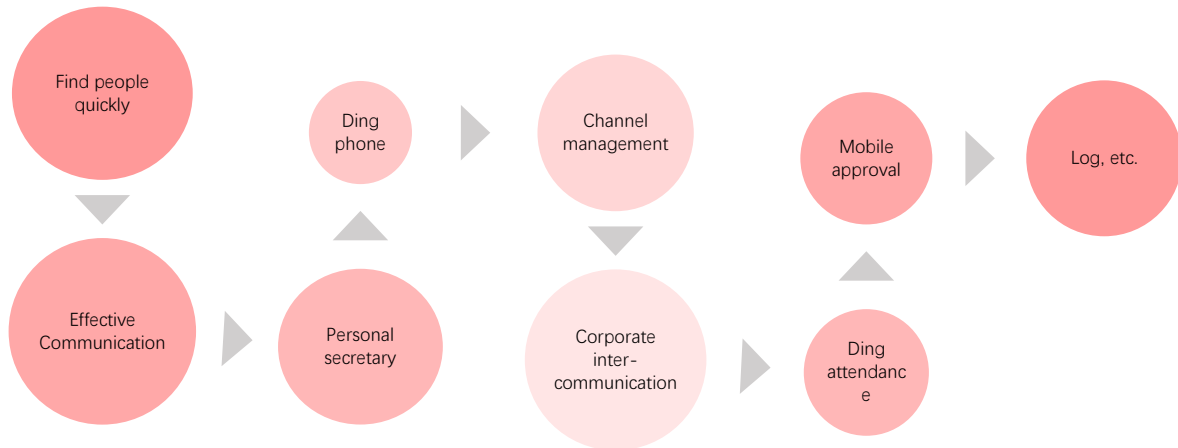
## 2.2.2 Operational Transformation


Sun Art Retail continued to accelerate the transformation of its business structure and operation model, focusing on the development and application of new technologies and new tools. Through its insight onto, and openness to, the technological development of the Company and the industry, it has built efficient operational scenarios and comprehensively improve operational efficiency.

To improve the business operations of its traditional supermarkets and prevent them from becoming out of date, RT-Mart actively tried out new business forms, such as "RT-Super" and "RT-Mini", while focusing on omni-channels, digitalization and upgrading offline consumption to continuously enhance the future retail operation model. As at March 31, 2021, Sun Art Retail had opened 6 RT-Super and 32 RT-Mini stores.

### Improving operational efficiency with Alibaba's digital capabilities

In response to the wave of digital management, Sun Art Retail has long focused on the implementation of digital working methods. We introduced "DingTalk" as a platform for communication and coordination between enterprises and employees. Through PC or mobile phone, DingTalk provides digitalized functions, such as business communication, attendance clock-in, sign-in/approval, logs, announcements, Dingdisk and Dingmail between enterprises and employees, continuously improving our management and operational capabilities.



 Applying online management tools for digital operations at Sun Art Retail

## 2.2.3 Innovation Protection

Innovation is the source of sustainable development of an enterprise, and a sound intellectual property protection system is a strong guarantee for protecting and stimulating innovation. While applying advanced technology and business transformation, we also pay attention to the protection of intellectual property (IP) rights. We strive to establish and improve the IP protection management system and process control mechanisms. Our IP management work includes mainly the application and maintenance of trademarks, copyrights, patents, etc. As at March 31, 2021, Sun Art Retail had 705 IP rights: 661 trademarks, 42 copyrights, and 2 patents.

## 2.3 Dedicated Service

Sun Art Retail insists on promoting service upgrades and experience innovations, and is committed to creating a more diversified business ecosystem to drive new smart retail experiences. We have established a comprehensive customer service feedback channel to ensure the quality of customer service and upgrade the shopping experience through practical innovations.

### 2.3.1 Upgrading the Service Experience

In the context of the Internet of Everything, Sun Art Retail adheres to the concept of technology empowerment, by opening up new channels, leading new retail, and upgrading and offering new experiences. We insist on quality consumption, through the reconstruction of hypermarkets, and turning "supermarkets" into offline consumer experience centers. Through product empowerment, traditional consumer products constitute a modern and beautiful lifestyle.



### New Technology Application to Help Upgrade the Shopping Experience

During the reporting period, to meet the oxygenation needs of online and offline customers for purchasing fresh goods and to enhance the shopping experience and our services, our fresh shrimp items were packaged with oxygenation equipment, such as oxygenation machines and bags to guarantee the freshness of the fresh shrimps as much as possible during delivery to consumers. As at March 31, 2021, we were using oxygenation equipment in 495 stores.



The launch of our RT-Mart App, the "Buy meat, get green onions free" and "Online order for milk" functions moved our daily offline shopping scenes online to meet the needs of more users and continuously improve the customer experience and customer loyalty.



## 2.3.2 Customer Safety Assurance

Sun Art Retail attaches great importance to safety management in our operations. We formulated relevant management systems, such as the "Safety Inspection Measures for Fire Fighting Facilities and Equipment" (《消防设施设备安全检查措施》), the "Fire Safety Evacuation, Power Outage Drills" (《消防安全疏散、停电演练及反恐防暴作业规范》), the "Anti-Terrorism Anti-riot Operation Regulations" (《消防安全疏散、停电演练及反恐防暴作业规范》), the "Safety Education Training and Safety Inspection" (《安全教育培训及安全检查》) and other related management systems, to continuously build and improve the safety management system, and comprehensively improve the safety operation level of our stores through daily measures.

We require all equipment to be handled carefully in regard to facilities, equipment, design, etc. We pay attention to leaving enough space for trucks to unload, fire-fighting equipment and activities, etc., and require equipment manufacturers to train our employees in the stores to help prevent or respond swiftly to accidents. We set up warning signs for potential safety hazards, such as anti-collision, anti-skid, and fire protection, when designing store layouts. Regular checks in the fresh fish area are carried out to prevent the risk of leaking equipment. Ramp aisles for moving goods are adjusted to prevent goods from falling to effectively ensure the personal safety of our customers.

Following our "Safety Inspection Measures for Fire Fighting Facilities and Equipment" (《消防设施设备安全检查措施》), we conduct regular safety inspections and maintenance of our indoor fire hydrant systems, automatic sprinkler systems, automatic fire alarm systems, and safety evacuation facilities. We formulated repair procedures, and follow the requirements for issuing common tools and equipment, and treatment methods, thus comprehensively improving the standardization and management of our fire-fighting facilities and related equipment in our stores.

We strictly organize the safety education and training for each store, and promote regular training to strengthen our employees' safety awareness and standardize safety procedures to ensure safe operations. Sun Art conducts safety training for all employees, including safety education and training for new employees within one week of entry; and safety education and training for those who have been employed at least one year every six months.

To improve the handling and self-rescue capabilities of each store in response to emergencies, and anti-terrorism and anti-riot incidents, and to ensure the personal safety of our customers and employees, we combine fire evacuation drills, power outage emergency drills, and anti-terrorism and anti-riot drills, carrying them out simultaneously (for branches, one year after opening and then once a quarter; for new stores, one month after opening, then every month for the first six months, and then once every February) to comprehensively enhance the safety awareness of employees and build a safe retail space for customers and staff.

## 2.3.3 Enhancing Service Satisfaction

Sun Art Retail regards customer needs as our core focus. We are committed to providing customers with better products and more considerate services. Satisfying customer needs and customer satisfaction are the goals of Sun Art Retail from beginning to end. To achieve these goals, during the reporting period, Sun Art Retail continued to improve the service system, improve service levels, broaden feedback channels, and conduct satisfaction surveys to provide integrated, all-round services to meet our customers' needs.



#### Suggestion box on store service desk



**Collection method:** Desktop customer suggestion box at the service counter of each store

**Handling mechanism:** Sent to the store general manager for unified handling



#### Customer suggestion box in store



**Collection method:** Wall-mounted customer suggestion box in an eye-catching position in each store

**Handling mechanism:** Sent to the store's general manager for unified handling



#### Organizing customer talkfests



**Collection method:** Every Saturday, the customer service department of each store sends a commissioner to the service desk area to randomly invite 3 to 5 customers to participate in a talkfest.

**Handling mechanism:** Problems raised in each store and are investigated by the customer service manager; head office is informed of procurement problems, and notified of the need for procurement assistance in tracking and solving problems.



#### Community forum



**Collection method:** As good neighbors in the community, each store regularly hosts community visits and holds discussions with community members.

**Handling mechanism:** We listen to the opinions and suggestions of the community through forums, and make changes based on the opinions and suggestions.



Sun Art Retail Customer Feedback Channel

During the reporting period, we comprehensively promoted caring service projects. From the customer perspective, we comprehensively improved the customer experience through transparent management and forward-looking services.

### The store provides price checkers and fair scales

To protect the interests of customers and give them peace of mind, Sun Art Retail provides price checkers and fair scales in RT-Mart stores. This provides more convenience for customers who have price inquiries and would like to weigh goods.

### Self-service stations added in stores

During the reporting period, Sun Art Retail added several self-service items. In offline stores, customers can use self-service cashiers to scan product barcodes and QR codes to pay and check out, saving employees' time and improving customers' self-service experience.

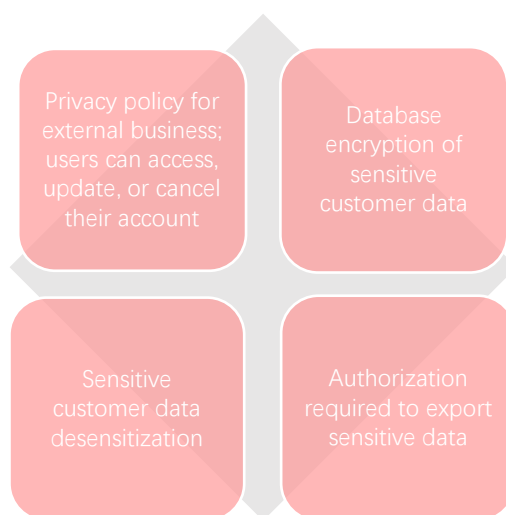
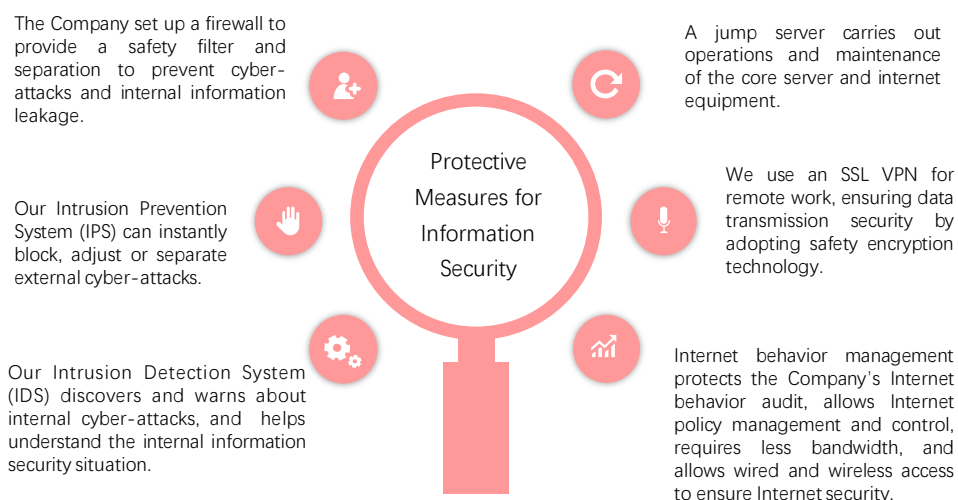


During the epidemic, RT-Mart's procurement team implemented a series of measures to deploy direct sourcing from the production area to ensure the availability of daily necessities and strive to find better products and prices. We made every effort to ensure the normal supply of daily necessities to meet consumers' needs during the epidemic.

During the Reporting Period, Sun Art Retail stores undertook mystery customer inspections twice a month to evaluate products, services, facilities, environmental hygiene, etc. Headquarters compiled statistics and rankings on the results of the mystery customer inspections each month. Each store took corresponding rectification measures, based on the reflected problems and suggestions. A reward-and-punishment incentive mechanism for the inspection results motivated stores to always pay attention to the quality and level of service. Based on the mystery customer inspections, the stores held customer talkfests every two weeks to better understand customer needs and preferences, and collect customer opinions and suggestions, which we followed up and responded to.

### 2.3.4 Information Security and Privacy Protection

Corporate sustainability is inseparable from high-security information resource management. Sun Art Retail highly values information security and the protection of customer privacy. We strictly abide by the regulations and provisions on personal data protection, such as the "Network Security Law of the People's Republic of China" (《中华人民共和国网络安全法》) and the "Encryption Law of the People's Republic of China" (《中华人民共和国密码法》). We have formulated management systems, such as the "RT-Mart Privacy Policy" (《大润发隐私权政策》), the "Sun Art Retail Data Security Specifications (Trial)" (《高鑫零售数据安全规范(试行)》), the "Sun Art Retail Data Desensitization and Encryption Specifications" (《高鑫零售数据脱敏和加密规范》), and other management systems. We adopted a series of information security protection measures to comprehensively improve the information security control level of different products and services, and various business scenarios. We pay special attention to protecting customer privacy. For our Company app and official website, we take all reasonable and feasible measures to minimize the collection of personal information and ensure that we do not collect irrelevant personal information. All sensitive customer data in the database is encrypted and exported with authorization settings. No customer information leakage incidents occurred during the year.



Protective Measures for Customer Privacy



Sun Art Retail has built a company-wide cultural atmosphere of information security protection awareness. During the reporting period, we conducted new online and offline information security awareness training for employees. The online training covered all employees of the Company, while the offline training cover new hires. We occasionally held an "Employee Security Awareness Training"(《员工安全意识培训》) cloud classroom, continued to convey information security policy trends and best practices domestically and internationally, and consistently expanded staff knowledge and awareness of information security.

## 3. Green Environmental Protection, Beautiful Homes

### 3.1 Environmental Management System

When environmental problems occur, Sun Art Retail adheres to the concept of "Living Better", by setting an example and persisting in implementing environmental protection measures and assuming the Company's environmental protection responsibilities.

#### 3.1.1 Environmental Policy

To implement more standardized and effective management of environment-related activities, Sun Art Retail strictly abides by the relevant laws and regulations of the country and areas where we operate, including the "Law of the People's Republic of China on the Environmental Protection 《中华人民共和国环境保护法》", "Law of the People's Republic of China on the Energy Saving 《中华人民共和国节约能源法》", "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution 《中华人民共和国大气污染防治法》", "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中华人民共和国固体废物污染环境防治法》", and the "SB/T 10814-2012 Guide for Supermarket Waste Management".

We formulated internal environmental management-related rules and regulations to clarify the responsibilities of the relevant personnel and continue to improve the level of systematic environmental management, as shown in the following table:

"Environmental Management Charter"	"Code of Practice for Waste Separation and Recycling"
"Code of Practice for Energy Management System"	"Code of Practice for the Prevention and Control of Pests"
"Code of Practice for Energy Control"	"Code of Practice for Recycling Process of Waste Cardboard in Stores"
"Energy Consumption Auditing Standards"	"Code of Practice for Cardboard Boxes"
"Code of Practice for Dealing with Pollution Sources in Stores"	"Code of Practice for Weighing and Recycling Cardboard Boxes"

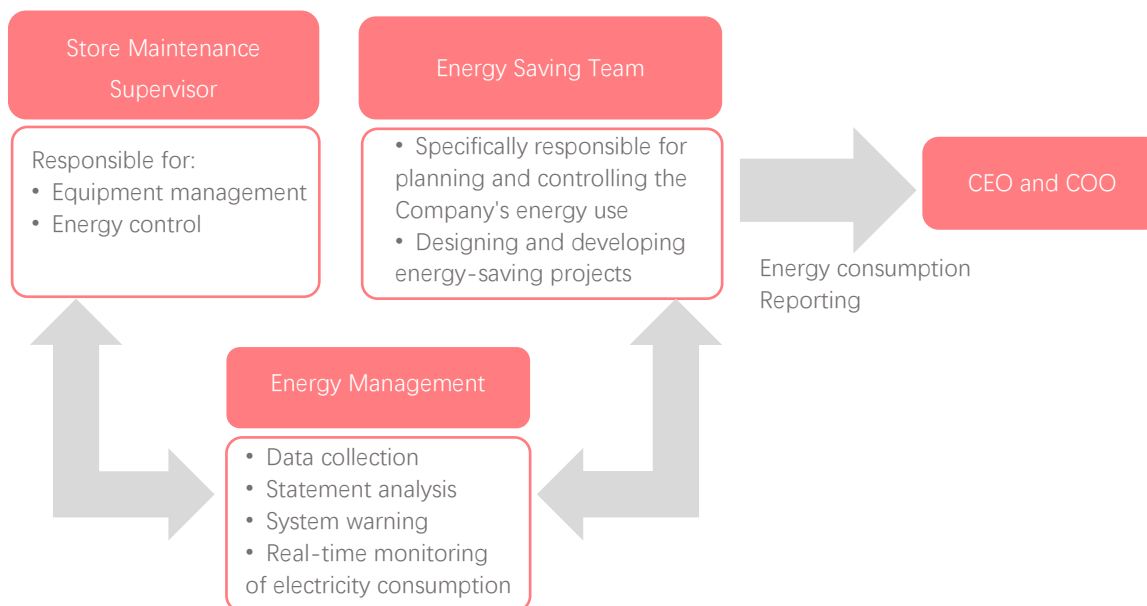
 Sun Art Retail Environment-related Management System

During the reporting period, Sun Art Retail did not have any major environmental pollution incidents or environmental violations that had a significant impact on the Company.

#### 3.1.2 Management System

##### Energy Management System

To achieve Sun Art Retail's mission of "continuously improving energy performance", we established an energy management system in 2009, which clarifies the division of related management responsibilities, with each store responsible for equipment and energy management and control by the maintenance supervisor. We actively promote the digital management of energy. Since 2011, we have structured and gradually improved the energy management system, and strengthened the energy consumption control of stores through data collection, report analysis, system alarms, real-time monitoring, and electricity consumption audits. The stores upload the data and bills to the WEB management system at the same time to ensure the completeness and accuracy of the data. The system also has an error reminder function within the system. Sun Art Retail is committed to creating energy-friendly operations. We established an energy management model with the headquarter's energy-saving group as the core and supported by each store. Through unified planning and control of the Company's energy use, the accuracy of data can be checked and controlled from the detailed to the macro level.



 Division of Energy Management Responsibilities

## Emissions Management System

Sun Art Retail has developed and improved its environmental data management system. After waste-related data is entered into the system on a daily basis, it is handed over to qualified waste sorting and disposal companies for regular or irregular waste recycling and effective treatment. Every month, a dedicated person audits the data entered by each store, analyzes the reasons for any abnormal data, and rectifies it immediately. For wastewater, each store records its meters' readings daily to monitor water usage, and the Company's energy saving team tracks water consumptions of all stores every month. Monitoring water usage data allows abnormalities to be found promptly, the cause to be identified and dealt with in a timely manner, and continuous improvement to be made. Sun Art Retail controls greenhouse gas emissions mainly by monitoring energy and refrigerant consumptions. To understand refrigerant consumption and inventory status of each branch in real time, a refrigerant import, sales and inventory management analysis system has been established; through system analysis, headquarter and stores can have an immediate understanding of the inventory and consumption status of each store, and accurately analyze the safe inventory and equipment operation status. This allows us to focus on stores that are using more refrigerant than average, confirm the reasons, and deal with them quickly.

### 3.1.3 Climate Risk Management

Facing intensive climate risks, such as an increase in the frequency of extreme weather events around the world, Sun Art Retail strives to ensure the stability of our operations by assessing major climate risks and taking corresponding measures. In addition, with the introduction of the national goal of Carbon Neutrality and Peak Emissions in China, Sun Art Retail aims to implement energy-saving and emissions-reduction programs, etc. to support the development of national and regional carbon policies in our daily operations. Sun Art Retail has built a robust network covering a comprehensive supplier library, a strong logistics network, and abundant operating location options to ensure our operational stability under different weather conditions. For example, in daily operations, depending on weather warnings and traffic conditions, products are arranged in advance to meet daily customer needs. For more details about Sun Art Retail's energy saving and emissions-reduction activities and supply chain management practices, please refer to Green Operations and Supply Chain Management sections in this Report.

### 3.1.4 Sustainable Agriculture

Sun Art Retail is constantly buying and selling crops and animal products in our daily operations. Sun Art Retail aims to actively promote sustainable agricultural concepts in our operations and those of our suppliers by taking effective action. Therefore, during the procurement process, we strictly comply with the applicable national laws and regulations. For example, we conduct strict audits on product labels and certifications before engaging suppliers and when procuring products, to ensure all products displayed in our stores are in line with the relevant requirements of the jurisdiction in which Sun Art Retail operates. At the same time, we cooperate with other organizations to promote the development of sustainable agriculture among the public. For example, during the reporting period, we worked together with an animal welfare institution to jointly promote animal-welfare policies related to chickens. For a detailed case study, please refer to the Green Corporation section.

## 3.2 Green Operations

Sun Art Retail is deeply aware of the importance of integrating the concept of sustainable development into our daily operations. Through continuous exploration, the Company is committed to realizing the effective use of resources, promoting a low-carbon lifestyle, and enhancing our influence by delivering the mindset of environmental protection with all our stakeholders and working with all parties to build an ecological civilization.

### 3.2.1 Emissions Management

#### Wastewater Management

In Sun Art Retail's operations, water are used mainly by customers and employees for toilets, sanitation, food processing, and air-conditioning. The wastewater generated is uniformly treated through the municipal sewage network. To improve the efficiency of wastewater utilization, Sun Art Retail began installing wastewater storage and wastewater recycling systems in our pure water equipment in 2007. The wastewater generated by the pure water system is sent to designated clean water points for reuse as clean water. As a result, total water saving is about 490,000 tons per year.



During the reporting period<sup>3</sup>, Sun Art discharged 19,772,698.36 tons of wastewater<sup>4</sup> through the municipal sewage pipe network; the wastewater discharge intensity<sup>5</sup> was 159.03 tons/million RMB.

#### Waste Management

On July 1, 2019, the "Shanghai Regulations on Domestic Waste Management 《上海市生活垃圾管理条例》" were officially launched, indicating the leading role of Shanghai has taken in the compulsory classification of domestic waste among the whole country. With the implementation of waste-sorting legislation and the advocacy of national waste sorting, Sun Art Retail actively responded to the call and carried out waste-sorting operations in Nanjing, Suzhou and other places. Taking Suzhou as an example, Sun Art Retail has carried out publicity and preparatory work for waste sorting since December 2020 and plans to implement waste-sorting activities from June 1, 2021. The waste generated by Sun Art's daily operations includes mainly paper and plastic products, cardboard, foam plastic, kitchen waste, waste oil, metals, and a small amount of hazardous waste. Sun Art adheres to the management concept of "suits its measures to local conditions" and adopted the five-area classification principle for its stores. It set up sorting trash bins, classifying them as outdoor area, shopping area, office area, operation room, and warehouse waste generation, and collects, classifies, and weighs all waste on a daily basis.

#### ● Recycling Cardboard Boxes

The Group has merged the various suppliers signed by each store since 2017 to unify the management of cardboard box recycling in the stores. Through public bidding via our official website, an outstanding supplier was selected to recycling our cardboard boxes, and its management is carried out under the unified regulations of the headquarter. The Group tracks abnormal situations based on the audit and analysis of monthly data, and guides the relevant stores to ensure that the recyclable cardboard boxes are properly disposed of. During the reporting period, 157,300 tons of waste cardboard were recycled by the Group.

<sup>3</sup> Sun Art Retail expanded the environmental data scope in the reporting period (i.e. from 1 January 2020 to 31 March 2021) by extending the time frame and including data from logistics centers, newly opened stores and commercial shops to align it with the revenue data scope in our annual report.

<sup>4</sup> The total amount of wastewater is estimated based on 80% of the total water consumption in the reporting period.

<sup>5</sup> Wastewater discharge intensity = wastewater discharge/total revenue for the fiscal year.



Sun Art Retail generated 268.27 tons of hazardous waste<sup>5</sup> during the reporting period. The emissions intensity of the hazardous waste<sup>6</sup> was 2.16 kg/million RMB. A total of 684,775.72 tons of general solid waste were generated, 507,255.17 tons of which were recyclable waste and 177,520.55 tons of which were non-recyclable waste. The emissions intensity of the general solid waste<sup>7</sup> was 5.51 tons/million RMB while the emission intensity of recycling waste<sup>8</sup> was 4.08 tons/million RMB.

## Air Emissions Management

The main gas emissions of Sun Art from operations came from emissions of sulfur dioxide, nitrogen oxides and smoke caused by burning gasoline, diesel, and natural gas, Scope 1 direct greenhouse gas(GHG) Emissions generated by the consumption of refrigerants and the Company's vehicles, and Scope 2 indirect greenhouse gas(GHG) emissions from the purchased electricity.

### ● Promotion of environmentally friendly refrigerants

The use of refrigerants is indispensable for the quality of products in retail outlets, but it also indirectly causes a considerable amount of greenhouse gas emissions. To reduce the damage refrigerants cause to the ozone layer and to reduce the corresponding greenhouse gas emissions, the Energy Saving team from Sun Art Retail Headquarter, Equipment team, and Engineering Department, together with refrigerant manufacturers, promote environmentally friendly refrigerants. Since 2011, new shops have been required to use the R404A refrigerant (a mixture of pentafluoroethane, trifluoroethane and tetrafluoroethane) to replace the ozone-depleting R22 refrigerant (difluorochloromethane); and in 2018, we introduced the R448A refrigerant (hydrofluoroolefin blended refrigerant), with a lower GWP (global warming potential) value, i.e. GWP=1,273 to replace the R404A (GWP=3,943) refrigerant in new shops and retrofit shops. As at the end of the reporting period, 40 shops under Sun Art Retail had completed the installation of environmentally friendly refrigerants, including 23 retrofit shops and 17 newly opened shops; in the future, Sun Art Retail will continue to promote environmentally friendly refrigerants.

### ● Photovoltaic Power Generation

To reduce greenhouse gas emissions, we continued to carry out rooftop photovoltaic power generation projects, setting up solar power generation systems on shop rooftops and car parks to reduce greenhouse gas emissions by increasing photovoltaic power generation. Under the influence of the PV power-generation system, the heat load in the store buildings were correspondingly reduced, thus indirectly reducing the air-conditioning load. As at 31 March 2021, Sun Art Retail's RT-Mart had completed 16 photovoltaic power-generation projects, generating 13,508.95MWh of electricity in the current financial year, achieving an average annual reduction in carbon emissions of approximately 8,241.81<sup>9</sup> tons compared to coal-fired power generation.



<sup>6</sup> Hazardous waste emission intensity = hazardous waste discharge volume /total revenue for the fiscal year.

<sup>7</sup> General solid waste emission intensity = general solid waste discharge volume/total revenue for the fiscal year.

<sup>8</sup> Recycling waste emission intensity = recycling waste discharge volume/ total revenue for the fiscal year.

<sup>9</sup> The annual average emissions reduction achieved by photovoltaic power generation = total electricity amount generated by photovoltaic power × average emissions factor of the national power grid. The average emissions factor of the national power grid is 0.6101tCO<sub>2</sub>/MWh, which comes from the "Corporate Greenhouse Gas Emission Accounting Methods and Report Guidelines-Power Generation Facilities", issued by the Ministry of Ecology and Environment".



During the reporting period, Sun Art Retail generated 35.47 tons of NO<sub>x</sub>, 0.13 tons of SO<sub>2</sub>, 73.55 tons of CO, and 1.18 tons of particulate matter (PM) from vehicles<sup>10</sup>. Scope 1 emissions<sup>11</sup> amounted to 120,569.70 tons and Scope 2 GHG emissions<sup>12</sup> amounted to 2,067,023.17 tons. Total Scope 1 and Scope 2 GHG emissions amounted to 2,187,592.86 tons, with GHG emissions intensity of 17.59 tons CO<sub>2</sub>e per million RMB.

Scope I Emission sources	Units	2020 <sup>13</sup>
* Natural gas	tons of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	4,429.37
* Gasoline	tons of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	95.21
- Vehicles	tons of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	94.69
- Non-vehicle	tons of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	0.53
* Diesel	tons of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	21,241.31
- Vehicles	tons of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	21,227.39
- Non-vehicle	tons of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	13.93
* Refrigerant	tons of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	94,803.80
Total	tons of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	120,569.70
Scope II Emission Sources	Units	2020
* Purchased electricity	tons of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	2,067,023.17

## 3.2.2 Use of Resources

### Energy Use

Sun Art Retail has been committed to exploring, identifying and implementing energy conservation and emissions reduction projects for many years. The Group's current energy-saving projects cover a wide range of systems, from lighting, air conditioning, and range hoods to photovoltaic power generation to collectively achieve the efficient use of energy.

#### ● Lighting System

Since 2013, Sun Art Retail's stores has been updating the traditional lighting system to LED lightings to achieve our goal of saving electricity. By 2018, all existing stores had been fully transformed with LED lights and all newly opened stores have used LED lights directly. Compared to the traditional lighting system, LED lights can reduce energy consumptions by more than 40%.

#### ● Air-Conditioning System

The Group's stores use high-efficient central air-conditioning units. In 2018, air-conditioning automation reforms were completed in all stores to realize the linkage control of units, fans, and water pumps. The air-conditioning system was fully automated through sensing, frequency conversion and automation control technologies, which helps to improve energy utilization efficiency and reduce energy consumption intensity. This automatic control system reduced the average energy consumption of each store's air-conditioning system by more than 30%. To maximize energy efficiency, a bypass section was added to the original structural function section of the air-conditioning units during the transitional season. In this way, the fresh air bypasses the surface cooler and directly enters the store through the bypass section to reduce wind pressure, thus reducing energy consumption.

<sup>10</sup> NO<sub>x</sub>, SO<sub>2</sub> and PM generated from vehicles are calculated based on the "Hong Kong Exchange's guidance on Environmental, Social and Governance – Appendix 2: Reporting guidance on Environmental KPIs". The emissions factor of CO generated from vehicles refers to "Technical Guidelines for the Compilation of Air Pollutant Emissions Inventory of Road Motor Vehicles".

<sup>11</sup> Scope 1 emissions include GHG emissions generated from the combustion of gasoline, diesel and natural gas. Emission factor of gasoline and diesel combusted from vehicles refers to "Hong Kong Exchange's guidance on Environmental, Social and Governance – Appendix 2: Reporting guidance on Environmental KPIs". Emission factors of gasoline, diesel and natural gas generated during operations refer to "Guide to corporate's greenhouse gas emissions accounting and reporting for other industries (Trail)".

<sup>12</sup> Scope 2 GHG emission factor refers to "Average Carbon Dioxide Emission Factors of China's Regional Power Grids in 2011 and 2012".

<sup>13</sup> Sun Art Retail expanded the environmental data scope in this reporting period (i.e. from 1 January 2020 to 31 March 2021) by extending the time frame and including data from logistics centers, newly opened stores and commercial shops, which is aligned with the data scope of revenue in our annual report.

## ● Automatic Control of Range Hoods



In 2019, we launched an automatic control transformation project for range hoods. The main purpose of the project is to automatically monitor the processing load, automatically adjust the fan frequency, and automatically start and stop the fan according to the processing time to reduce energy consumption. As at March 31, 2021, we had completed the automatic control transformation of range hoods in 373 stores. It is estimated that each store will save 50,000 to 60,000 kWh of electricity per year, resulting in total savings of approximately 20 million kWh of electricity each year.

During the reporting period, Sun Art Retail consumed 3,163,985.34 MWh of energy<sup>14</sup>, 100,325.12 MWh of which was direct energy use<sup>15</sup> from the combustion of fossil fuels, 3,050,151.27 MWh of which was indirect electricity use, and 13,508.95 MWh of which was renewable energy from photovoltaic power generation. The overall energy consumption intensity<sup>16</sup> was 25.45 MWh per million RMB.

## Use of Water Resources

All water used by Sun Art Retail come from the municipal pipeline network. Sun Art Retail continued to take proactive actions to increase the efficiency of water use and reduce the amount of water use during the year.

### ● Automatic floor scrubber

With the continuous development of artificial intelligence technologies, Sun Art Retail began to promote the use of unmanned washing machines in 2019 in response to national policies and future trends. The scrubber is equipped with a unique quadruple filtration system. Compared with traditional scrubbers, each machine can save 65,700 liters of water per year. As at the end of the reporting year, there are six stores equipped with the machines under the Group, and Sun Art Retail plans to continue to promote the machines in other stores in an orderly manner in the future.



### ● Anhydrous toilet

Sun Art Retail began using anhydrous urinals since the end of 2009 to improve toilet cleanliness standards, to provide customers with a comfortable public environment, to prevent the waste of water resources and to reduce sewage discharge. At present, 268 retail stores used a total of 3,460 anhydrous urinals within Sun Art Retail. As each urinal can save around 150,000 liters of water per year, Sun Art Retail saved 519,000 cubic meters of water throughout all sites during the year.

During the reporting period, Sun Art retail used 24,668,376.75 tons of water<sup>17</sup>, all from the municipal water supply, leading to the total water consumption intensity of 198.40 tons/million RMB in the fiscal year.

## Use of Packaging Materials

The Sun Art Retail Logistics Center classifies materials according to stretch films, sealing tapes, seals and office supplies, and assigns specific personnel to manage them. Through the development of consumable usage standards and summarizes the use of consumables in each department every week, it tracks abnormal use and gets an up-to-date grasp of the use of consumables in each department. Used recyclable and reusable paper boxes in the logistics center are arranged and stored in a unified manner for

<sup>14</sup> Sun Art Retail expanded the environmental data scope in this reporting period (i.e. from 1 January 2020 to 31 March 2021) by extending the time frame and including data from logistics centers, newly opened stores and commercial shops, which is aligned with the data scope of revenue in our annual report.

<sup>15</sup> The combustion of fossil fuels in Sun Art Retail is mainly from the combustion of gasoline, diesel and natural gas. Energy generated from fossil fuels is calculated based on "General Principles of Comprehensive Energy Consumption Calculation".

<sup>16</sup> Energy consumption intensity = energy consumption (direct energy consumption from fossil fuel combustion + indirect energy consumption from purchased electricity + renewable energy from photovoltaic power generation/total revenue for the fiscal year).

<sup>17</sup> Sun Art Retail has expanded the environmental data scope in this reporting period (i.e. from 1 January 2020 to 31 March 2021) by extending the time frame and including data from logistics centers, newly opened stores and commercial shops, which is aligned with the data scope of revenue in our annual report.

subsequent reuse or recycling.

To reduce the use of stretch film, in early 2021, the logistics center encouraged suppliers to use their own stretch film to reduce packaging waste. Sun Art also encouraged and recommended the use of recyclable materials, such as cage trucks and logistics boxes as vehicles for recycling. Reusable packaging materials (such as wrapping cloth) were used to replace stretch film whenever the on-site operations permitted; plastic film that cannot be reused is organized and stored in a unified manner and recycled. To use fewer labels, Sun Art uses small green dots and handwritings instead of label papers when possible. When label paper is required, we formulated different specifications for labels according to the needs; the size of open plate labels was reduced from 10x11cm to 5.5x11cm, which meets the demands while reducing waste.

During the reporting period, Sun Art used 643,225.53 tons of packaging materials<sup>18</sup>, and the use intensity of packaging materials was 5.17 tons/million RMB. Recyclable packaging materials totaled 150,464.49 tons.

## Plastics Reduction

On January 19, 2020, the National Development and Reform Commission and the Ministry of Ecology and Environment issued a new version of the Plastic Restriction Order "Opinions on Further Strengthening the Treatment of Plastic Pollutions", which requires to improve the management system for the production, circulation, consumption, recycling and disposal of plastic products by 2025. Non-degradable plastics will be gradually prohibited or restricted. Later, with the introduction of the amended "Ban on Plastics", various provinces and regions successively announced their own "Bans on Plastic" adapted to local areas.



Sun Art Retail actively responded to the government's ban on plastics and began to gradually use biodegradable vest bags to replace disposable plastic products in its stores. Starting from July 2020, 44 RT-Mart stores in eastern China started using paid biodegradable shopping bags in the sales process, and 26 stores in Shanghai area used non-woven shopping bags. Following government requirements, the Company registered a report on the use and recycling of disposable plastic products in the "Report System

for the Usage and Recycling of Disposable Plastic Products" of the Ministry of Commerce on January 30, 2021, and will report the use and recycling of all plastic products through the system every six months.

At the same time, in January 1, 2021, 156 Sun Art stores started using biodegradable vest bags, at an average monthly rate of about 840,000 (1,800 per store/day). For stores that allow the use of PE for the vest bags, the thickness of the bags was adjusted from 0.027mm to 0.03mm to facilitate their recycling.



### 3.2.3 Food Loss and Waste

As a leading company in China's retail industry, Sun Art Retail applies the principle of full value chain food loss control to reduce food loss and waste along the entire supply chain from product procurement, warehousing, processing and sales to the timely introduction of new products. With close consideration of costs, Sun Art set different loss and waste targets for different categories of food, which applies to our suppliers and in our own daily operations to strictly control product quality and integrate food loss control concepts into daily store and warehousing operations. Sun Art Retail will review the actual amount and targets for food loss and waste annually to continuously improve its food loss control measures and plans.

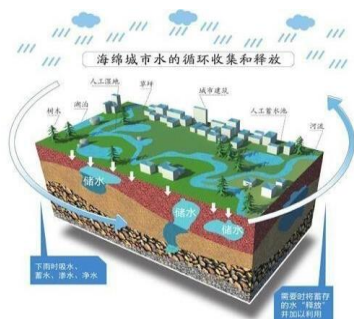
<sup>18</sup> Sun Art Retail has expanded the environmental data scope in this reporting period (i.e. from 1 January 2020 to 31 March 2021) by extending the time frame and including data from logistics centers, newly opened stores and commercial shops, which is aligned with the data scope of revenue in our annual report.

### 3.2.4 Green Design

Sun Art Retail has integrated green concepts into the entire building life cycle, from design and construction to management, to save resources as much as possible, protect the environment, and provide our customers with a safe, healthy and comfortable shopping environment.

#### Green Design – Kunshan RT-Mart Commercial Plaza

During the design and development stage of the Kunshan RT-Mart Commercial Plaza, Sun Art referred to green building design standards and the sponge city design concept and adapted the design and development to the local conditions. While preserving the naturalness of the development site, green design was carried out, such as adjusting the envelope structure (including the renovation of the roof, exterior walls, exterior windows, and doors) to reduce energy consumption, increasing rainwater recycling, installing purifiers to improve indoor air quality, and using low-noise equipment to reduce construction noise, which provides customers, merchants and employees a safe, peaceful living and work environment. During the construction phase, Sun Art implemented green construction principles and controlled carbon emissions and energy consumption throughout the project life cycle, achieving the "three simultaneous goals" of energy-saving facility construction and project construction.



*"Sponge city is a water resource management strategy, following the principle of ecological priority, combining nature and man-made features, and reducing the ground area and impervious area by preserving the naturalness of the development site as much as possible. The impervious ground is separated as much as possible, and decentralized source control technology is used to increase the total annual runoff control rate and annual runoff pollution removal rate."*

### 3.3 Green Corporation

Sun Art Retail has devoted its efforts to green operations and has actively promoted cooperation with multiple parties to jointly promote green environmental protection behavior all the way. We look forward to working with our partners to jointly build a beautiful, green ecological environment through environmental protection, plastics reduction and ecological protection, such as biodiversity protection, tree planting, afforestation, and so forth.

#### 3.3.1 Cooperation to Reduce Carbon Emissions

In order to guide consumers to reduce their use of plastic, protect the environment and reduce carbon emissions, In 2020, Sun Art Retail began to cooperate with Ant Forest<sup>19</sup>, a company under the Ant Group, to launch various activities in Sun Art Retail stores to collect green energy and planted trees virtually. Whenever a user successfully plants a virtual tree, a real tree is planted in the desertified area.

Sun Art Retail encourages consumers to collect "carbon energy" in two ways: through plastic reductions and electronic invoices collection. When customers shop in a Sun Art store, they can get 12g of ant forest energy if their orders do not require any plastic shopping bag; and they can get 5g of ant forest energy if they select electronic invoices. In this way, Sun Art Retail encourages customers to reduce paper wastes and contribute to the reduction of carbon emissions at the same time.



<sup>19</sup> Ant Forest is a program for public welfare launched by the Ant Group on the Alipay's user side in August 2016: Users can reduce carbon emissions through walking, subway travel, online payment of utility bills, online transportation tickets, online registration, online ticket purchases, etc., to accumulate the corresponding green energy to "plant trees" in their mobile phones; Ant Forest and its public welfare partners will plant a real tree in the desertified area for the virtual trees grown by users. As of August 2020, 550 million "Ant Forest" users had reduced 12 million tons carbon emissions, by planting over 220 million trees in desertified areas, and protecting more than 270 square kilometers of public welfare protected areas.

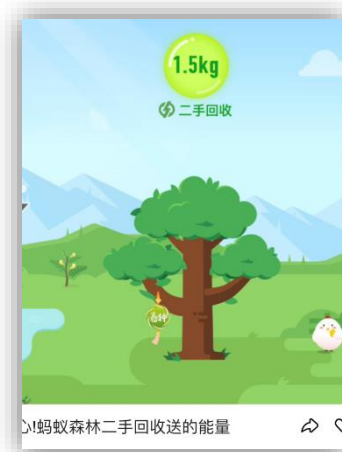


In terms of carbon reduction and environmental protection, in Sun Art's two major store chains, RT-Mart and Auchan, 53.761 million people has collected 645 tons of ant forest energy, thus reducing carbon emissions by 645 tons from 18 November 2020 (Starting Timepoint) to March 31,2021(As at the end of the financial year) . A total of 36,041 trees were then planted on 493.7 acres of sand<sup>20</sup>, which is equivalent to 47 football fields. On average, 380,000 customers per day chose not to use plastic bags, equivalent to planting 255.2 Haloxylon trees and reducing carbon emissions by 46,000 tons correspondingly.

From the perspective of environmental protection and reducing the use of plastic in different regions, 36.676 million customers in the eastern region reduced carbon emissions by 440.1 tons, which is equivalent to planting 24,587 trees on 336.8 acres of sandy land; 7.532 million customers in the central region reduced carbon emissions by 90.4 tons, which is equivalent to 5,049 planted trees on 69.2 acres of sandy land; 4.555 million customers in the western region reduced carbon emissions by 54.7 tons, which is equivalent to planting 3,053 trees on 41.8 acres of sandy land; and 4.813 million customers in the northeastern region reduced carbon emissions by 57.8 tons, equivalent to planting 3,227 trees on 44.2 acres of sandy land.

Sun Art Retail encourages its customers to engage in environmentally friendly, low-carbon shopping-related behaviors, for a win-win achievement. Compared to the previous year before Sun Art started its plastic-reduction program, the average daily number of customers in its merchant stores increased by 17.5%, the average daily transaction number of merchants increased by 19%, and the average daily transaction volume increased by 3.6% (Alipay side).

Through this action, Sun Art Retail realized the positive impact of merchants' active green behavior on customer satisfaction, including enhancing customers' recognition of the Company's corporate social responsibility, and affirming corporate cohesion and execution, thereby leading to their repurchases and additional purchases. Therefore, in the future, Sun Art Retail looks forward to exploring more diversified scenarios with Ant Forest, such as energy-saving packaging, energy-saving products, self-service payments, and green logistics, to enrich the customer experience in Sun Art Retail stores.



### 3.3.2 Biodiversity

In 2012, China officially opened a new chapter in the construction of ecological civilization. To support this national-level strategy, and to create an ecological environment for us and the next generation to live in harmony with nature, Sun Art Retail has been working hard through its own activities and with partners to contribute to ecological protection. During the reporting period, Sun Art Retail actively cooperated with Unilever to take action in biodiversity protection and ecological environmental construction.

<sup>20</sup> Take the mostly planted Haloxylon tree by Ant Forest as an example, an acre of land can be covered by 73 trees on average.

## Collaboration between RT-Mart and Unilever to promote biodiversity

From April 15 to 28, 2020, RT-Mart cooperated with Unilever to carry out endangered flowers protection activities. During the event, if consumers bought Huamu Planet brand products in RT-Mart stores, they could protect 1 acre of snow lotus habitat in the Tianshan Mountains, Yunnan, with a single purchase of or more than RMB\$39.9. The event attracted active participation by customers, resulting in 15,000 acres of snow lotus habitat in the Tianshan Mountains being protected.

公益广，广，广！

携手ART，共同捐出  
15000亩濒危花本种子



2021 花木守护

植物界大熊猫·金花茶

国外称之为神奇的“东方魔茶”、“茶族皇后”，全世界90%野生金花茶仅分布于广西防城港市。

2020-2021

计划守护雪莲范围更广：  
超过20,000亩

爱绿道，不局放



From June 10 to August 4, 2020, RT-Mart's stores across the country and Unilever jointly launched the "Go Green Go Lux" campaign. For every purchase of RMB\$28 of Lux products by RT-Mart customers, one square meter of turf was donated. The event eventually resulted in the donation of 1 million square meters of turf in Tibet, contributing to the improvement of Tibet's ecological environment.

### 3.3.3 Animal Welfare

In addition to protecting the natural ecological environment on which human beings depend, Sun Art Retail actively promotes animal protection, welfare initiatives and activities. During the Reporting Period, Sun Art Retail participated in the Shimen Chicken Project with Xiangjia Animal Husbandry in a poverty-alleviation project in response to the Party Central Committee's call for "Precise Poverty Alleviation". Chicken breeding was carried out in improved pastures and natural forests, where it was required that every 1,000 chickens must be equipped with a pasture of at least 10 acres to ensure they had enough space to feed on cordyceps and roam freely. The chicken were released in the morning and food buckets were placed in a playground far from the chicken coop. This allowed the chickens to eat forage and specially planted chicory in a natural environment. Through such activities, Sun Art Retail aims to set an example to enhance social awareness of animal protection.

## 4. Win-Win Cooperation and Joint Progress

Sun Art Retail is not only concerned with its own growth; it also attaches great importance to communication and development with external partners. We understand that mutual growth is one of the forces that support the long-term economic sustainability of our business. Therefore, Sun Art Retail actively promotes sincere and trusting relationships with its partners. We are also concerned about the growth and development of the industry as a whole while engaging in friendly exchanges with our partners. As a member of the retail industry, the Group has the responsibility and willingness to contribute to the progress of the industry to better realize Sun Art Retail's corporate values.

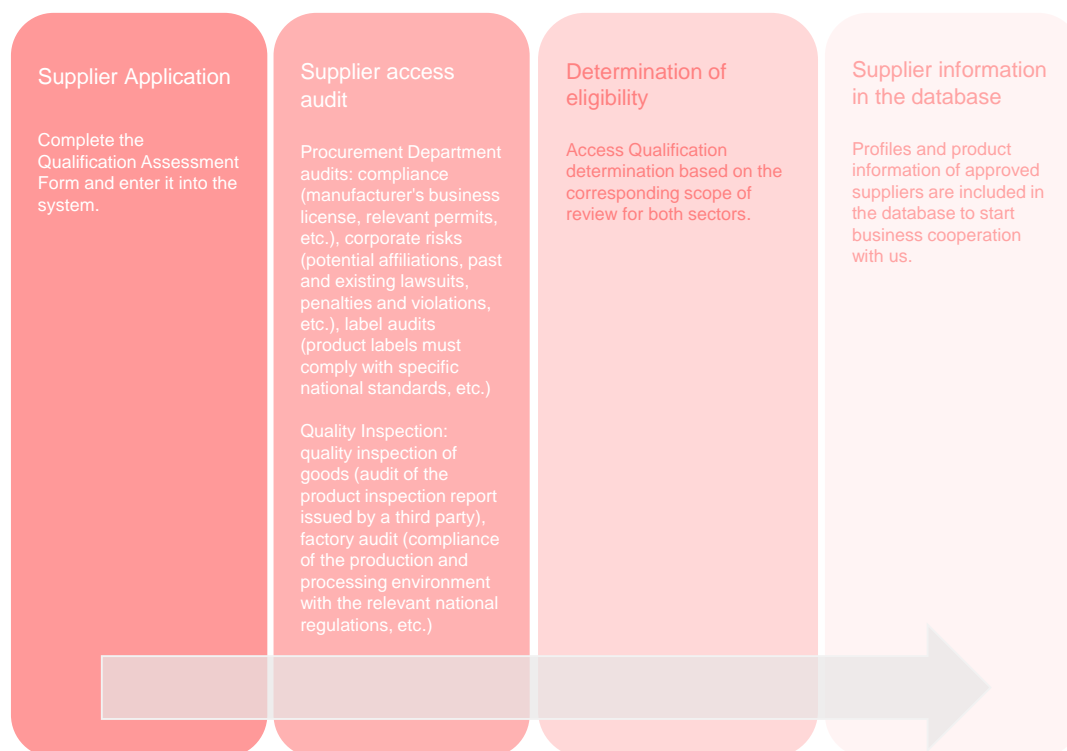
### 4.1 Supply Chain Management

A compliant, stable and healthy supply chain has an irreplaceable economic value to our business and is one of the decisive factors in helping us achieve long-term growth. Therefore, we established a comprehensive supply chain management system, starting from the supplier entry process and exercising effective control at every stage of the supply chain to ensure that our suppliers meet our standards and reach a "win-win" situation with us.

#### 4.1.1 Supplier Entry

The Group has strict and comprehensive control over supplier access and has high requirements for quality, safety and compliance in the supply chain. We established a supplier access audit system and audit workflow based on the relevant national standards for supplier access screening. Supplier access audits are conducted by the Group's procurement and quality-assurance departments in collaboration with suppliers, ranging from compliance qualifications, corporate risk and labelling audits, to commodity quality control and factory audits. The clear division of labor not only enhances the efficiency of our audits, but also ensures the comprehensiveness and comprehensive nature of our audit scope.

Each supplier applying for access to Sun Art Retail must first fill out a "Qualification Assessment Form" and enter it into the system. Only after passing the access audit will the supplier's information and product information be included in the information database, thus opening a business partnership with us. The Supplier Qualification Assessment Form is updated annually in line with national regulations and standards to ensure that our auditing process and standards are kept up to date.



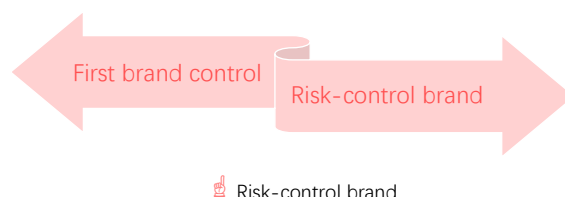
 Supplier access process

## 4.1.2 Supplier ESG assessment

In addition to supplier qualifications and quality, we pay attention to the green operations of suppliers and hope to reach a consensus with them on environmental protection. During the audit process, the relevant departments of procurement and quality inspection collaborate to assess the green operations of suppliers, including their performance in the areas of green logistics, pollution emissions control, and energy and resource conservation, and use this as an important basis for supplier selection.

In 2020, Sun Art Retail developed an online supplier auditing channel, where applications for supplier access can be submitted directly through the system interface, and relevant qualification documents and other information can be uploaded electronically in advance to facilitate auditing. Compared to the previous audit channel, the online channel not only improves the efficiency and comprehensiveness of the audit, but also helps reduce personal contact during the epidemic. On-site factory visits were also moved online, with our auditors conducting factory audits via pinned video links with factory representatives on site.

For existing suppliers, we conduct risk assessments and identification based on the results of access audits, and implement hierarchical management.



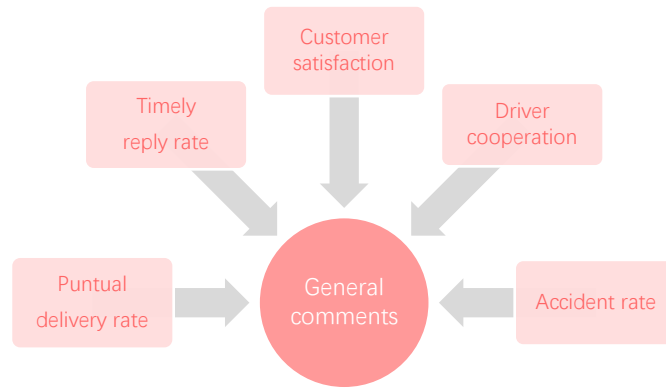
Supplier risk management is divided into the first band and the risk-control band, and the design and implementation of the control process follow the relevant laws and regulations. For the two types of control bands, we adopt a control process, consisting of three segments: introduction, supervision during the process, and subsequent tracking. We also adjust the control process according to the different categories to ensure its applicability and effectiveness.


Regarding existing suppliers, we consider their environmental, social, and governance performance from multiple dimensions, conduct supplier ESG reviews, and strictly control the supplier base to ensure stable product and raw material quality and environmental friendliness. The review includes existing supplier information, a business ethics review, and a green operations review.



Sun Art Retail implements corresponding control of commodity suppliers and maintains continuous management and assessment of transportation suppliers to maintain the timeliness, stability and safety of our logistics network. Every month, we conduct a multi-dimensional evaluation of each transportation supplier, examining the operations data from the back-end system as the evaluation basis, and scoring them and assigning grades – excellent, good, fair, and poor – based on the scores.





 Dimensions of Transportation Supplier Evaluation

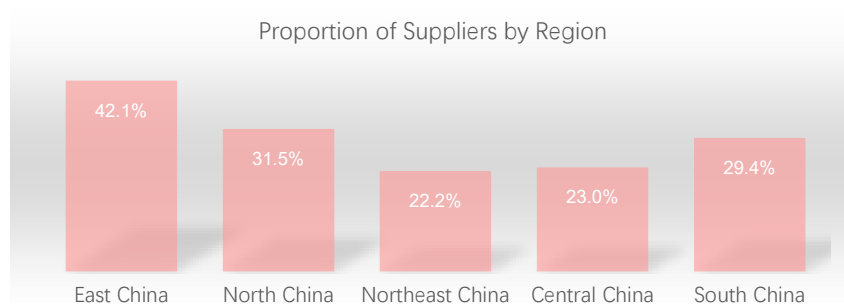
We compare and discuss the evaluation results of our transportation suppliers in various operating regions in weekly production and sales meetings, analyzing the causes of abnormal logistics, discussing improvement plans, and tracking follow-up improvement.

### 4.1.3 Suppliers' Business Ethics

The Group strictly abides by its corporate ethics code and requires the same of its suppliers. In our contract with our suppliers, we clearly set out clauses related to business ethics to regulate supplier behavior. In addition, in the appendix to the contract, we attached an "Integrity and Integrity Agreement Letter", which contains our business ethics requirements for our suppliers. Suppliers must agree to and sign the agreement letter before starting formal business cooperation with Sun Art Retail. The scope of our constraints on suppliers includes anti-corruption, anti-unfair competition, supplier employees rights and environmental protection.

<p><b>Anti-Corruption</b></p> <p>We state "zero tolerance of corruption" and strictly prohibit any form of commercial bribery by suppliers to Group employees. If corruption is discovered, we immediately terminate the relationship.</p>	<p><b>Environmental Protection</b></p> <p>Suppliers must strictly abide by the national laws and regulations on environmental protection.</p>
<p><b>Supplier Employees' Rights</b></p> <p>Suppliers must strictly abide by the national laws and regulations on labor protection, protect the basic rights and interests of employees, and prohibit discrimination.</p>	<p><b>Anti-Unfair Competition</b></p> <p>Suppliers must proactively report whether their staff have kinship or interest relationships with internal employees of the Group. If there is a relationship, the Group will review the case and proceed with cooperation only if the case passes the review.</p>

As at March 31, 2021, the Group was cooperating with 14,157 suppliers. The breakdown by region is as follows<sup>21</sup>.



<sup>21</sup> 14,157 was the total number of suppliers; the same supplier may have operating points in multiple locations, and the percentage of suppliers in each region is based on the operating points established by the supplier in that region.

#### 4.1.4 Supplier Communication

To realize information sharing with suppliers and help them improve their capabilities, we carry out supplier training from time to time every year. The training is mainly online, which allows us to include more suppliers and enhances our training flexibility. In terms of training content, we select different training topics according to operational needs, including food safety training, new online system training, and industry hotspot sharing, to enrich the training content. We also cooperate with third parties and government agencies to jointly organize supplier training.

##### Commodity Digitalization Training

In 2020, Sun Art Retail launched a "commodity digitalization" training course for suppliers, in which we introduced the significance and goals of product digitalization, and explained the specific implementation steps of product digitalization in detail. The suppliers shared the application and operation of their product codes. The training sessions were interactive, and Sun Art trainers answered all questions and discussed all issues raised by suppliers. We also invited suppliers to express their opinions on "commodity digitization".

In addition to supplier training, we held supplier communication meetings from time to time, mainly to conduct in-depth discussions with corresponding suppliers based on the recent development trends in the business, including market analysis and discussion of products with declining sales. We focused on current hot commodities to further develop them and reached agreements with suppliers on future supply quality, stability, and timeliness.

#### 4.2 Industry Development

As a member of China Chain Store & Franchise Association and the Consumer Goods Forum, we always pay attention to industry developments and actively cooperate with companies in our industry to participate in various projects and plans to promote industry development.

##### 4.2.1 Plan to Support Small Businesses

In 2017, the China Union Business Association (CCFA), together with the brands of the Group and its peers, proposed the "Plan to Support Small and Medium-Sized Manufacturing Enterprises to Improve Market Capability" ("the Plan to Support Small Businesses"). One of the main supporting directions of the Plan is to help small and medium-sized domestic food companies reduce audit costs and realize the market operation mechanism of "one audit and recognition everywhere". Since the start of the Plan, Sun Art Retail has actively implemented it and its audit standards for small and medium-sized manufacturers. Manufacturers that have passed the Plan's audit or certification requirements can obtain exempt factory qualifications, reducing the number of subsequent audits. In 2020, the Plan was recognized by the Shanghai Food Safety Work Federation, and the "Shanghai Model" was based on the Plan.

##### "Plan to Support Small Businesses" – Shanghai Model

On July 15, 2020, five supermarkets under Sun Art Retail, RT-Mart, Auchan and their peers, jointly organized an online training meeting for suppliers on the "Shanghai Model" audit standards, attracting 456 people from 365 pre-packaged food suppliers. The meeting mainly introduced the industry standards for the Plan and the collaborative supplier review mechanism of "One party reviewing multiple applications" and "Early warning for one party, actions taken by multiple parties". The five supermarkets will share factory audit reports of the manufacturing companies to avoid repetitive factory audits to a large extent and speed up the review process to put new products on the shelves, making the docking of procurement and marketing easier and more transparent.

During the meeting, our quality control officer introduced the standards and procedures of Sun Art Retail's product procurement. We also conveyed our strong support for the Plan to Support Small Businesses to suppliers and encouraged them to join the program to reduce unnecessary resource expenditure in the review process.



## 5. People-Oriented, Employees Come First

Employees are our most important asset and key supporting forces that guarantee sustainable operations. Adhering to the "people-oriented" employment philosophy, the Group actively creates an equal and safe working environment with diversified staff composition. Staff training, promotion, and incentive mechanisms help stimulate the potential of our staff and realize their value. We also pay great attention to the voices of our employees to deeply understand their difficulties, and provide assistance and care to them at critical moments.

### 5.1 Employee Profile

The Group strictly abides by the "Labor Law of the People's Republic of China 《中华人民共和国劳动法》", the "Labor Contract Law of the People's Republic of China 《中华人民共和国劳动合同法》", the "Social Insurance Law of the People's Republic of China 《中华人民共和国社会保险法》", and other relevant laws and regulations, effectively protects the legitimate rights and interests of its employees, and actively creates an equal, respectful, healthy and safe work environment. To comply with national laws and regulations, Sun Art Retail formulated a "Labor Manual" and an "Employee Handbook", which clarify the regulations on employment conditions, the legal rights of employees, and the code of conduct for employees.

#### 5.1.1 Employee Rights

To create an equal work environment and protect employees' rights from being violated, Sun Art Retail clearly states in the "Employee Handbook" that we have zero tolerance for any form of discrimination, harassment, or violation of personal dignity. We also adhere to the policy of equal pay for equal work and effectively implement the principle of equal employment opportunities. In regard to child and forced labor, we implemented explicit prohibitions and established strict control measures. We have established multiple channels for complaints and appeals. If a forced labor problem is discovered, employees and members of the public can complain to the Group through email, public complaint hotlines, reporting mailboxes and etc. When the relevant management personnel receive a complaint, they promptly conduct an investigation to protect the legitimate interests of the employees.

Child Labor	Forced Labor
<ul style="list-style-type: none"><li>• We clearly stipulate in the "Employment Conditions" chapter of the "Employee Handbook" that people below 16 years of age may not be employed.</li><li>• Our manpower system has an ID card number recognition function. If an employee or applicant does not meet the minimum age, the system will issue an alert and block the entry of the individual's identity information.</li></ul>	<ul style="list-style-type: none"><li>• We clearly state in the "Employee Handbook" the principle of voluntary employment.</li><li>• If employees are subjected to forced labor, they could complain so that the situation can be corrected.</li></ul>

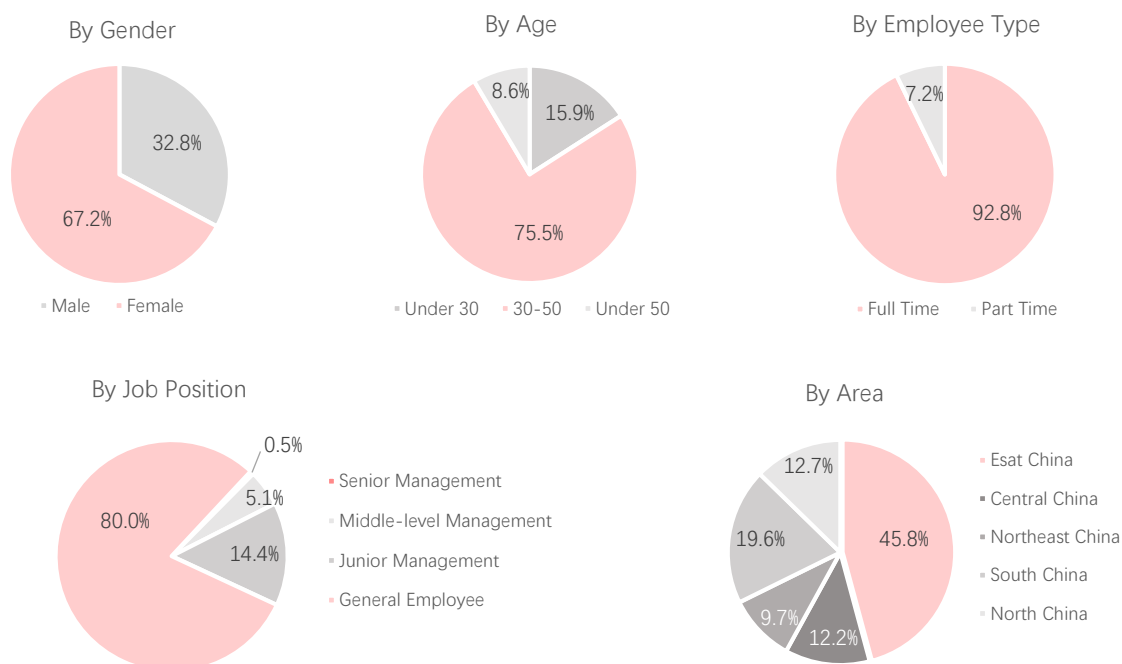
During the reporting period, Sun Art Retail did not experience any incidents related to harassment or discrimination.

#### 5.1.2 Employee Diversity

Adhering to our pursuit of diversified employees, Sun Art Retail welcomes and supports the full participation of women, people with disabilities, ethnic minorities, and so forth. To protect the special rights and interests of female employees in the employment relationship, we established and signed the "Special Collective Contract for the Special Interests of Female Employees", in accordance with the "Labor Law of the People's Republic of China 《中华人民共和国劳动法》", the "Women's Rights Protection Law of the People's Republic of China 《中华人民共和国妇女权益保障法》", and other relevant laws and regulations. Regarding people with disabilities, we give full consideration to their personal circumstances when matching positions for them, and make corresponding adjustments and arrangements to help them participate in the workplace with peace of mind. During the reporting period, 1,446 persons with disabilities were employed in Sun Art Retail.

We also created a number of talent introduction channels to help us further diversify our workforce. Our current recruitment channels include official website recruitment, expatriate talent from shareholder Alibaba, headhunting introductions, local talent recruitment fairs, and campus recruitment fairs.

As at March 31, 2021, the staff composition of the Group was as follows:



### 5.1.3 Remuneration

Our salary standards comply with the relevant laws and regulations, provide basic living security for employees, with a basic salary, implement refined salary management for different job characteristics with job allowances, and continuously motivate employees to progress together with Sun Art Retail with performance bonuses. We adjust the salary and benefits every year based on the salary standards and the latest social security base issued by the government of each operating region to ensure that our salaries are competitive while ensuring the living standards of our employees.

The Group has always been committed to continuously creating benefits for employees. We are united in seeking more benefits for employees, and our employees have the right to join a union. We pay attention to the actual needs of employees, while providing basic living security for them and further extending our care to their families.

#### Union support for the children of employees

The labor union offers various interest classes for employees' children, including taekwondo, swimming, basketball, and children's Chinese dance, taught by professional teachers. This helps reduce extra-curricular expenses for employees, while developing the children's interests and talent.



As at March 31, 2021, our union coverage rate was 100%.



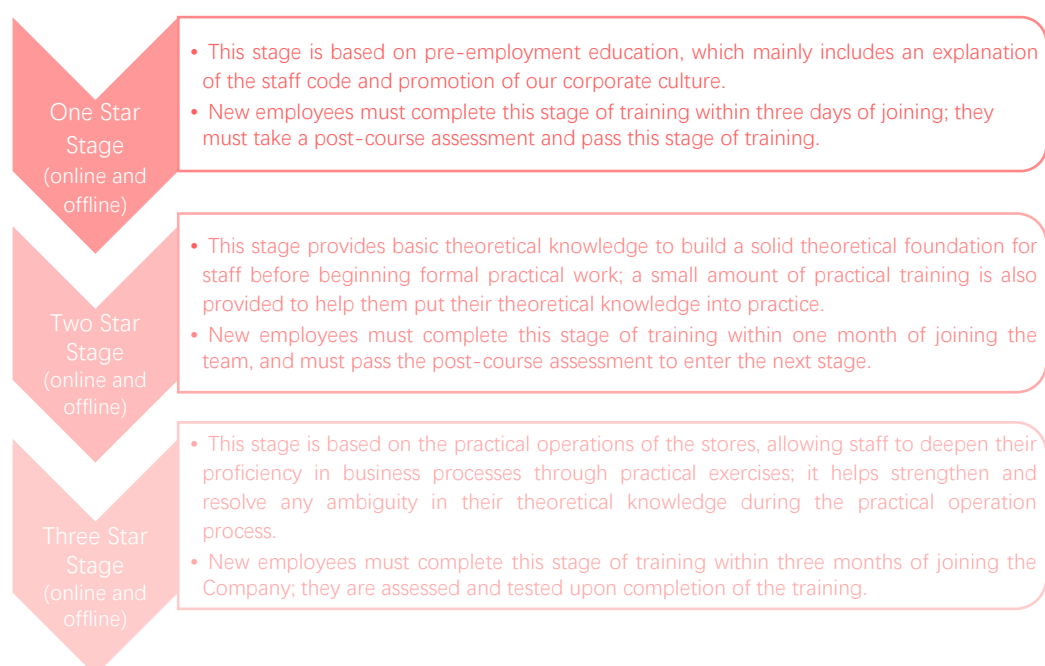
## 5.2 Development and Training

### 5.2.1 Employee Training

The growth and development of our staff is key to helping us achieve positive growth. To continuously improve our staff's capabilities and ensure that we can provide quality products and services to our customers, we established a comprehensive training system to help our staff grow. When employees join Sun Art Retail, we provide them with induction training, combining theory with practical exercises to help them understand their job functions in a comprehensive manner and serve customers professionally. For different positions, we integrate internal and external resources to organize and conduct corresponding staff training to help employees improve their workplace skills, taking into account their operational needs and functional characteristics.

#### New Employee Training

When new staff join our team, we provide training in stages to help familiarize them with the functions and responsibilities of their positions within a short period of time. In the induction training, we introduce theory + practical exercises, and online + offline methods to help new employees absorb the training knowledge more efficiently and improve their business professionalism.



#### Specialized Training

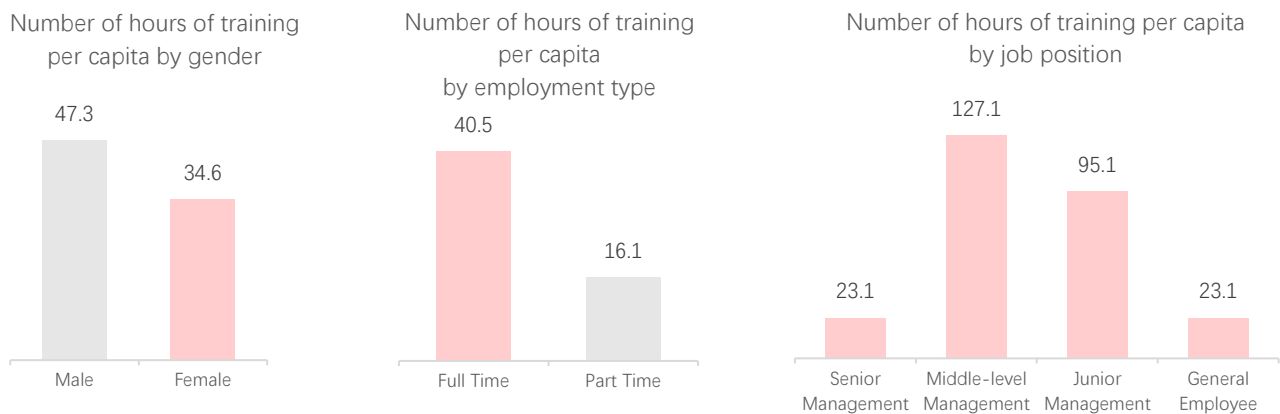
We fully identify the training needs of our staff, customize the design of the training content, and provide appropriate training resources to meet the core skills needs of in-service staff. To ensure that the training courses are conducted in an orderly manner, we issue detailed training plans before the start of the course to help staff fully understand the training process and content. At the end of the training, we assess the learning of our staff, evaluate the effectiveness of the training, and make continuous improvements to the weak points in the training.

##### Master Baker Promotion Class Training in Eastern China

In June 2020, Sun Art Retail organized a training session for the staff of the Fresh Baking Department of RT-Mart and Auchan. We invited experienced master bakers to reinforce the professional baking knowledge of the participants, explaining the job duties of master bakers and the code of conduct for baking in shops. We conducted a post-test of the participants to consolidate their knowledge and collected feedback from the staff to help us improve the training experience.



Details of the staff training we organized during the reporting period are as follows:

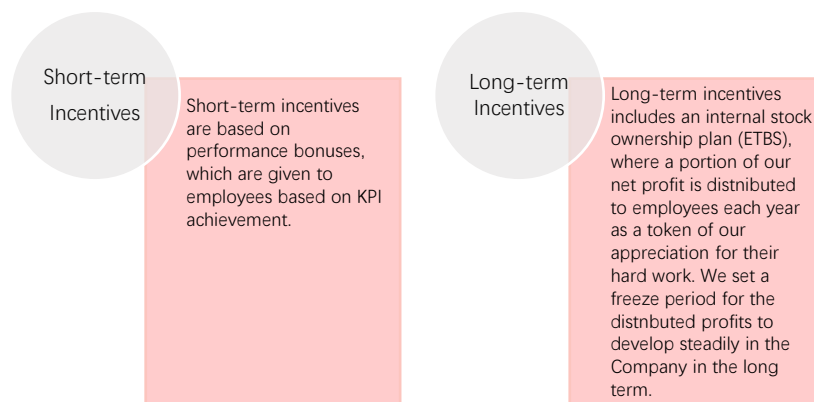


## 5.2.2 Employee Development

Sun Art Retail Group focuses on upgrading and boosting the ability and potential of our employees, and actively refines the incentive mechanism to ensure that employees receive a fair and reasonable evaluation of their job performance for consideration of returns and bonuses.

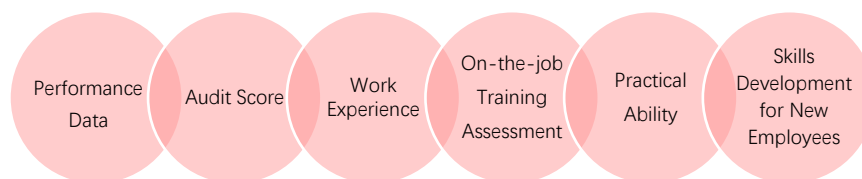
The Group has a goal-based or progress-oriented performance appraisal system for different job positions, with specifically designed key performance indicators that are approved by the management. A double-verification process is performed by the management team and the human resource department, and the performance data for the operation team are strictly controlled to ensure authenticity and fairness.

In the job-promotion mechanism, there are short- and long-term measures calculated by and recorded in our own researched human resource system.



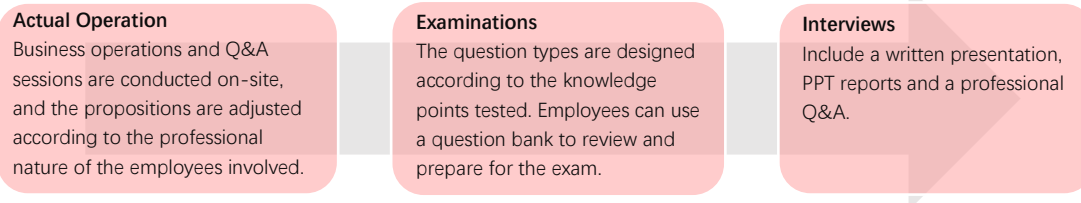
While motivating employees, we also establish a clear job promotion path, which is just, impartial and transparent.

Within the system, we set clear criteria and requirements for job promotions in six major dimensions. We assess each employee in accordance with each evaluation dimension.



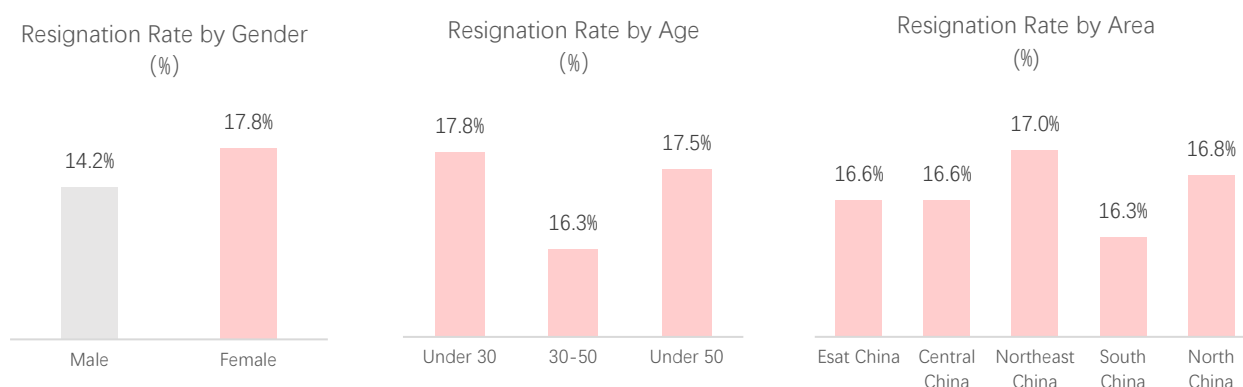
Six Major Promotion Dimensions for Employees

Specific to different job rankings, we employ respective assessment and promotion teams for employees in different ranks so that they can get a fair and reasonable evaluation. Job promotion is divided into three stages: actual operation, examinations and interviews. They emphasize different areas for an integrated assessment.



We establish and proactively develop clear and concrete job promotion paths, based on reasonable performance assessments, so that employees have a broad career development platform. Before joining the Company, they may choose job positions that suit their personal abilities and qualities, and can participate in on-the-job training to constantly strengthen their work capability. With reference to self-assessment, frontline workers may choose different positions to begin their career in Sun Art Retail Group. They may make use of their potential to develop their knowledge and skills, and contribute to the group by targeting the career path of shop staff, assistant shop manager, shop manager, top shop manager district leader and so forth. During the reporting period, most of our employees passed the promotion assessment with excellent performance and outstanding ability, with a passing rate of 85%.

In 2020, the resignation rate of Sun Art Retail Group was only 14.3%, which was lower than that in 2019. The actual loss of human capital was as follows:

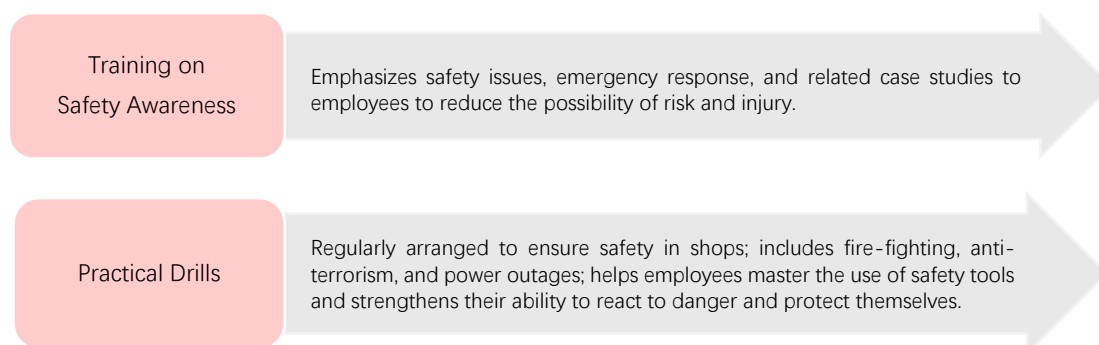


## 5.3 Caring for Our Employees

### 5.3.1 Health and Safety

Sun Art pays special attention to the health and safety of our employees. In order to create a healthy and safe work environment, we strictly abide by the Safety Production Law of the People's Republic of China 《中华人民共和国安全生产法》, "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases 《中华人民共和国职业病防治法》", and other relevant laws and regulations, continue to improve our safety management system, and implement various employee safety measures.

Our safety measures are divided mainly into strengthening employee safety awareness and actual drills:



During the pandemic, we always pay attention to the health and safety of employees, and actively provide protection for employees.

#### Anti-pandemic measures - protecting the health and safety of employees

During the raging COVID-19 pandemic, our frontline staff and delivery personnel stuck to their roles, and contributed their own strength to ensure the adequate supply of daily necessities.

To ensure the safety of employees at work during the epidemic, we purchased a large amount of anti-epidemic materials for employees, including masks, goggles and gloves. When encountering difficulties in the transportation of materials, we coordinated our own logistics fleet to transport to ensure that all store employees and delivery personnel at work were provided with anti-epidemic materials to achieve effective isolation.



### 5.3.2 Employee Communication

We regard our employees as important parts of the Sun Art Retail Group and we are really thankful for their heartfelt contribution to the company. Therefore, we formulated a series of welfare policies and held a number of activities to express our love and care to the employees with real actions. Our policies were aimed to address the needs of employees, including distribution of high temperature working subsidies, festival gifts, union benefits, ETBS employee trust benefit plan, etc. To understand more about the difficulties and needs of them, we regularly held workshops to take their opinion into account, and communicate closely with them.

#### Anti-epidemic measures - sending love to the employees

During Covid-19, our employees bore the responsibility of protecting the welfare of the people. Especially during the Lunar New Year, our employees stayed put to fulfil the rapidly increased customer demands. We provided the free meal and also prepared a sumptuous New Year's Eve dinner for those who stayed to send our love and gratitude to them.





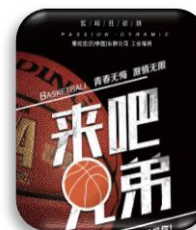
## Listening to the opinion of employees

During annual meetings, we gathered the opinions of the employees and tried to provide solutions to their problems. Also, we held regular seminars to closely communicate with them and address their concerns.



## Humanistic Solicitude - satisfying employees' hobbies and desires

Regarding the preference of the employees, we have arranged different interest classes to enrich their after-work life. For example, we have offered floriculture, handicraft, gymnastic and dance interest classes, so as to maintain their mental and physical well-being, as well as cultivating their passion in such fields.



The learning contents we provide also include fitness, handicrafts and other courses. Professional teachers were employed to provide proper guidance in the lessons.

In order to help Sun Art Retail actually understand the opinions and feedback of employees in each store and position about their management teams, work environment and other aspects of their work, we conduct an annual employee satisfaction and engagement survey, also known as the "Monolithic Survey".

### Satisfaction Survey

The results of the satisfaction survey are ranked according to the scores of each store. For the lower-ranked stores, we will communicate with the store manager to assist the management team in discovering problems, investigating the causes, and formulating solutions to take action.

We will pay special attention to the feedback of salary satisfaction to understand employees' opinions and satisfaction with salary levels, and propose corresponding solutions when necessary.

### Engagement Survey

Engagement survey is conducted on a score system, and each store is ranked by weighting and adding up the scores of different dimensions.

For low-ranking stores, we will communicate with the store manager, and conduct in-depth discussions on the response of employees in different dimensions, so as to find the root cause and mobilize employees' working motivation effectively.

The 2020 Monolithic Survey ("the Survey") covers active full-time employees and in-store shopping guides (long-term). This was the first online survey launched by Sun Art Retail. We took full advantage of the online model to streamline the survey process and enhance the authenticity and confidentiality of the data. All Sun Art stores participated in the Survey, with a participation rate of over 98% for employees and over 96% for shopping guides. The Survey scored 5 out of 5. The results of the FY2020 Granite survey were 4.67 out of 5.

The Survey findings allowed us to propose effective and appropriate solutions in a timely manner, based on our colleagues' suggestions and feedback, and then carry out subsequent improvement and enhancement work. We will continue to improve employee cohesion, boost team morale, and enhance the sense of belonging of our employees.

## 6. Caring For and Giving Back to the Community

Sun Art Retail cares about the community and is committed to providing continuous support. During the COVID-19 pandemic, Sun Art Retail and the community were united, forsaking profits, remaining on the front line for the sake of everyone, and working together to fully demonstrate the responsibility of Chinese supermarkets.

### 6.1 Joining Hand-in-Hand to Fight the Epidemic

During the epidemic, transportation routes in various places were closed down or suspended, so the Group's fleet spread out to deliver medical and livelihood supplies, which greatly alleviated the shortage of goods in various stores and provided basic necessities for people in the affected areas. The Group's fleet repeatedly transported medical supplies, such as facial masks, to various places to contribute to the fight against the epidemic in the worst-hit areas.

#### Fighting the Pandemic Together

At the beginning of 2020, the epidemic spread across China. As the backbone of the retail industry, Sun Art Retail actively shouldered its responsibilities and devoted itself to the fight against the epidemic.

In January 2020, there was a shortage of basic necessities in 109 communities in Wuhan's Jianghan District. RT-Mart responded quickly and used its supply chain advantages to contact cooperating manufacturers. Daily necessities were dispatched urgently to residents in the worst-hit areas.



In February 2020, in the face of the shortage of mask resources in Wuhan, Sun Art Retail responded quickly to launch the mask raising action, stepped up the search for overseas resources, and urgently allocated logistics and transportation vehicles to import masks from overseas in just over 5 days. More than 420,000 masks were successfully delivered to Wuhan, so as to protect the safety of the public security, traffic police, sanitation workers and staff in 109 communities and 13 streets in Jianghan District.

Throughout the epidemic, Sun Art Retail stores across the country continued to support the community's anti-epidemic work and protect the lives of the residents. As at the end of the reporting period, Sun Art Retail had donated more than RMB 5 million worth of items to contribute to social stability and meet the residents' needs.



In February 2020, Wuhan began building "cabin hospitals" in Jianghan District, Wuchang District, and Dongxihu District. Because of the severely cold weather, a large amount of heating equipment, such as electric blankets, were urgently needed. The RT-Mart Jianghan Store, Gusaoshu Store, and Auchan Caidian Store in Wuhan recalled their employees overnight to check inventory and provide emergency assistance. Over 1,900 electric blankets were delivered to the "cabin hospital" free of charge.



During the epidemic, the Group's supermarkets remained open, guaranteeing the basic living needs of thousands of households. The Group also formulated a series of epidemic prevention and anti-epidemic plans in accordance with national policies and Company regulations to effectively ensure the safety of our employees and customers.

### Safety Comes First during the Pandemic

Employees had to wear masks before entering the warehouse and were required to undergo body temperature checks twice a day. Special personnel were present in the work area to provide disinfection at regular intervals.



To ensure the safety of the staff on the front line and protect the health and safety of customers, delivery personnel were required to have their body temperature checked every day.

In order to assure customers' selections and orders, all distribution tools, vehicles, commodities and personnel of the Group were strictly disinfected during the pandemic.



To minimize the risk of spreading the virus, Sun Art Retail launched a new "contactless delivery service" business. Delivery staff phoned customers before delivery to confirm the delivery location, thus avoiding direct contact and ensuring the health and safety of delivery staff and customers.

During the epidemic, articles on anti-epidemic knowledge were published through the Dingding online platform to promote the anti-epidemic work more effectively. Online anti-epidemic training was organized to protect the physical and mental health of Sun Art employees.





## 6.2 Charity Work

The Group is committed to building a culture of public welfare. We encourage employees to participate in volunteer activities and contribute to the creation of a beautiful community. During the reporting period, the Group cooperated with a few supplier brands and carried out various themed public welfare activities across the country, which were well received by all sectors of society. During the reporting period, the Group invested a total of RMB 6 million in social welfare.

### "RT-Mart teamed up with Coca-Cola to launch the "Pure Water, Love the Future, and Water Purification Project"

From April 29 to May 12, 2020, in RT-Mart stores across the country, when consumers bought a bottle of drinking water packaged as "Pure Yue" or "ice dew", the Group donated RMB 0.1 for rural schools to purchase water purification equipment. In 2020, the Group donated 11 water purification machines to rural schools in Mengzi City, Honghe Prefecture, Yunnan Province.



### RT-Mart joined hands with Mars Wrigley to organize the "Let Love Remember City Heroes" campaign, organized by the Ten Cities Charity Event

From May 27 to August 18, 2020, RT-Mart, together with Mars Wrigley and the China Foundation for Poverty Alleviation, launched "Ten Cities" in Shanghai, Yichang, Tianjin, Chengdu, Wuhan, Beijing, Shenyang, Guangzhou, Jilin, and Jinan. Charity activities were organized through the "drainage-reach-transformation" link. For every Mars Wrigley product that was purchased, RMB 0.1 was donated to the city hero charity project. The project aimed to donate RMB 800,000 worth of "refueling packages" as the project theme, and encouraged buying the products with love. The event achieved fruitful results and resulted in 10,000 refueling parcels being delivered in 10 cities.





### Caring Activities for the Elderly Jointly Promoted by RT-MART and Yili

During the Double Ninth Festival, from October 17 to 25, 2020, RT-Mart and Auchan, together with Yihai Kerry and Yili, carried out visits to the elderly in the surrounding communities of 30 RT-Mart and 20 Auchan stores in Shanghai, Suzhou and other cities. RT-Mart and Auchan delivered 1,500 and 800 packages of daily necessities, respectively. The packages, worth about RMB^200, included 5 liters of zero anti-sunflower oil, 10 kg of Suian rice, and a box of soy milk.



### "Hope Primary School Runway", Jointly Built and Promoted by RT-Mart, Auchan and Procter & Gamble

During the period from May 13 to June 9, 2020, RT-Mart and Auchan jointly carried out the construction of the "Hope Primary School Runway", which included 10 Hope Primary Schools in Hebei, Anhui, Sichuan and Yunnan, and donated RMB 400,000 to build a sports track to help the children grow happily.



省份	学校名称	大润发&欧尚项目年份	资助项目
河北	张北县三乡宝洁希望小学	2020年	篮球场及跑道
河北	献县段村乡宝洁希望小学	2020年	篮球场及跑道
安徽	潜山县五庙乡宝洁希望小学	2020年	篮球场及跑道
安徽	岳阳县官庄中心小学	2020年	篮球场及跑道
安徽	临泉县单桥镇张老庄行政村邢庄小学	2020年	篮球场及跑道
四川	剑阁县普安镇德之馨宝洁希望小学	2020年	篮球场及跑道
四川	简阳市平泉镇世纪联华宝洁希望小学	2020年	篮球场及跑道
云南	禄丰县和平镇宝洁全球员工希望小学	2020年	篮球场及跑道
云南	龙陵县龙山镇宝洁博怡希望小学	2020年	篮球场及跑道
云南	梁河县芒东乡镇宝洁冷宝洁希望小学	2020年	篮球场及跑道

### RT-Mart Consumer Poverty Alleviation

In 2020, RT-Mart donated RMB 2.7 million to the Maotai Civil Affairs Bureau of Guizhou Province, part of which was used to assist in the construction of an edible fungus cold storage facility in Daozhen County to help solve the lack of freezer storage facilities for an edible fungus project in the Pingmo Community of Pingmo Town, Wuyi Village, Luolong Town. The other part was donated to the Daozhen County Workers' Youth and Women's Organization to fund a construction project at the "New Citizen Chase Gate Bridge" Comprehensive Service Center in the Bayi Community of Shangba.



### Cooperation between RT-Mart and Listerine to promote children's awareness of charity activities

A total of 485 RT-Mart and Auchan stores across the country jointly organized the "Listerine" brand's charity event, called "Guarding a Bright Smile – Caring for Children's Oral Health" from April 29 to May 12, 2020, to focus on children's oral health, enhance awareness of oral health management, and help rural youths establish and develop good health and hygiene habits. When consumers bought one Listerine product, RMB 1 was donated to the "Caring for Children's Oral Health" project. Sun Art Retail and Listerine donated 20,000 bottles of mouthwash during the event.



The project was implemented by the China Children and Teenagers' Fund. As at the end of January 2021, all the donated materials for the project had been delivered to the foundation. The project was implemented in rural primary schools in four counties in Gansu, and the follow-up implementation is still being actively promoted.

## HKEX Environmental, Social and Governance Reporting Guide

Subject Areas, Aspects, General Disclosures and KPIs		2020/2021 ESG Report
A. Environmental		
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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Environmental Protection, Beautiful Home: Environmental Management System
KPI A1.1	The types of emissions and respective emissions data.	Green Environmental Protection, Beautiful Home: Green Operations
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Environmental Protection, Beautiful Home: Green Operations
KPI A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Environmental Protection, Beautiful Home: Green Operations
KPI A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Environmental Protection, Beautiful Home: Green Operations
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green Environmental Protection, Beautiful Home: Green Operations
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.  <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>	Green Environmental Protection, Beautiful Home: Environmental Management System, Green Operations
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green Environmental Protection, Beautiful Home: Green Operations
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	Green Environmental Protection, Beautiful Home: Green Operations
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Green Environmental Protection, Beautiful Home: Environmental Management System
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Environmental Protection, Beautiful Home: Green Corporation
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.	Green Environmental Protection, Beautiful Home: Environmental Management System
KPI 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.	Green Environmental Protection, Beautiful Home: Environmental Management System, Green Operation, Green Corporation

Subject Areas, Aspects, General Disclosures and KPIs		2020/2021 ESG Report
B. Social		
Aspect B1	Employment and Labor Practices	
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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People-Oriented, Employees Come First: Employee Profile
KPI B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	People-Oriented, Employees Come First: Employee Profile
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	People-Oriented, Employees Come First: Development and Training
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.	People-Oriented, Employees Come First: Caring for Employees
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	People-Oriented, Employees Come First: Caring for Employees
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.  Training refers to vocational training. It may include internal and external courses paid by the employer.	People-Oriented, Employees Come First: Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	People-Oriented, Employees Come First: Development and Training
Aspect B4	Labor 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 labor.	People-Oriented, Employees Come First: Employee Profile
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	People-Oriented, Employees Come First: Employee Profile
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People-Oriented, Employees Come First: Employee Profile
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Win-Win Cooperation and Joint Progress: Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Win-Win Cooperation and Joint Progress: Supply Chain Management
KPI 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.	Win-Win Cooperation and Joint Progress: Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Win-Win Cooperation and Joint Progress: Supply Chain Management

Subject Areas, Aspects, General Disclosures and KPIs		2020/2021 ESG Report
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Win-Win Cooperation and Joint Progress: Supply Chain Management
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.	Product Service, Quality First: Quality and Safety Assurance
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Service, Quality First: Quality and Safety Assurance
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Service, Quality First: Business Innovation
KPI B6.4	Description of quality assurance process and recall procedures.	Product Service, Quality First: Quality and Safety Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Service, Quality First: Dedicated Service
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.	Responsible Governance, Sustainable Operations: Compliance and Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Responsible Governance, Sustainable Operations: Compliance and Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Responsible Governance, Sustainable Operations: Compliance and Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Responsible Governance, Sustainable Operations: Compliance and Business Ethics
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 activities take into consideration the communities' interests.	Caring for the Community, Giving Back Continually
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Caring for the Community, Giving Back Continually
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Caring for the Community, Giving Back Continually



## List of Major Applicable Laws and Regulations

<b>Law and Regulations</b>
Labor Law of the People's Republic of China
The Unfair Competition Law of the People's Republic of China
Anti-Money Laundering Law of the People's Republic of China
Interim Provisions on the Prohibition of Commercial Bribery
Food Safety Law of the People's Republic of China
Regulations on the Implementation of the Food Safety Law of the People's Republic of China
Food Recall Management Measures
Interim Provisions on Recall Management of Consumer Goods
Network Security Law of the People's Republic of China
Cryptography Law of the People's Republic of China
Environmental Protection Law of the People's Republic of China
Energy Conservation Law of the People's Republic of China
Law of the People's Republic of China on the Prevention and Control of Water Pollution
Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste
Opinions on Further Strengthening the Treatment of Plastic Pollution
Safety Production Law of the People's Republic of China
People's Republic of China Labor Law
Law of the People's Republic of China on the Protection of Minors
Regulations on the Prohibition of Child Labor
Intellectual Property Law of the People's Republic of China
Labor Contract Law of the People's Republic of China
Social Insurance Law of the People's Republic of China
Law of the People's Republic of China on the Protection of Women's Rights and Interests
Law of the People's Republic of China on the Prevention and Control of Occupational Diseases
<b>Internal Policies</b>
Corporate Governance and Compliance Manual
Code of Business Conduct
Gift Handling Regulations
Agreement Letter of Integrity
Employee Handbook
Labor Manual
Anti-Corruption System
Quick Pick Warehouse Allowed Period Specification
Packaging Specification
Commodity storage temperature inspection
Standards for Quality Inspection of Fresh and Fresh Products
RT-Mart Major Exception Handling Process (Recall)
RT-Mart Privacy Policy
Sun Art Retail Data Security Specifications (Trial)
Sun Art Retail Data Desensitization and Encryption Specifications
Energy Management System Operation Specifications
Environmental Management Charter
Energy Control Management Code

Energy Consumption Audit Standard
Operational Specifications for the Treatment of Pollution Sources in Stores
Waste Classification and Recycling Management Regulations
Code of Practice for Pest Control
Store Waste Cardboard Recycling Process Regulations
Cardboard Box Operation Specification
Cardboard Box Weighing and Recycling Control Regulations