



紅星美凱龍家居集團股份有限公司
Red Star Macalline Group Corporation Ltd.

(A SINO-FOREIGN JOINT STOCK COMPANY INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA WITH LIMITED LIABILITY)
STOCK CODE: 1528



2021

Environmental,
Social and Governance Report

About this report

Introduction

This report contains details about the performance of Red Star Macalline Group Corporation Ltd. in respect of social responsibilities for the period from 1 January 2021 to 31 December 2021. To facilitate presentation and reading, “Red Star Macalline Group Corporation Ltd.” is referred to as “Red Star Macalline”, “the Company” or “we” in this report.

Preparation Basis

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) in December 2019 and the Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange issued by Shanghai Stock Exchange in May 2008 for strengthening listed companies’ undertaking of social responsibilities. The Company has complied with the provisions of “Comply or Explain” set out in the Environmental, Social and Governance Reporting Guide.

This report has been prepared mainly in accordance with the following basic principles:

Materiality: This report should disclose ESG-related matters that, as determined by the Board, will have a significant impact on investors and other stakeholders;

Quantitative: KPIs in respect of historical data should be measurable, and targets (which may be actual numerical figures or directional, forward-looking statements) should be set to reduce a particular impact. In this way, the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate;

Balance: The ESG report should provide an unbiased picture of the issuer’s performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader;

Consistency: The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.

Source of Data

The information and data in this report are derived from official documents and statistical reports of Red Star Macalline Group Corporation Ltd. as well as summaries and statistics of subsidiaries. The Board of the Company is responsible for the authenticity, accuracy and completeness of this report. All environmental KPIs disclosed in 2020 do not include Managed Shopping Malls. In order to provide a more comprehensive and objective disclosure of the Company’s practices and results as to the performance of social responsibility and sustainable development, the environmental KPIs disclosed in the annual report are expanded to cover Portfolio Shopping Malls and Managed Shopping Malls.

Way of Access

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

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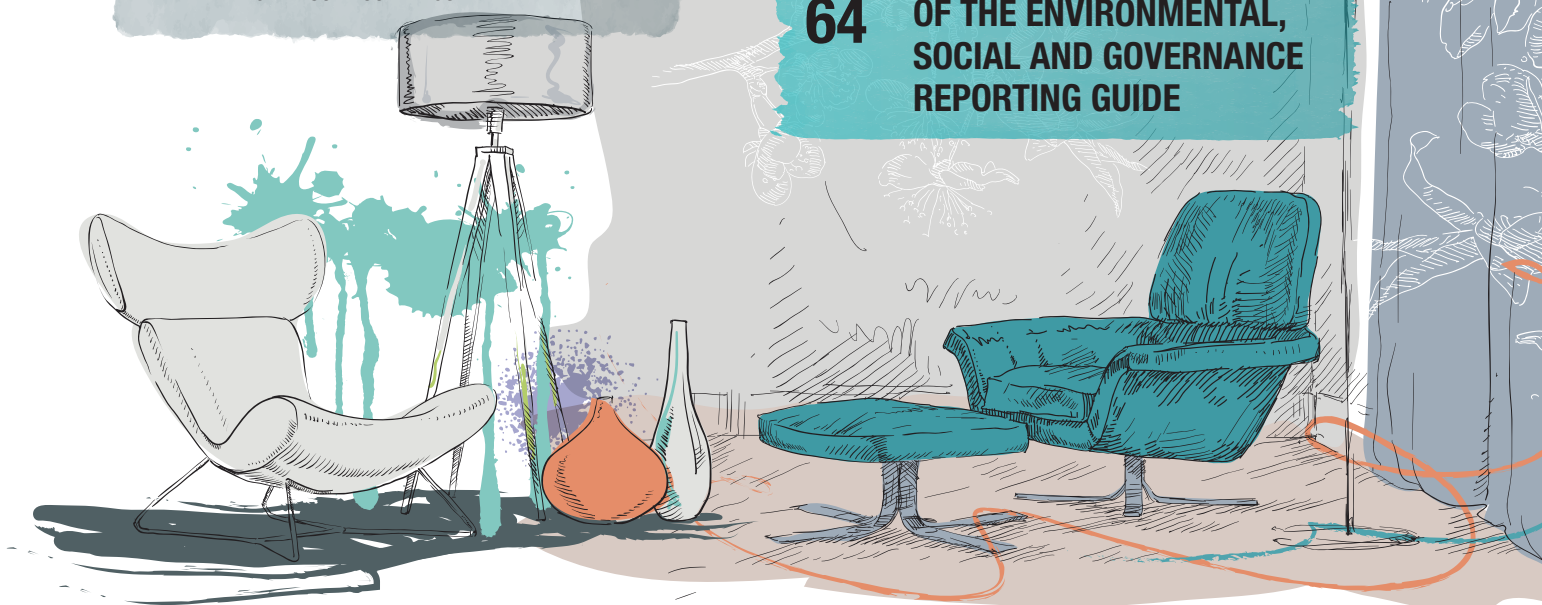
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ESG Statement of the Board

Dear stakeholders,

In 2021, the continuous COVID-19 outbreak in many regions had a certain impact on the national building materials and home furnishing industries. With the survival of the fittest, and the accelerated transformation and upgrading, players in the industry gradually competed in the existing market. The Company continued to actively perform its social responsibility as the leader in the home furnishing industry. During the pandemic prevention and control period, the Company actively supported small and medium-sized merchants in tiding over the difficulties. Meanwhile, in the face of the impact of the macro policy of real estate regulation on the home furnishing industry in 2021, and based on the management decisions of the Board, employees of the Company made concerted efforts to continuously consolidate its online and offline refined operation capabilities. The Company proactively proposed an “operation-heavy” strategy. Based on regional positioning, customer group classification, quality category selection and other more specific factors, the Company constructed a high-end traffic ecosystem covering building materials, furniture and home appliances, in the 100 super malls and nine major category theme shopping malls in China. The Company attracted online global traffic through the nine theme pavilions and achieved targeted distribution of traffic for categories, and re-distributed the consumer traffic to stores of brand merchants, realizing the linkage between public and private domains, thus achieving the acceptance, repeated use and deep operation of traffic in the malls. Meanwhile, with online and online operation capability, Red Star Macalline created a close-loop of online and offline integrated service of new retail with the shortest chain, so as to accelerate the improvement in the marketing efficiency of brand merchants in the processes from online promotion and recommendation to transformation.

In the face of channel changes in the home furnishing industry and the increasing fragmentation of traffic in the existing market, in 2021, the Company coordinated the positioning planning of multiple store forms, and selected 100 malls that represented the strategic arrangements of the Group, including 32 No.1 Stores, 9 Grand Malls and 59 Benchmarking Shopping Malls. Red Star Macalline aims to build a comprehensive online and offline home furnishing retail business network that integrates multiple store forms, category expansion, brand selection, scenario-based experience and systematic marketing. In this regard, Red Star Macalline has always focused on operation and has been deeply engaged in traffic in the home furnishing industry, fulfilled the aim of shopping mall-oriented management and market-oriented sales, and led the construction of a harmonious and win-win home life ecosystem.

Meanwhile, Red Star Macalline continuously pays attention to the demand of investors, employees, customers, suppliers, communities and other stakeholders, and actively listens to the opinions and suggestions of all parties. We hope to bring the best return for investors through every course of pursuing excellence. We regard our employees as the valuable wealth of the Company. We help our employees improve their ability and achieve better career development by improving employee training mechanisms and promotion channels. We continuously improve the supplier management system and after-sales service system to provide customers with high-quality products and services. Meanwhile, we will not forget to fulfill the mission of giving back to the community and actively participate in various public welfare undertakings. In addition, we are committed to implementing the philosophy of “Eco-friendly and Healthy Home”, pay attention to low carbon and environmental protection, reduce the consumption of resources in the construction and operation of shopping malls, and fully consider the possible adverse impact on the environment.

Looking forward, Red Star Macalline will continuously deepen the philosophy of corporate social responsibility and create higher value for stakeholders, and will be firmly on the road to becoming a “world brand of the Chinese nation”.

Performance Highlights



Economic performance

Asset of RMB135,187 million
Cost of sales of RMB5,946 million
Total tax of RMB2,025 million

Revenue of RMB15,513 million
Net profit of RMB2,189 million
Social contribution per share of RMB2.46



Social performance

21,514 employees in total
100% of employees trained
Community investment of RMB31.04 million

Employee salary of RMB3,748 million
Average training hours per employee of 248 hours



Environmental performance

Energy consumption per unit area of 785.51 MWh/10,000 m²
Greenhouse gas emissions per unit area of 450.23 tons/10,000 m² (Scopes 1 and 2)

Water consumption per unit area of 3,184.44 m³/10,000 sq.m.



Honor

Top 100 Private Enterprises in Terms of Sustainable Development in China in 2021 by Hurun
Top 500 Chinese Brands in 2021
“Best Home Furnishing Brand in 2021” of Golden Building Award (金樓獎)

About Red Star Macalline

Corporate Profile

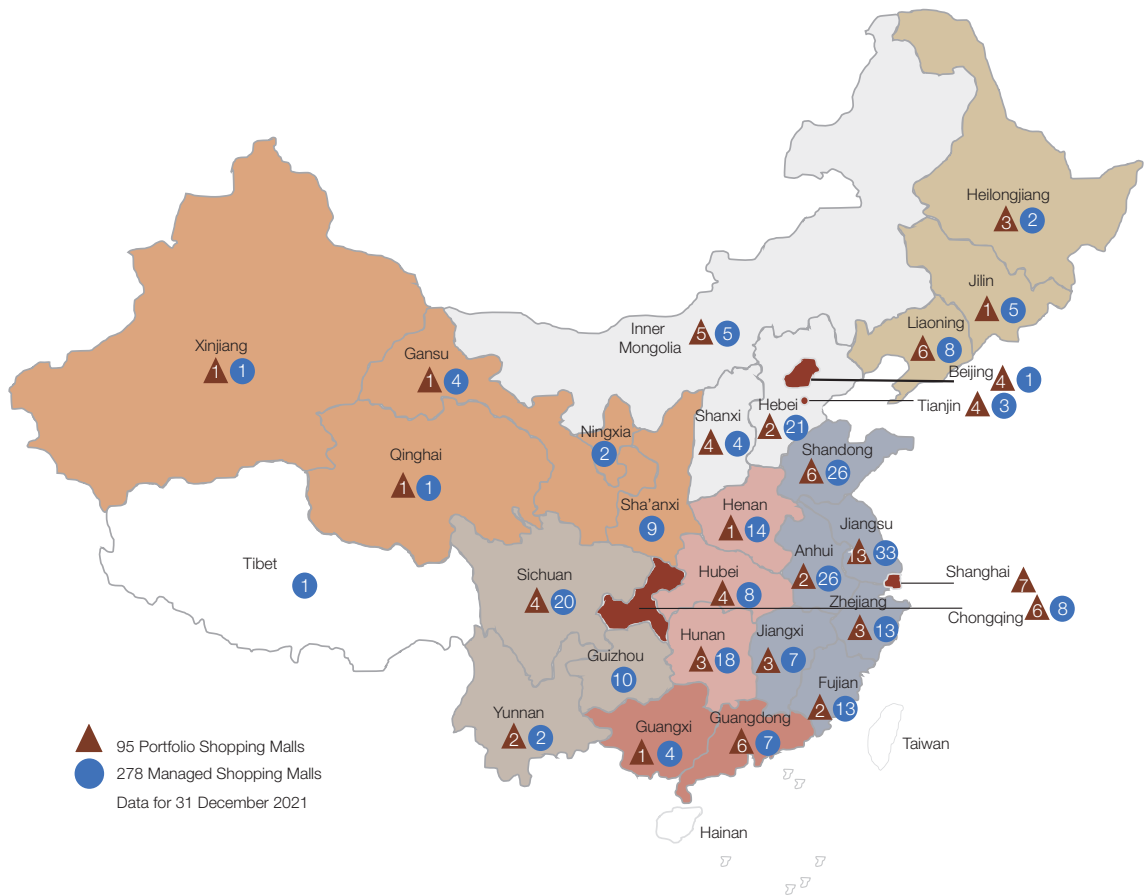
Founded in 2007, Red Star Macalline Group Corporation Ltd. is headquartered in Shanghai, the PRC. It was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 26 June 2015 (stock code: 01528. HK) and was later listed on the Main Board of the Shanghai Stock Exchange on 17 January 2018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

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

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

Statistics show that as of 31 December 2021, the Company operated 95 Portfolio Shopping Malls and 278 Managed Shopping Malls, and operated 10 home furnishing shopping malls through strategic cooperation. Besides, the Company had authorized the opening of 69 franchised home building material projects by franchise, bringing the total number of home improvement material stores/industrial streets to 485. Our Portfolio Shopping Malls and Managed Shopping Malls covered 224 cities in 30 provinces, municipalities directly under the Central Government and autonomous regions in China, with a total operating area of 22,303,547.50 sq.m. Our malls offer more than 35,087 brands in total.

National Strategic Layout



About Red Star Macalline

Development History

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

2000

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

2002

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

2006

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

2007

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

2008

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

2010

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

2012

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

2013

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

2014

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

2015

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

2016

Its 200th home improvement and furnishings shopping mall commenced operation

2018

Following its listing on the Shanghai Stock Exchange, the Company became the first company that has been listed on the A stock market and H stock market in China's home improvement and furnishings industry

2019

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

2021

The non-public issuance of A Shares was completed, thus optimizing the shareholding structure of the Company

Social Responsibility Management

Corporate Social Responsibilities

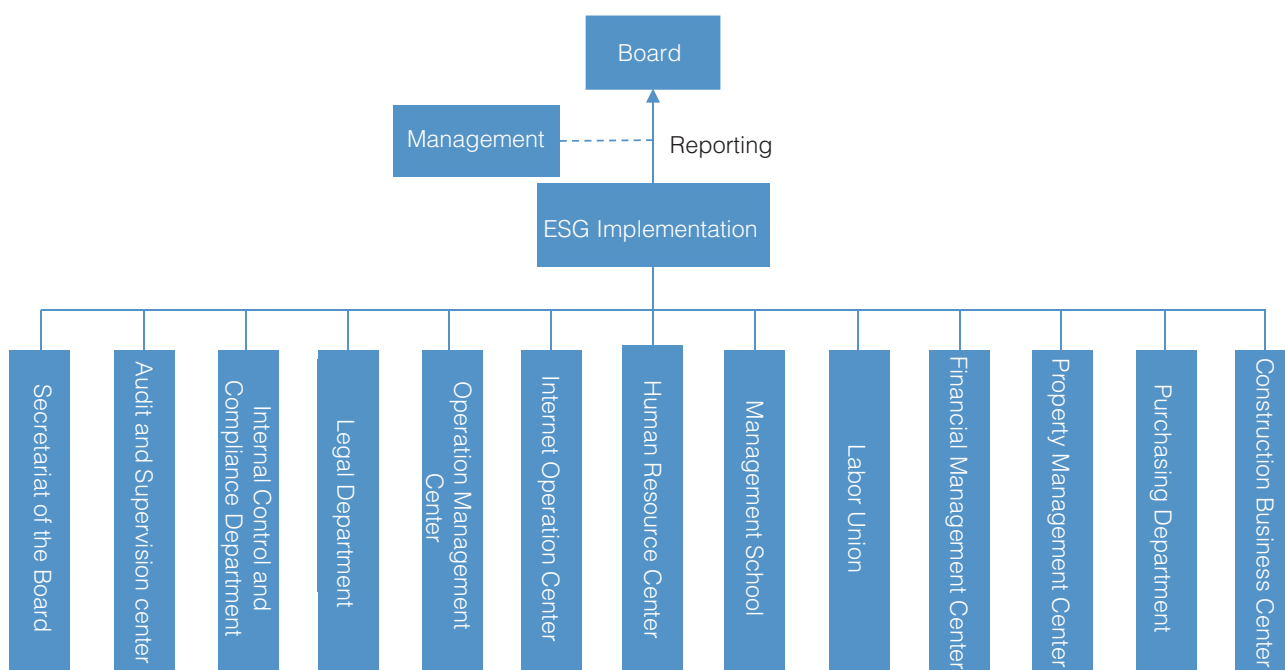
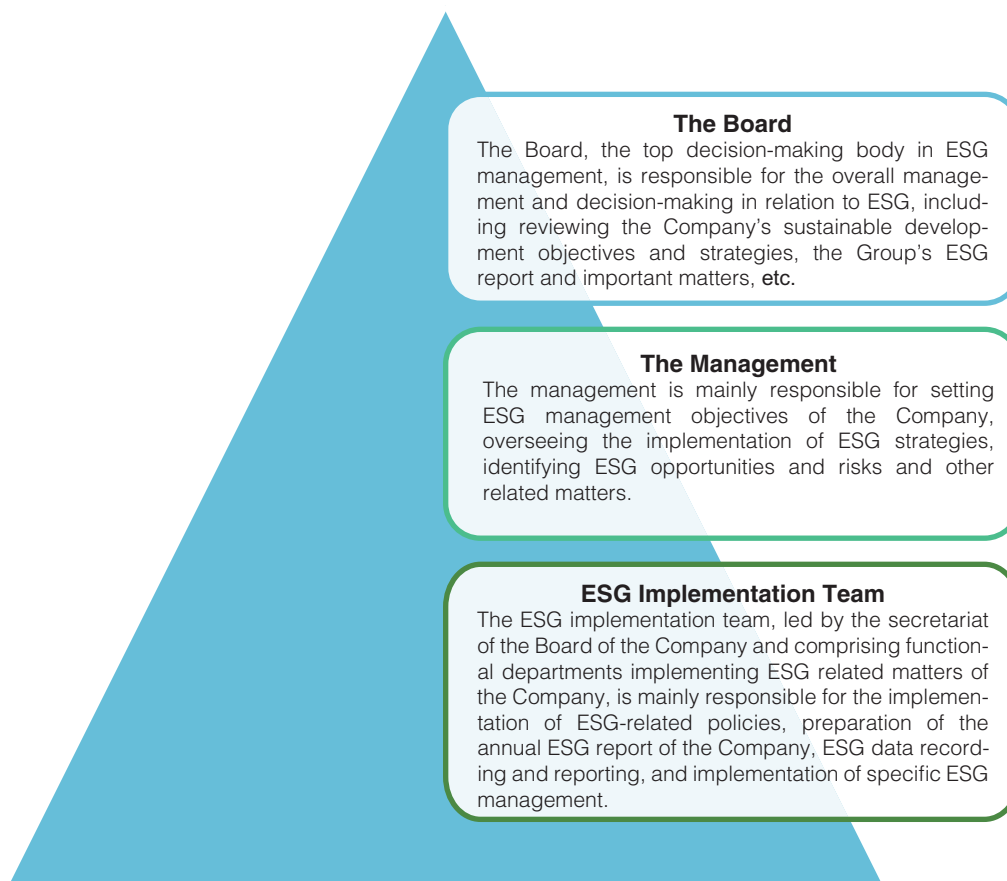
Standing in the position of customers, Red Star Macalline is committed to offering reliable and high quality home product circulation platform to the market, sets an example for the industry, realizes mutual development between income, the environment and the society, and earnestly fulfils corporate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

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

Management Approaches

In 2021, the Company established a three-tiered ESG governance structure consisting of the decision-maker, the management and the implementer to manage ESG-related matters of the Company in all aspects. The Board, the top decision-making body in ESG management, is responsible for the overall management and decision-making in relation to ESG. The management sets the ESG management objectives of the Company and organizes the implementation of ESG-related matters. We established an ESG working group comprising relevant functional departments, as the implementer in the ESG governance structure, responsible for carrying out the specific implementation of ESG-related matters of the Company, assisting the management in completing ESG-related work tasks, and practically promoting the implementation and enhancement of ESG-related specific work. In addition, by reviewing the Company's operations and holding internal discussions, we identified relevant social responsibility issues and assessed their significance to our business and stakeholders. Significant ESG issues identified are reflected in this report.

According to the Environmental, Social, and Governance Reporting Guide of the Stock Exchange, in 2021, the Company also improved the ESG target setting and implementation work, analyzed current resource use and emissions, and on this basis, set an environmental protection target covering energy use, emissions, water resources and greenhouse gases. For this purpose, the Company carried out the ESG work plan 2021 to ensure the achievement of the ESG targets.



Social Responsibility Management

Communication with Stakeholders

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

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

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

In 2021, we held two activities of “Open Day for Investors” in Beijing and Shanghai jointly with The Listed Companies Association of Shanghai. Nearly 300 investors and analysts participated in the events on the site or through live streaming. Nearly 50 institutional investors were invited to visit the representative Zhenbei Shopping Mall and Hunan Mall and communicate with our senior executives so that investors had a deeper understanding of the strategic transformation insights and plans of Macalline in terms of home decoration business, digitalization, new retail and other businesses.

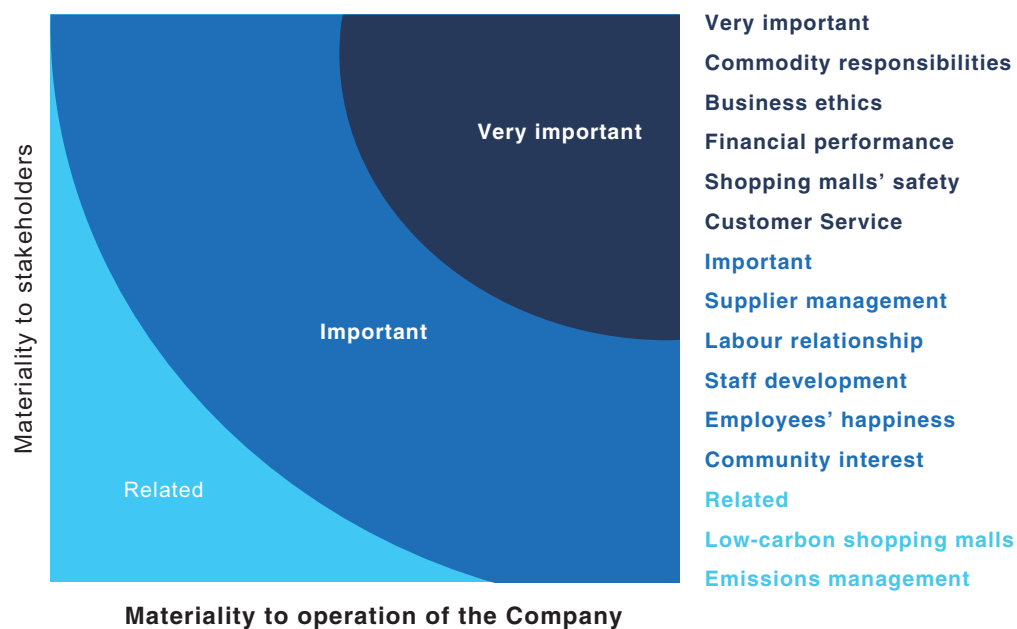


▲ “Open Day for Investors” in 2021

Assessment of Material Issues

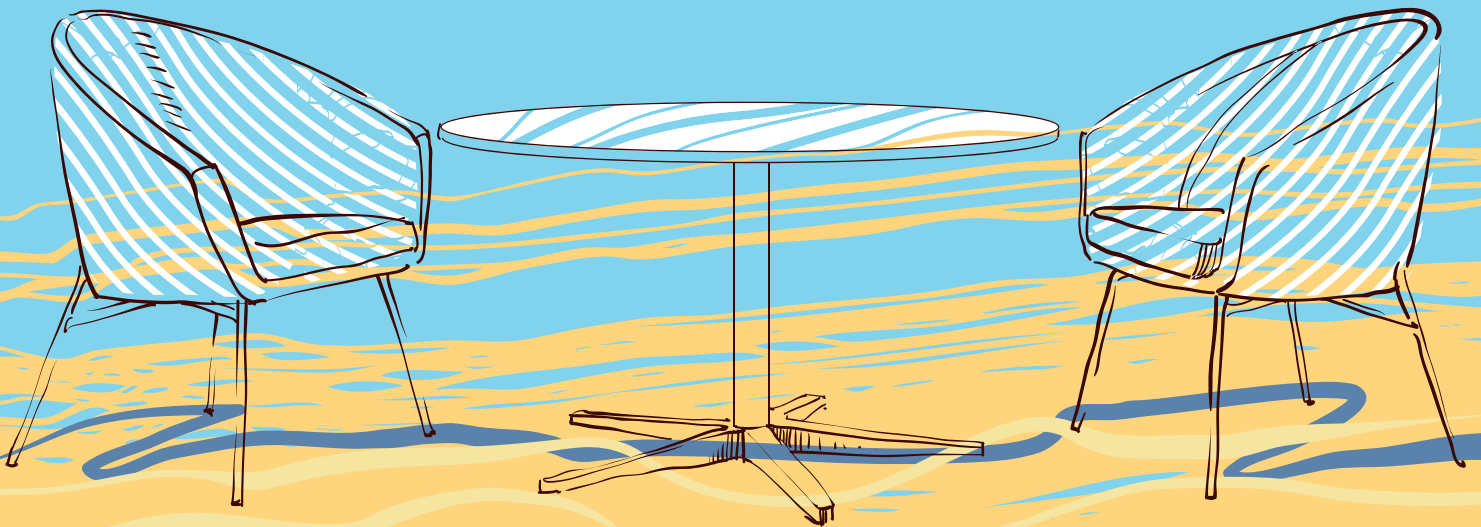
We communicated with our internal and external stakeholders, conducted surveys with them, and received plenty of suggestions. Judging by the impact on the operation of the Company and the impact on stakeholders, we selected key issues, and our senior management scored and sorted these key issues to reflect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

Materiality evaluation matrix



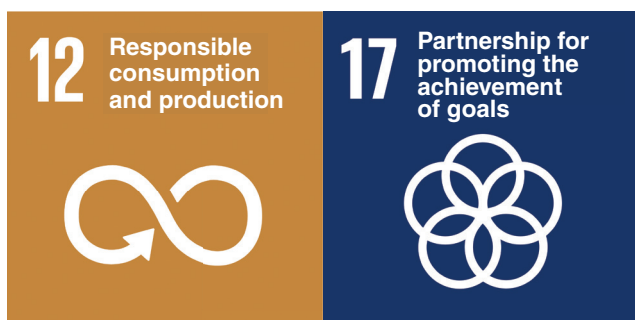
Market Responsibility

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



Main achievements in 2021:

- Tongcheng Stations were established in a total of 33 cities covering 78 shopping malls;
- Consumer satisfaction reached 95.99%, and the net promoter score was 67.55% in 2021;
- In 2021, the satisfaction rate of Red Star Macalline as to customer complaints reached 93%, representing an increase of 1.6 percentage points as compared with 2020;
- In the themed event of “Safety Protection and Carefree Spending” on March 15 sponsored by the China Consumers’ Association and organized by People.cn, the Company was rated as one of the top ten outstanding cases of large social welfare activities of “Joint Efforts to Create a More Considerate Environment for Spending”; the Company won the titles of “China’s Five-star After-sales Service Enterprise” and “China’s Top 10 Enterprises in the After-sales Service Industry” by the China General Chamber of Commerce; the Company was granted the “2021 Customer Word-of-mouth Award” by the China Information Industry Association of the National Development and Reform Commission.

Supporting the Sustainable Development Goals (SDGs) of the United Nations:**New Home Furnishings Retail**

Red Star Macalline has always insisted on the philosophy of being responsible for the environmental protection of the home of each family, advocated the home furnishing taste and culture, and led the transition of home furnishing spending from simply “buying home furnishing products” to “visiting home furnishing product stores” and “appreciating home furnishing products.” Meanwhile, Red Star Macalline has continuously carried out upgrade and innovation, taken the lead in implementing the online and offline city-wide retail model, conducted digital upgrading of shopping malls across China, actively enabled merchants to carry out operation and provide a better experience to consumers in home furnishing shopping.

Smart Retail

We apply Internet, big data, AI and other technologies in the development of retail for the home furnishing industry. Through strategic cooperation with Alibaba, we brought a new model of smart retail of online introduction + offline experience and deal in home furnishing industry. With Tongcheng Stations, live streaming sales, innovative marketing activities and digital operation and construction, we have jointly created a user-centered spending model, digitally enabled merchants and promoted online and offline integrated operation.

Market Responsibility

Online and Offline City-wide Retail

The online and offline city-wide retail model is based on the cooperation between Red Star Macalline and Alibaba. On a city-by-city basis, an official flagship store of Red Star Macalline, namely Tongcheng Station has been established on Tmall and has been supported by offline shopping malls of Red Star Macalline in the city, in online and offline city-wide spending, experience, distribution, after-sales and other services. Consumers can log onto Tmall at any time to visit the official flagship store of Red Star Macalline, browse and consult about commodity information online, and even place orders directly, and require the nearest shopping malls and merchants to provide localized distribution and installation, thus enjoying the same services as offline physical stores. As of the end of the Reporting Period, Tongcheng Stations were established in 33 cities, covering 78 shopping malls and all types of building materials and furniture including flooring, doors and windows, soft furnishings, bathroom products and sofas.

In 2021, we continued to optimize and upgrade our Tongcheng Station business. In terms of improving the user experience, we added to the Tongcheng Stations, panoramic videos for product introduction. Customers can freely enjoy a 720-degree view of home furnishing through video, understand the most realistic product space effect, and obtain an immersive shopping experience; meanwhile, we also added a synchronous shopping guide function to panoramic videos, so as to synchronize the shopping guide service of offline and online stores, thus breaking the time and space limit between shopping guide and online customers, so that customers could obtain professional product introductions while watching the videos. In addition, Tongcheng Stations for home furnishing design services were launched to provide consumers with a full-chain service experience from home furnishing design to furniture purchase.

In terms of supporting brand distributors, the online and offline integrated new retail model also helps achieve comprehensive enablement in terms of targeted traffic driving, product marketing, etc., helping merchants of Red Star Macalline improve their results. For example, the one-key free reservation function newly provided on the Tongcheng Stations allows free online ordering and experience in offline stores, thus successfully lowering the shopping threshold; the 720-degree panoramic video provides a new content marketing approach for merchants and an immersive shopping experience of watching, selecting and purchasing on demand. During the Reporting Period, the total traffic received by the Tongcheng Stations exceeded 100 million.

Live Streaming for Nine Major Categories

With the consumption upgrade, there was a transition of the home furnishing industry from the 1.0 era driven by rigid demand to the 2.0 era dominated by consumption upgrade, and a gradual shift of consumer demand from overall decoration to partial renovation and renewal. Against this backdrop, according to consumers' shopping needs in different home furnishing segments, Red Star Macalline launched a special live streaming event for one category every day during Double Eleven, covering living room design, systematic doors and windows, imported and international, and fashionable furniture, high-quality bathroom products, intelligent electrical appliances, soft furnishings, high-end customization and sleep.

Case: During the special live streaming event for sleep category, while introducing the products, we provided practical tips for consumers to purchase mattresses, as well as half-hour special offer, allowing consumers to select the most suitable and economical product in the immersive experience of watching and buying on demand.



▲ Live Streaming Event of Red Star Macalline for "Sleep" Category

In addition to helping consumers solve the pain points in home furnishing spending, the nationwide category-specific live streaming event enabled home furnishing brands in terms of marketing and traffic. For example, we helped the brand interact with target users through category-specific live streaming interaction and special offer activities, so as to support the brands in acquiring customers accurately to the maximum extent; we also made a preferential policy and communication strategy specific to each category. While highlighting the differentiated value of the categories and driving the significant growth of all categories, we also cemented the category philosophy in the mind of consumers through innovative "category education" methods, thus laying the foundation for the marketing of home furnishing categories in the future. We also effectively transformed the live streaming contents into brand marketing strength through the KOL live streaming. According to statistics, during Double Eleven, there were a total of 738 special live streaming events for nine major categories in ten days, with 5.24 million viewers and more than 23,000 orders from live streaming.

Case: We invited characteristic KOLs who were highly suitable for each category-specific live streaming event, such as experienced interior designers, home furnishing talents, well-known hosts, artistic gymnastics stars, fashionists, etc., to support the live streaming event. According to their own professional background and experience, characteristic KOLs provided interesting content for the audience, and served as a communication bridge between the brands and the consumers to more truly convey the characteristics of various home furnishing categories and high-quality brands, thus supporting the brands in quickly acquiring users.



▲ Special Live Streaming Event – Fantastic Mattress Night

Market Responsibility

Marketing Model Innovation

In order to provide consumers with a better shopping experience and support distributors in achieving better operation and service and according to consumers' shopping habits, we have continuously tried new marketing models, and created the "Tuanxinjia (團新家)" activity, covering shopping malls with Tongcheng Stations. The "Tuanxinjia" activity provides a spending model that consumers buy the vouchers of the brands in the shopping malls on the Tmall flagship store of Red Star Macalline or the WeChat mall mini-program in bulk from Monday to Friday and form groups for shopping in the stores on weekends. Meanwhile, merchants can also form a small category alliance to provide consumers with a one-stop shopping experience; the activity can also reach consumers through Tmall and WeChat, thus effectively improving the marketing efficiency of brand merchants.

Digital Operation

In 2021, we integrated the production and research resources of Red Star Macalline to establish Macalline Digital Technology Co., Ltd. (美凱龍數字科技有限公司), so as to promote the informatization and digital upgrading of Red Star Macalline Group and online and offline integrated operation. During the Reporting Period, we continuously promoted the digital construction of all offline shopping malls and the online operation of all brands and distributors on the platform, including the launch of goods, marketing, services and management. In addition, for our huge and complex business system, we integrated and built a series of middle platforms, such as middle platforms for contracts, parking and payment, to support the development of front-end business, thus achieving coverage over the full life cycle of merchants, and refined operation; full-chain reach to consumers, user experience improvement; full-chain data integration, efficient utilization of data value, and other targets.

Design Aesthetics

Red Star Macalline has always pursued aesthetics. Through M+ design competition, cross-industry cooperation, participation in organizing various design exhibitions, etc., Red Star Macalline promotes the philosophy of home furnishing aesthetics to consumers, and is committed to creating a domestic design aesthetics in home furnishing and leading a new fashion of home furnishing aesthetics. In 2021, we launched China's Fourth M+ High-end Interior Design Contest, to provide outstanding designers with a platform to embody design values and realize design dreams.

In order to better promote the integration of home furnishing and art and lead the high-quality life philosophy and lifestyle of the public, the Chongqing Jiangbei Shopping Mall of Red Star Macalline, with the support of Chongqing Cultural Investment Group, cooperated with Sichuan Fine Arts Institute (one of the eight major art institutes in China), RUGIANO, POLTRONA FRAU and other imported home furnishing brands, in forming an "Art and Home Furnishing Alliance", to further integrate art and culture into home life. In May 2021, the Art and Home Furnishing Alliance held an exhibition with the theme of "Art and Home Furnishing Fun" to show an immersive experience store with the full integration of art and home furnishing, and invited Liang Mingyu (梁明玉), director of the China Fashion Association, chairman of the Chongqing Fashion Association, chief fashion designer of the opening and closing ceremonies of the Beijing Olympic Games, and Mou Qun (牟群), famous art critic and other celebrities for in-depth communication and exchange to jointly explore the spirit of art and the beauty of life.

In addition, Red Star Macalline once again cooperated with a variety show National Treasure in launching a customized variety show Appreciate the Treasure Era (不負寶藏時代), which leads the audience to understand the technological innovation of Chinese home furnishing from the past to the present, appreciate the soul of craftsmanship and feel the beauty of Chinese home furnishing.

Green Home Furnishing

We perform the corporate mission of “being responsible for the environmental protection of the home of each family.” We continuously cooperate with green brands to deeply carry out activities including green leadership certification, publicity of green home furnishing, and green week, so as to select greener home furnishings for consumers and promote green home furnishing in an all-round way.

Green Leadership Certification

Since 2013, Red Star Macalline has cooperated with China Quality Certification Center every year to carry out the project of leading environmental-friendly home furnishing brand certification, with the aim of selecting and recommending a number of environmental-friendly brands for consumers and promoting the environmental-friendly development of the home furnishing industry. In the environmentally-friendly leading brand certification project, brands are selected mainly by factory quality assurance ability inspection, factory inspection, Red Star Macalline shopping mall inspection and customer complaint evaluation. Among the brands whose inspection results are better than the national environmental protection standards, the more environmentally-friendly brands are selected as the leading green brands, so as to set a benchmark for leading environmentally-friendly brands in the home furnishing industry. The project has become the most influential and environmentally-friendly certification project with the most advanced and strict furniture inspection standards in the home furnishing industry in China. During nine years of the selection and certification of “Leading Environmentally-friendly Home Furnishing Brand”, Red Star Macalline cooperated with China Quality Certification Center in deeply carrying out production inspection and product sampling inspection in factories, and certified and inspected 190 brand series in total. Meanwhile, it engaged national authoritative testing organizations to conduct regular sampling inspections of core brands of key product categories in shopping malls every year, covering 100% of key brands and regions, realizing the dynamic supervision of the environmentally-friendly quality of the products on sale.

In 2021, we continuously selected “Environmentally-friendly Home Furnishing Brands.” All leading green brands selected will be awarded honorary certificates and exclusive green leadership certification marks, so that consumers can more easily identify environmentally-friendly home furnishings in selection and purchase. By continuously selecting “Environmentally-friendly Home Furnishing Brands” and recommending environmentally-friendly home furnishing brands for consumers, we not only ensured the quality of products in the shopping malls of Red Star Macalline, but also gained the recognition of consumers and relevant authorities. In 2021, in the “CCFA Golden Lily Best Practice Case of Fashion Retail and Consumer Brand” issued by China Chain Store & Franchise Association (CCFA), we were rated as the case of merchandise innovation practice, with our philosophy of “leading the development of the home furnishing industry with green leadership as the core.”

Market Responsibility

Green Week

Red Star Macalline has carried out environmentally-friendly theme activities for consumers for four consecutive years, leading the environmentally-friendly home furnishing spending. In 2021, we launched the industry-leading creative video of “Carefree Goods (安心好物)” and comprehensively upgraded the activities of “Excellent Evaluators (菁英把關人)” and “Nationwide Healthy Run (全民健康跑)”, so as to promote the in-depth online and offline participation of the people and enrich consumers’ home furnishing product experience.

In 2021, in order to enable consumers to know more about environmentally-friendly home furnishing brands, we launched an interesting and easy-to-understand creative video of “Carefree Goods (安心好物)” to help consumers choose home furnishing brands with the “green leadership certification.” The creative video of “Carefree Goods (安心好物)” dramatized the difficulties in home furnishing selection and purchase in daily life from the perspective of consumers, and taught more consumers about how to choose environmentally-friendly home furnishing products.



▲ Creative Video of “Carefree Goods (安心好物)” – Mattress

In addition to the newly launched creative video of “Carefree Goods (安心好物)”, we continue to hold “Excellent Evaluators (菁英把關人)” live streaming event for publicity of the knowledge of home furnishing purchase, for consumers, helping them master the key points in purchasing home furnishing products and correctly purchase environmentally-friendly home furnishing products. The “Excellent Evaluators (菁英把關人)” activity was attended by expert streamers who knew standards and merchandise and focused on the nine major theme pavilions of Red Star Macalline. Meanwhile, we held live streaming events for knowledge publicity on the premises of brand factories and authoritative testing organizations. Through the streamers’ explanation for the purchase of home furnishing products and the display of internal materials, consumers could fully understand how to purchase environmentally-friendly home furnishing products, and obtain interesting and practical knowledge and skills. In 2021, there were a total of more than 8 million viewers of “Excellent Evaluators (菁英把關人)” live streaming event for publicity of the knowledge of home furnishing purchase.



▲ “Excellent Evaluators” Live Streaming Event for Publicity of the Knowledge of Home Furnishing Purchase

In 2021, the Green and Healthy Running of Red Star Macalline with the theme of “Green Pace, Win the Future” adopted the online and offline running model and upgraded the Nationwide Healthy Running in consideration of landmark buildings, graffiti and hot spot areas or creative obstacle course racing in cities. The event was held in more than 300 shopping malls of Red Star Macalline in over 250 cities in China, with a total of 31,010 participants in offline running and 84,454 participants in online running. With the high-spirited attitude of runners, all persons involved in home furnishing businesses encouraged more people to adhere to a green, healthy and environmentally friendly lifestyle.

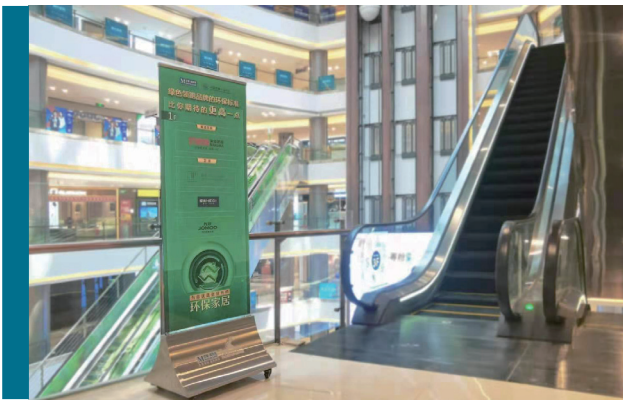


▲ Green and Healthy Running in Cities in 2021

Market Responsibility

Publicity of Environmentally-friendly Home Furnishings

In addition to the annual green week, in 2021, we cooperated with environmentally-friendly brands in carrying out a series of environmentally-friendly home furnishing promotion activities. For example, we cooperated with Nature Mattress (大自然床垫) in holding the “Keep Identifying Green Home Furnishing” environmental-protection live streaming event with 50.84 million viewers. We worked with brands to take videos of environmentalists as well as publicity TVC videos for series product categories, and carried out environmental protection publicity through new channels such as internet sensations, major authoritative networks and media, broadcasting stations, newspapers, and Douyin short videos, with a total of over 30 million views. In addition, we comprehensively upgraded the environmentally-friendly terminal system, iterated the environmentally-friendly terminal experience and built environmentally-friendly visual images for shopping malls, so as to enhance the consumers’ awareness and guide consumers to choose greener home furnishing brands.



▲ Environmentally-friendly Terminals in the Shopping Mall of Red Star Macalline

Quality and Service

We adhere to the customer-oriented principle and persist in providing consumers with safe and healthy products. For this purpose, the Company has established a strict product quality management system to control product quality, as well as a sound after-sales service, customer complaint and merchant management mechanism for timely and quick response to consumers’ demands, and has fully safeguarded basic rights and interests of consumers and continuously improved customer satisfaction. In 2021, with the sound service process system, efficient and professional service quality, we won many honors. For example, in the theme event of “Safety Protection and Carefree Spending” on March 15 sponsored by the China Consumers’ Association and organized by People.cn, we were rated as one of the top ten outstanding cases of large social welfare activities of “Joint Efforts to Create a More Considerate Environment for Spending”; we were rated as “China’s Five-star After-sales Service Enterprise” and among “China’s Top 10 Enterprises in the After-sales Service Industry” by the China General Chamber of Commerce at the 10th National After-sales Service Conference. Meanwhile, after the indoor evaluation by the industry expert group and the random investigation by third parties, the 400 call center of Red Star Macalline was recognized in the customer contract center industry, and was granted the “2021 Customer Word-of-mouth Award” by the China Information Industry Association of the National Development and Reform Commission.

Strict Control of Merchandise Quality

In terms of quality management, we have established a sound quality management system in terms of merchandise admission, process supervision, environmental protection, etc., and specially established a merchandise management post, namely merchandise and price inspector to inspect and control merchandise.

Merchant Admission	<ul style="list-style-type: none">• We will conduct a series of qualification material review in admission of new brand merchants. For example, the merchants must have a formal factory authorization letter, and the products must meet the national environmental-protection quality standards and they should provide certificates of conformity for products. We will refuse to admit merchants who fail to meet the above requirements.
Daily Random Inspection	<ul style="list-style-type: none">• In daily operation, we conduct regular sampling inspection of qualification of all merchants, and make a reminder for relevant qualifications that are about to expire, so as to ensure that every brand operated in the premises of Red Star Macalline has admission qualification and legally established manufacturers, so that consumers can carefreely buy products.
Price Tag Check	<ul style="list-style-type: none">• We regularly check whether the materials of merchandises are consistent with the factory instructions, and do not allow merchants to mislead consumers by mislabeling products.
Environmental Protection	<ul style="list-style-type: none">• We regard environmental protection as an important part of quality control, and engage national authoritative testing organizations to regularly conduct random inspections of merchandises in shopping malls to ensure that the merchandises meet the national environmental-protection quality standards, and take actions such as removal, sale suspension, information update, and re-inspection of unqualified products, so as to provide consumers with green, environmentally friendly and safe home furnishing products.

In order to play a more powerful role in quality supervision, we comprehensively upgraded the environmental protection testing system, and cooperated with 14 third-party authoritative testing organizations to carry out the “mystery buyer inspection” project for shopping malls in China. In 2021, a total of 1,391 sampling inspections of 83 shopping malls of Red Star Macalline were conducted by “Mystery Buyers” comprising experts from testing organizations, and we ranked first in the industry in terms of percent of pass in the sampling inspections.

Market Responsibility

Meanwhile, we continuously strengthen the professional ability building for merchandise management posts. For merchandise and price inspectors of Red Star Macalline, we provide 9 major live streaming courses, organize professional ability tests, and classify the posts into junior, middle and senior merchandise and price inspectors, thus effectively promoting the improvement in their inspection ability. We also organize the merchandise and price inspector team competition in the provincial center, and the advanced individual competition to help employees quickly master merchandise inspection knowledge. In 2021, no products sold or delivered by Red Star Macalline were required to be recalled for safety and health reasons.



▲ Merchandise Inspection Competition of Red Star Macalline in 2021

High-quality Consumption Experience

Red Star Macalline continuously innovates its service model based on the needs of consumers. It actively protects consumers' rights and interests and improves customer satisfaction by building nine major theme pavilions, launching integrated services including door-to-door service, home maintenance service and home furnishing and decoration, and building a sound service management system and customer complaint management system.

Nine Major Theme Pavilions

In 2021, in order to cater for new shopping habits and higher service demand of consumers as well as the market segmentation needs, Red Star Macalline comprehensively sorted out its categories, and launched nine new major theme pavilions, namely intelligent electrical appliance pavilion, fashion home furnishing pavilion, high-quality bathroom product pavilion, sleep pavilion, living room design pavilion, imported and international pavilion, systematic door and window pavilion, high-end customization pavilion and soft furnishing pavilion, in order to provide a better consumption experience. In consideration of the diversity of offline scenarios, the nine theme pavilions transform the traditional store form into a scenario-based immersive experience store, so that customers can have a three-dimensional experience in different theme pavilions, and choose the most suitable products in the real experience. In addition, the theme pavilions have the function of systematic purchase, providing consumers with complete one-stop professional services covering the decoration design at the early stage, the material selection at the middle stage and the construction at the late stage. For example, the traditional retail channels for high-end electrical appliances only exist sporadically in high-end department stores and proprietary stores of brands and are segmented, which is inconvenient for consumers. The “intelligent electrical appliance pavilion” established by us in shopping malls can effectively solve the problem, and provide consumers with a whole-house decoration solution that integrates home decoration, furnishing and electrical appliances.

Case: The “premium intelligent electrical appliance pavilion” established by us in Zhengzhou attracted a large number of high-end electrical appliance brands, and created an all-round scenario to display sets and series of products, and provided consumers with an immersive consumption experience and high-quality service in the whole process.



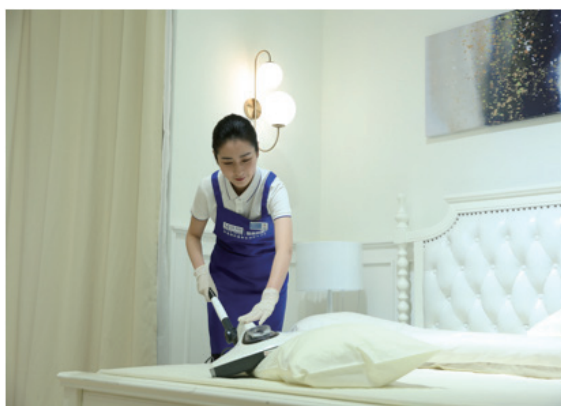
▲ Brand Experience Store in the “Premium Intelligent Electrical Appliance Pavilion” in Zhengzhou

Market Responsibility

Door-to-door Service

Red Star Macalline began to provide home maintenance services since 2015. In the past six years, we integrated advanced maintenance technology teams and well-known large brand factories based on actual needs of consumers, and upgraded the home maintenance service to professional home maintenance service. In 2021, Red Star Macalline continued to integrate the resources and teams of third-party door-to-door service companies. As such, we provided professional, high-quality home services for customers, including killing mites in mattress, cleaning home furnishings, appliance and air, deep cleaning, sofa maintenance, and floor waxing, which achieved 100% customer satisfaction.

Case: In 2021, we organized four major departments, namely Red Star Macalline soft furnishing business department, operation center, door-to-door service department and IMP, and cooperated with 15 first-class brands in the soft furnishing industry to provide customers with free home maintenance services mainly including "curtain cleaning, mattress mite removal, range hood cleaning and air conditioner cleaning" in 300 shopping malls in 179 cities across China, with door-to-door services to a total of 97,117 households and the positive review percentage of 100%. In the process of door-to-door services, in addition to providing corresponding renewal services, we cooperated with brand merchant representatives and designers to provide free customized soft furnishing design schemes for more than 20,000 customers, so as to build a bridge to link customers through services, and improve the after-sales service experience.



▲ Door-to-door Services of Red Star Macalline

Integration of Home Furnishing and Decoration

In order to meet the consumers' demand for overall decoration covering aesthetic space design, high-quality construction, selection of home furnishings/building materials/home appliances, comfort equipment and intelligent home furnishings, and soft furnishing matching, Red Star Macalline established a decoration industry group in 2019 to provide consumers with an attractive, high-quality, super-environmentally-friendly and carefree decoration service experience. Up to now, the decoration industry group of Red Star Macalline has gradually developed into an Internet platform for the decoration industry driven by digital technology, with marketing and supply chain as the core, which integrates aesthetic design, high-quality construction and other delivery strengths, and has launched services and product forms including personalized customization of Macalline home decoration, Zhenyang luxury home decoration, Macalline space design, Better Home and Zunke, so as to provide differentiated decoration services for consumers with different needs.

In terms of improving the customer service experience, the decoration industry group of Red Star Macalline first improves the service experience of customers in the whole process of decoration by improving the personalized and customized overall decoration service capability and launching the whole-house decoration service. The decoration industry group strengthens the development and application of digital tools, and improves the user experience through 3D cloud design, visual construction sites and other tools. The decoration industry group optimizes the proactive follow-up and customer service operation mechanism, implements the NPS evaluation mechanism, listens to the real feedback from customers, and continuously iterates and upgrades customer services.

In terms of delivery quality and construction capability improvement, the decoration industry group of Red Star Macalline improved the delivery standard of the full design. The decoration industry group removed barriers in the chain of main material services including selection and purchase of main materials, delivery and receipt, and installation coordination, through the professional services of the design manager and the engineering manager, thus saving time for customers, reducing material wastage and greatly improving the service efficiency of one-stop decoration. Meanwhile, the decoration industry group continuously strengthened the research and development of construction process technology in terms of construction and delivery, and standardized 268 basic construction technology operation standards. It improved its construction and delivery ability by taking management measures including the implementation of the project manager responsibility system, visual construction site management, 9-stage inspection management, 4-level supervision and management system, and establishment of an excellent construction site benchmark of Red Star Macalline in China.

In 2021, the decoration industry group of Red Star Macalline continuously optimized its process technology, and made technological breakthroughs in mold, seepage, cracking and moisture prevention, villa noise reduction, etc., and had many relevant new utility model patents. In terms of digitalization, the decoration industry group independently developed the whole-house full-chain ERP business system, digital marketing tools and CRM system, thus basically having the digitalization capability for home decoration business. It had 9 new software copyrights and acquired a total of 11 new software copyrights. Meanwhile, the decoration industry group of Red Star Macalline reached strategic cooperation with "Steve Leung Casa Limited", a top private house customization brand of Steve Leung Design Group (a well-known designer), to remove barriers in the full-supply-chain services covering high-end design, luxury house construction and top-class home furnishing material products, so as to provide customers with a more comprehensive and new experience of high-quality service.

Market Responsibility

In addition, in 2021, with its one-stop whole-house decoration capability, visual construction and delivery capability and more-than-expected quality service capability, the decoration industry group of Red Star Macalline won the fourth “2021 Carefree Award (安心獎)” by Jiemian.com (界面新聞), and was included in the 2021 CCFA Life Service Best Practice Casebook.



▲ Honors and Awards Won by the Decoration Industry Group of Red Star Macalline in 2021

Service Commitments

Red Star Macalline has always attached great importance to the construction of service management system, and launched eight major service items of “Star Commitment, Star Service (星承諾·心服務)”, including the after-sales guarantee commitment of “environmental protection, compensation in advance, and refund of 5 times the price difference in the same city”, so as to ensure that consumers can buy goods and services with the highest quality at the most transparent price at the premises of Red Star Macalline. The integrated and upgraded services of “30-day return without reason, full responsibility for product quality, punctual delivery and installation, one-stop home furnishing design, online and offline integration” provide customers with a one-stop home furnishing service experience of turnkey.



▲ Service Commitment of Red Star Macalline

Customer Complaint Management

We have formulated a series of customer complaint handling rules, including the Implementation Rules for Handling and Management of Customer Complaints and the Rules and Basic Procedures of Customer Complaint Treatment Services, which specify the complaint handling process, handling skills and responsibilities of each department. Our shopping mall and internal performance appraisal covers customer complaint satisfaction evaluation. In the shopping mall appraisal, we follow up with each complaining customer, and evaluate the customer complaint satisfaction for the shopping mall from two aspects, namely handling results and attitude. We conduct the internal appraisal from three aspects, namely handling time, results and attitude. We also set up many online and offline complaint channels, such as 400 call center, Weibo, WeChat, service desk in the shopping mall, merchant feedback, so that consumers can enquire at any time if they have any doubts about shopping. In addition, we have set up a professional customer service team and made efforts to achieve the goal of “quick reply in 30 minutes, provision of solutions in 24 hours, and case closure in 7 days.” Meanwhile, 500 senior customer complaint consultants and more than 200 rights protection stations of Red Star Macalline in shopping malls across China have also become an effective way for consumers to protect their rights and interests. In 2021, Red Star Macalline received a total of 31 important customer complaints about products and services, with the handling satisfaction rate of 93%, representing an increase of 1.6 percentage points as compared with 2020. With its sound after-sales service system and industry-leading customer satisfaction rate, Red Star Macalline has been rated among “China’s Top 10 Companies in the After-sales Service Industry” by China General Chamber of Commerce for six consecutive years.

Customer Privacy Protection

We respect and protect customer information and privacy, and strictly comply with the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests and the Law of the People’s Republic of China on Protection of Personal Information. In operation, we standardize the collection, holding, use and processing of customer information by specifying the privilege of access to customer documents according to the duties of sales personnel, so as to fully protect the privacy of customers.

On 15 March 2021, certain media reported the violation by a brand of customer privacy by using face recognition cameras. Red Star Macalline immediately took measures to carry out a comprehensive self-inspection in shopping malls across China, with a focus on inspecting the brand reported by the media, so as to ensure that there were no related cameras that violated customer privacy in the shopping malls of Red Star Macalline.

Supplier Management

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

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

Market Responsibility

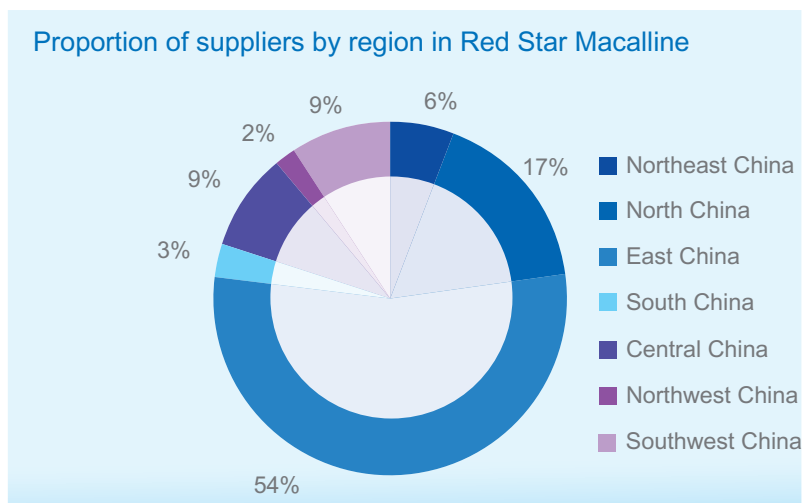
inspection, production process control and process inspection, factory inspection and confirmation of inspection, inspection of instruments and equipment, control of unqualified products, package transportation and storage, important environmental factors in the life cycle of products, etc.

In terms of system construction, we have formulated and published the Supplier Management Policy of Red Star Macalline Group, which was revised and updated in 2021. The Policy specifies detailed rules for supplier management, including supplier access standards, supplier verification requirements, supplier KPI assessment system and supplier elimination mechanism. We have established a multi-dimensional assessment system with participation of multiple departments, based on which all cooperation suppliers will be assessed on an annual basis. The assessment score will be used to eliminate suppliers in lowliest rankings, thus ensuring the continuous optimization of supplier resources.

In terms of procurement information construction, we have completed the construction of the “Supplier Collaboration Platform”, which currently covers 80% of online suppliers. Relying on the platform, online suppliers can update real-time information including delivery of goods, inspection and receipt in warehouses and issuing invoices, which significantly enhanced the efficiency of procurement, optimized the procurement process, and deepened the collaboration and resilience of suppliers.

Based on our own business needs, we aim to build an in-depth and expandable supplier management system that can constantly absorb advanced management methods and apply advanced management tools. Meantime, we captured external resources to build a unique supply chain system and improve capital expenditure and expense utilization, thereby enhancing our operation capabilities and corporate profitability.

As of 2021, there were 411 major suppliers with the purchase order amount accounting for 80% of the total purchase order amount in 2021, and their distribution was as follows:



Business Ethics

In the course of ordinary operation, we strictly comply with the Trademark Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and the Advertisement Law of the People's Republic of China, use all registered trademarks in a legal and compliant manner, and make objective statements on the quality of our products and services, so as to maintain just and fair market order. In addition, we always adhere to the spirit of innovation and craftsmanship, and make intensive and penetrative efforts in the home decoration and furnishing industry. In strict accordance with the Standards for the Management of Corporate Intellectual Property Rights of the People's Republic of China, we protect our intellectual property rights from infringement by signing confidentiality agreements with our employees and conducting relevant training.

In 2021, in order to create a market environment for compliant operation, Red Star Macalline led 50 soft furnishing brands to issue the first industry agreement. Red Star Macalline quickly established a double-channel feedback mechanism with all soft furnishing factories, comprehensively upgraded the compliance rules for store distributors in China, further standardized the compliant operation and management of all distributors and created a healthier new environment for soft furnishing consumption through three major measures, namely strict conditions for the admission of distributors, on-site patrol inspection of the operation of distributors and joint rectification with brand manufacturers.



▲ Red Star Macalline Led 50 Soft Furnishing Brands to Issue the First Industry Agreement

In order to create a “honest, fair and transparent” business environment and implement the core corporate values of “righteous staff, work and business”, we have always adhered to the principle of system first and further reiterated important anti-corruption documents including “26 Rules on Integrity (倡廉26條)”, and “Eight Prohibitions (八項禁令).” We have carried forward the corporate culture of justice and uprightness in the Company, and are committed to continuously eliminating blind spots in power supervision, and establishing a sound supervision and management mechanism, an effective power restriction mechanism and a serious accountability mechanism.

In 2021, we made great efforts to strengthen education and prevention, requiring entities in all regions and shopping malls to conduct on-the-spot integrity publicity on the “Eight Prohibitions” once every quarter, and continued to properly make a reminder of integrity on the Mid-Autumn Festival and National Day holidays, by publishing 280 issues of publicity articles through our WeChat official account. Meanwhile, in 2021, we also carried out anti-corruption training for all employees and directors.

Market Responsibility

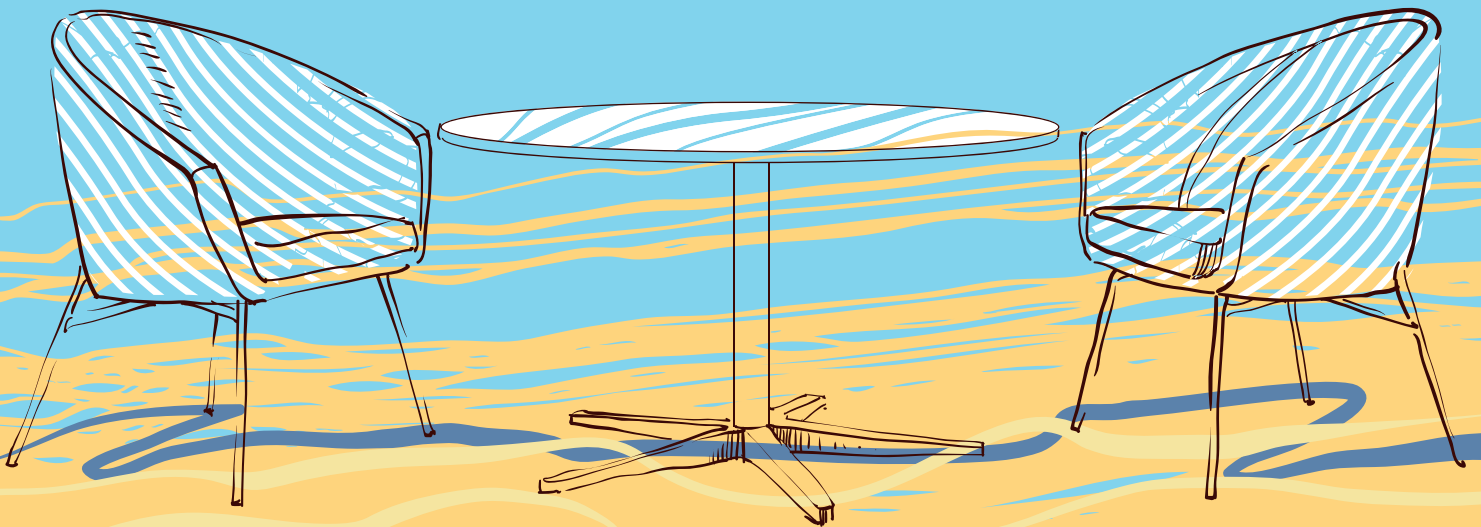
We have set up a multi-level integrity supervision network and a dedicated supervision department to strictly investigate and deal with violations of laws, regulations and disciplines, including embezzlement and misappropriation of corporate assets, acceptance or solicitation of commercial bribes, use of positions for illegitimate interests. We also have grass-roots supervisors in 485 shopping malls across China. Each functional center has personnel in charge of supervision, while there are part-time supervision heads in each provincial area to guide the process supervision of shopping malls. In addition, we have continued to improve the report information processing mechanism, by adding and setting complaint mailboxes and bulletin boards for integrity in all shopping malls to ensure unimpeded access to management information in all shopping malls and centers. We treat letters, visits and complaints through standardized processes.

In 2021, the supervision department worked with the larger operation center for a joint supervision “review” again, identifying a number of common problems, and put forward systematic solutions. We took the initiative to change our working methods, made efforts to give full play to the role of supervisors at all levels, and referred some cases to supervisors of functional centers and provincial distribution centers for investigation, and provided guidance and supervision. Through investigation and case handling, we guided process supervision and integrity publicity in shopping malls. Through the supervision department, we found a concluded corruption-related litigation against employees and punished relevant personnel, which helped recover the financial losses of the Company.

While improving our integrity supervision system, we also vigorously promote the signing of the Supplier Integrity Commitment, and sign the Supplier Integrity Commitment with major suppliers, so as to achieve the goals of maintaining fair competition order in the market and complying with business ethics, and prevent and curb violations of laws, rules and disciplines at source. We persist in establishing a price comparison and supervision department, which conducted a total of more than one thousand random inspections and supervisions of the whole-process purchase of the Company. We continue to promote the anti-fraud mechanism of joint prevention and co-construction in the home furnishing industry, so as to provide a strong guarantee for the healthy and orderly development of the home furnishing industry.

Staff Responsibility

We have been regarding staff as our most valuable treasure. While proactively protecting the basic interests of staff, we offer them competitive remuneration and keep improving the promotion system in strict accordance with relevant employment laws and regulations. Meanwhile, we create a harmonious and open working environment, respect staff, and improve staff's capability through multi-dimensional and systematic trainings from the management school, so as to realize the promising vision of happy growth and mutual development of the Company and staff.



Staff Responsibility

Main Achievements in 2021:

- We established the women's federation and signed to approve the Special Collective Contract for the Special Interests of Female Employees with the labor union, so as to better promote the joint development of female employees and the Company.
- In 2021, we successively won five authoritative employer awards, namely "2021 Workplace Health Enterprise (2021年度職場健康企業)", "2021 China Bole (2021中國好伯樂)", "2021 Best Workplace in Asia (Mainland China) (2021亞洲最佳職場(中國大陸區))", "2021 China's Model Employer-HR Management Team Model (2021中國典範僱主—HR管理團隊典範)" and "China's Best Employer of 2021 (2021中國年度最佳僱主)".

Supporting the Sustainable Development Goals (SDGs) of the United Nations:



Labour Relationship

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

Labors' Rights and Interests

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

We boycott child labor and forced labor. The "Employee Management" section in the Employee Manual of Red Star Macalline stipulates that the Company shall strictly implement the Provisions on Special Protection for Juvenile Workers (《未成年工特殊保護規定》), the Provisions on the Prohibition of Child Labor and other laws and regulations, protect the legitimate rights and interests of juvenile workers, and strictly prohibit child labor. Our human resources information system can automatically identify juvenile workers and child labor. We require employees to close stores and get off work on time. If overtime work is required, an application must be submitted in advance. In order to effectively protect the legitimate rights and interests of employees who work overtime, we continue to implement the leave rearrangement policy and the mechanism of leave-into-salary, and urge employees to complete their applications for time off work in a timely manner to ensure that employees receive reasonable rest. We did not identify any violation of laws and regulations relating to the employment of child labor or forced labor in 2021.

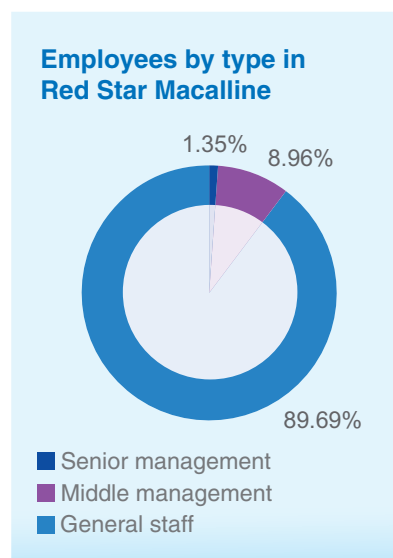
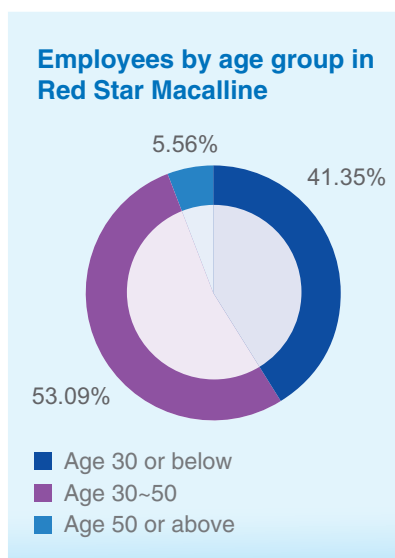
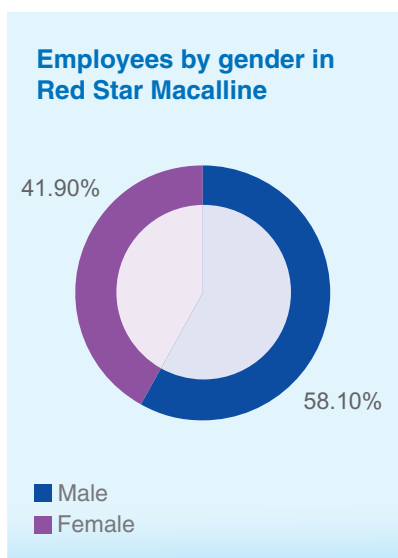
We actively advocate the philosophy of equality between men and women and respect women, and strictly implement the Special Provisions on Labor Protection of Female Employees, the Trade Union Law and other laws and regulations that protect women's rights and interests. In 2021, in order to further safeguard the legitimate rights and interests of female employees in the Company, we established the women's federation, and signed to approve the Special Collective Contract for the Special Interests of Female Employees with the labor union, so as to better promote the joint development of female employees and the Company.

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

Diversity and Inclusion

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

We focus on recruiting more female employees, especially increasing the proportion of female employees in management. In 2021, our female employees accounted for 41.90% of our total staff. Apart from Chinese nationality, our employees also include foreign individuals from Italy, Australia, the United States and other countries. In addition, around 4.67% of our employees are ethnic minorities, including the Manchus, the Huis, the Bais, the Zhuangs, Mongolians, the Bouyeis, the Dongs, the Miaos, the Tujias and the Yis. In 2021, we had 21,514 employees.



Staff Responsibility

Democratic Communication

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

Staff development

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

Career Development

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

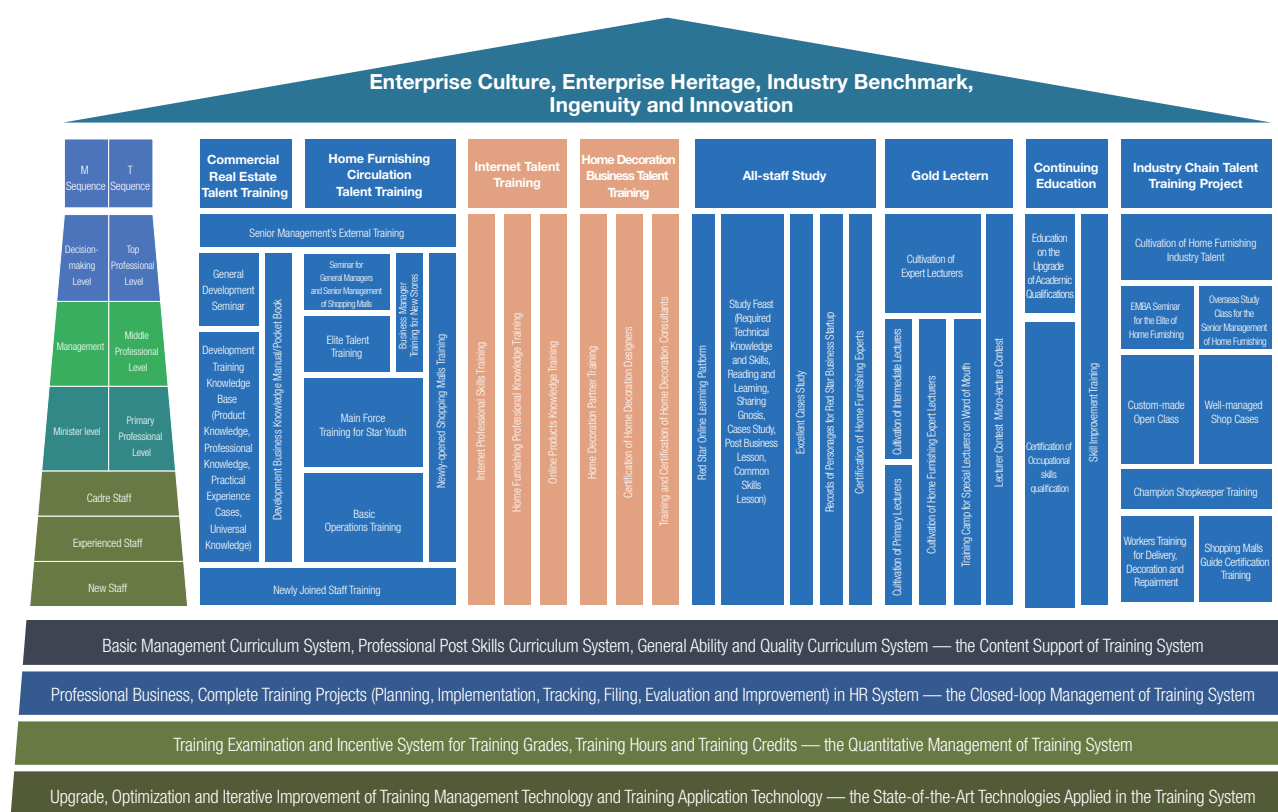
We have established a comprehensive evaluation management system for all staff. We make a comprehensive evaluation for staff through performance and capability evaluation with performance, attitude and capability as assessment dimensions, thereby stimulating their potential and realizing their personal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

In addition, we also design a talent development plan for some key positions according to the Company's business and job characteristics. For example, we are committed to building an agile talent supply chain system for the echelon of key positions from manager level to general managers of the malls. We determine the training objectives and career development plans of talents through talent review and talent evaluation, and accelerate the key talent growth and development through training measures such as job rotation, project-based mechanism and mentoring mechanism.

Employee Training

With the aid of information technology and according to the rank of different employees and job characteristics, we have established a sound staff training system and formed the training content of basic management, professional post skills, and general abilities with the whole closed-loop quantitative management. For all training projects, we adopt the project-based management model and conduct researches before all training programs are officially approved to respond to employees' training needs. In 2021, the average number of training time of employees reached 248 hours, and the proportion of employees receiving training reached 100%.

Room Diagram of Red Star Macalline Training System



In 2021, Red Star Macalline management school continued to deepen the Online-Merge-Offline trainings, and empowered staff's personal development in two ways through combining the online "Star Creation Academy" Mini Program and offline core talents training programs.

Staff Responsibility

“Digital” Learning Model

In 2021, we continued to use “Star Creation Academy (星創學院)”, a self-developed mini program, for organizing lecturers of business lines to carry out online training, and encouraged and supported employees to use fragmented time for independent learning. During the Reporting Period, our online learning platform offered a total of 4,643 internal courses and 56 learning topics, with the average online learning hours per employee of 336.99 hours in the year. The online learning platform incorporating and integrating digital training and business systems can enhance the training interaction, help employees master work tasks more effectively, and strengthen the sharing and transformation of business skills in enterprises; meanwhile, it breaks the time and space limit, significantly reducing offline training costs, playing the role of cost reduction and efficiency improvement for the development of the Company.

In order to help employees at middle and grassroots levels understand the business management systems and standards, familiarize themselves with business knowledge and skills, master practical skills for business operation, and improve general management ability, in 2021, we launched 10 “Star Talk” live streaming training activities, with a total of 73,773 viewers and 47,666 replies to live streaming messages.

Core Talent Training Programs

We offer courses that meet the requirements of different positions according to the competency models and business needs of the positions. In 2021, Red Star Macalline management school continued to offer core talent training programs for recent college graduates, employees at middle and grassroots levels in shopping malls, core employees, and general managers of shopping malls respectively.

“Star Power (星動力)” project is an independent and sustainable talent training project of Red Star Macalline for recent college graduate. It has been successfully operated for fourteen years and has trained many management talents for the Company. In 2021, we obtained many resumes through online application and visits to target colleges and universities, and further improved the recruitment efficiency through the Open Day activity and centralized interviews, so as to establish a talent pool for front-line business positions in shopping malls. During the pandemic, we found the training venue of Star Power under the principle of “stay in Shanghai, vast area with less people, and integration of board and lodging and learning”, and adopted the three-stage epidemic prevention plan of “checking three codes” in the early stage, “checking twice a day” in the middle stage, and “following up for 14 days” in the late stage, so as to ensure that the trainees could complete the training healthily. In 2021, we carried out a 7-day training program of “Fearless and Aggressive” in Lingang New Century Hotel Shanghai, offering 8 compulsory courses and 6 types of theme activities, with a total of 232 Star Power participants. Meanwhile, the Company also made a series of courses and activities for Star Power, such as compulsory courses, military training, outward bound, speech contest, project practice competition, independent activities and evening parties. By building a multi-layered and cross-level sharing and competition platform, the stickiness between Star Power and the Company was strengthened.



▲ Star Power Training Camp of Red Star Macalline

In addition, in order to quickly discover, train and promote young employees who have progressive ideas and are capable, and increase the proportion of young employees of the Company, we actively remove barriers in the Star Power project and the Youth Luban Project for key employees, and build the Star Power fast track. Employees from Star Power who has worked for less than one year can be promoted quickly through review for transition to regular status and annual review; employees from Star Power at all levels who have worked for one year can also participate in the training activities including “N+1” level Youth Luban Xiangma (青年魯班相馬), admission to the pool, and review. Our talent team training system has achieved the results of rapid identification, accurate training and efficient promotion of outstanding trainees. The Star Power project is no longer a simple training project, but also the inheritance of the ingenuity and innovative spirit of Red Star Macalline over the past 35 years.

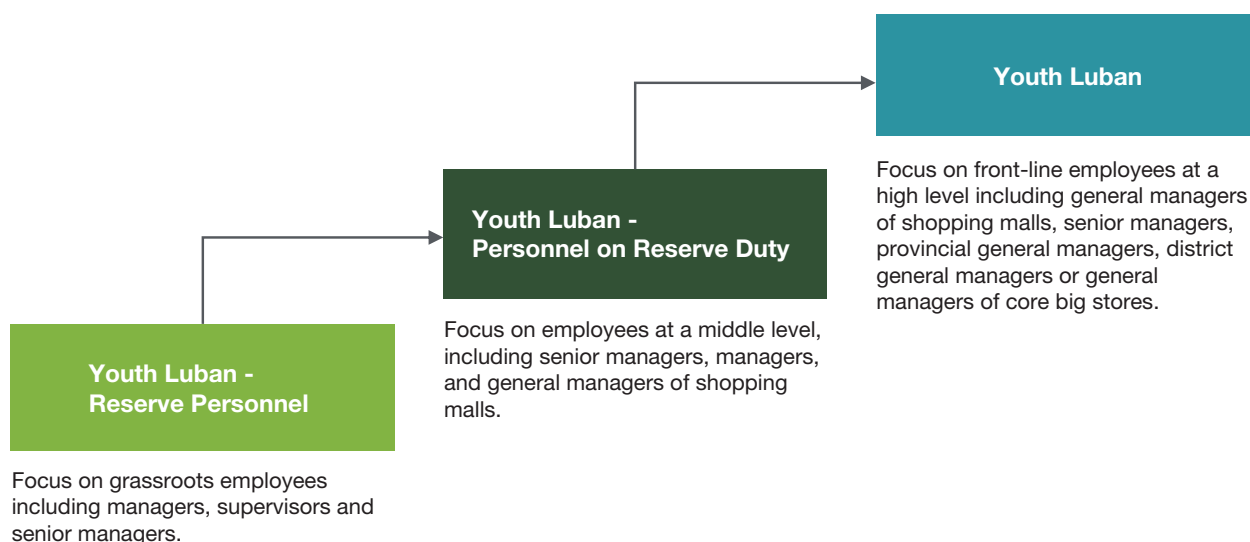
For employees at middle and grassroots levels in shopping malls, Red Star Macalline management school continuously promote the “Backbone Force Project” to help employees at middle and grassroots levels improve their business knowledge required for positions, skills and management ability. In 2021, in respond to the objective factors of continuous update and iteration of the business training contents, we created an agile course development model with the basic goal of “position competency”, and continuously and efficiently developed a number of highly practical internal courses which were updated and iterated continuously. In addition, we provide trainees with rich trainee-oriented “meals” in consideration of classroom training, coaching, counseling, salon, electronic courseware, mobile learning and other learning methods, so that the trainees can determine the learning contents and progress independently through “buffet”. In 2021, we continuously organized irregular training for employees at middle and grassroots levels, covering business management systems and standards, business knowledge and skills required for positions, business skill drill, general/management knowledge, work management tools and methods, etc., thus greatly improving the comprehensive management ability of employees at middle and grassroots levels.



▲ Participation of Middle Management in “Backbone Force Project” Training

Staff Responsibility

For key employees, we offer “Youth Luban” project. In consideration of the core management position sequence of the Company, we have built three core talent pools, namely “Youth Luban – Reserve Personnel”, “Youth Luban – Personnel on Reserve Duty” and “Youth Luban”, so as to remove barriers in the career path of a young talent from grassroots employee to middle and senior management. In the “Youth Luban” project, we also appoints senior executive, heads of business lines, and outstanding front-line business leaders as tutors for different hierarchies, and carry out closed-loop training from the aspects of recommendation and selection, review and shortlisting, evaluation and team establishment, study group, subject study, training practice, completion report, etc., and pay attention on a level-by-level basis, and are committed to realizing the ability-oriented system construction with a focus on the level of quality and management of products, marketing and operation.



In 2021, we launched the “Youth Luban” 2.0 project based on the previous Youth Luban project, for targeted training, efficient promotion and activation of core talents. The Company established the ordinary talent management measures and the talent pool for key positions at all levels to promote the benign flow of talents. In 2021, we activated the potential of reserve personnel through different methods including subject practice innovation, job rotation, and group-driven learning. The number of participants reached 1,922, including 1,216 key reserve personnel.

For the general managers of shopping malls, we continued to carry out the “Training Class for General Managers of Shopping Malls” in 2021. Through online and offline integrated learning channels and learning management methods including excellent case sharing, expert consultation, brainstorming workshop, action learning transformation, follow-up tutoring, real-time and high-frequency review and summarization, we helped the general managers of shopping malls build business consensus and promote business. During the Reporting Period, the Training Class for General Managers of Shopping Malls offered a total of 26 internal business courses, and shared 13 practical cases, with more than 700 trainees.



▲ “Online and Offline Integrated” Training Class for General Managers of Shopping Malls

Care for Employees

We continuously pay attention to the spiritual demand of employees, actively listen to their voices, strengthen their sense of belonging and happiness in the Company by optimizing their living environment and caring for their emotional life, and actively build a corporate culture of unity, harmony and love.

Care for Employees' Living

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

Staff Responsibility

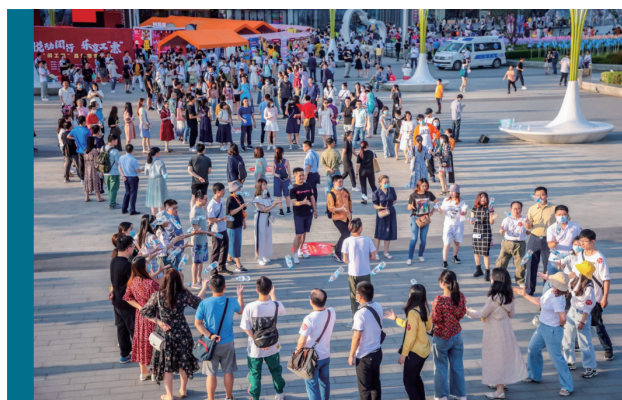
Red Star Love Fund

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

In 2021, the Red Star True Love Fund paid the poverty relief fund of RMB79,000 in total to 60 extremely poor and needy workers; paid a total of RMB50,000 to 2 deceased workers and workers with work-related injury to express sympathy; supported the May Day relief work in Xinhong Street, Shanghai, and paid the poverty relief fund of RMB8,000 in total to 10 needy workers. During the severe flood in Henan Province in July 2021, it donated a total of RMB150,000 to Red Star Macalline shopping malls in Henan and employees for purchasing materials and helping the needy workers who were seriously affected.

Care for Emotional Lives of Staff

In today's society, singleness and marriage are no longer personal problems. According to various data, Chinese society is facing social problems such as low marriage rate, low birth rate and high divorce rate. In order to solve the marriage and relationship problems of young single employees, Red Star Macalline acts as the parent of our staff and jointly organized single youth friendship activities with government units in 2021 to provide a platform for the Company's single youth to make friends. A total of over 500 excellent young men and women participated in this activity.



▲ Red Star Macalline staff blind date activity site

Work-life Balance

In order to ease the work pressure of employees and help them maintain a good attitude, Red Star Macalline headquarters is equipped with study room, Pilates room, yoga room, dance room, gym, running track, and capsule apartments and other leisure and entertainment areas, covering a total area of 1,000 square meters. In 2021, in order to enrich employees' life in spare time and enhance their happiness, we continued to invite professional trainers to teach modern dance, yoga, boxing and other interest classes, which can enhance the cohesion and unity of our workforce.

Meanwhile, our seven major staff clubs continued to carry out various activities to meet the spiritual and cultural needs of employees and enhance their sense of identity with and belonging to the enterprise. In 2021, the staff clubs held a total of 51 activities. For example, the choir club participated in the theme activity of Red Star Macalline to celebrate the 100th anniversary of the founding of the Communist Party of China; the running club participated in the charity run and the South Hongqiao orienteering event. All clubs actively carried out fellowship activities and friendly matches with other enterprises. The colorful activities not only enriched employees' lives, but also showed the cultural image of Red Star, which played a role in bringing employees together, promoting corporate harmony and boosting corporate development with corporate culture.

Care for the Health of Employees

Red Star Macalline earnestly cares for employees' health. By setting up a diet committee, creating a Red Star medical fast track, upgrading the trade union membership card to cover medical insurance for serious illness, and establishing a health room, Red Star Macalline helps employees properly carry out health management, so as to enhance the vitality and momentum for the development of the Company. In 2021, according to the requirements of government organizations including Shanghai Xinhong Street Office, we organized the Red Star door-to-door nucleic acid testing services and Red Star vaccination activity, serving a total of more than 3,500 employees; supported the construction of corporate emergency systems, equipped the headquarters with 3 AED devices, organized employees to participate in first aid training, thus further improving the health security of employees. We invited doctors for a three-day TCM diagnosis in Red Star health room on a volunteer basis. The experts made a detailed examination of every arriving employee, and gave professional opinions on the health problems presented. In addition, during the Reporting Period, our diet supervision committee conducted 4 canteen satisfaction surveys, collected a total of more than 300 feedbacks from employees on food quality, canteen hygiene, food taste, etc., and submitted them to the canteen management department for targeted improvement actions, so as to ensure the healthy and safe diet.



▲ Red Star Vaccination



▲ TCM Diagnosis on a Volunteer Basis for Employees

Staff Responsibility

Care for Female Employees

Red Star Macalline continuously pays attention to the health and development of female employees, safeguards the legitimate rights and interests of female employees according to law, and carries out various activities to care for female employees, so that female employees can go farther in their career development.

Establishment of Women's Federation

In order to further improve the work enthusiasm of female employees and give full play to the role of "hold up half the sky", Red Star Macalline formally established the women's federation and held the first meeting of women's representatives in 2021. At the meeting, Zhang Hong, vice chairman of Minhang District Women's Federation, expressed warm congratulations on the successful convening of the meeting, and introduced in detail the role that a women's federation should play in grassroots social governance. Zhang Hong encouraged the women's federation of Red Star Macalline Group to actively organize and participate in various women's activities, fully tap into the surrounding typical cases and pay attention to the self-growth of women, so as to better serve surrounding women.

Organizing Screening for Gynecological and Breast Diseases

In 2021, we secured the fund of RMB60,000 from the All-China Federation of Trade Unions and Minhang District Federation of Trade Unions for the physical examination of salespersons in shopping malls in Shanghai, and organized the salespersons and cleaning personnel in Zhenbei Shopping Mall to undergo screening for gynecological and breast diseases, so as to care for the physical health of flexibly employed groups and female employees in shopping malls.

Health Psychology Lecture for Female Employees

In order to earnestly care for the physical and mental health of female employees, improve their ability to deal with emotions and stress, and develop their positive mental attitude, in 2021, the women's federation of Red Star Macalline, together with Shanghai Woman Cadre's School, held the health psychology lecture for female employees with the theme of "beautiful life, starting from the heart" in the staff reading room at the second floor of the headquarters in Hongqiao, Shanghai, and invited Qiao Ying, assistant director physician of Shanghai Mental Health Center and national second-level psychotherapist, to give lectures.



▲ Female Health Psychology Lecture

Shopping Malls' Safety

The shopping mall safety management relates to the safety issues of staff, customers and surrounding communities, so we pay special attention to it. Our safety hazards are mainly the construction safety during the construction of shopping mall, the fire hazards in the daily operation of the shopping malls, falling objects from height, and personal injury cases caused by non-standardized operations. In 2021, there was a “deemed work-related injury” of mall employees due to ineffective rescue of sudden diseases during work. After that, we provided pension for the family of the deceased, and gave full assistance in the subsequent funeral issue. At the same time, we will continue to pay attention to the normal physical examination of employees at the end of each year, and constantly provide and promote trainings on health awareness, so as to ensure that our employees can protect their own safety during work hours.

In 2021, our shopping malls nationwide were awarded 34 honors and award certificates by local governments, including the advanced unit in fire safety, advanced unit in electricity safety, advanced unit in fire fighting skill competition, and advanced individuals in safety. In addition, we also issued the Special Inspection and Relevant Control Requirements for Energy Storage and Battery Swapping Stations for the management of energy storage, and charging and swapping stations, and carried out acceptance inspection of a total of 29 charging and swapping stations, and conducted management standard examinations taken by 58 employees of charging stations and 99 employees of shopping malls, so as to ensure the safe and compliant operation of shopping malls.

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

During the daily operation of shopping malls, we have also formulated the Standard of Safety Management of Energy Storage and Charging and Swapping Stations, the Ten Red Lines for Safety Management and Control, the Control and Management Requirements for Kitchen Flue Cleaning, and the Manual for Technical Management of Shopping Mall Properties – Safety, etc., which set out the rules on safe operation and emergency plan of relevant facilities and equipment in properties, as a preventive measure.

In 2021, we conduct regular safety inspections and establish safety risk files in accordance with the newly revised “Implementation Rules for the Management of Changes in Building Structures and Construction of Temporary Buildings in Shopping Malls” (關於商場變更建築結構及搭建臨時建築管理實施細則). In 2021, the stores identified a total of 20 risk hazards, and the main hidden dangers were equipment failures and catering management non-compliance issues. In response to these security risks, we issued 22 targeted guidance documents, requiring shopping malls to formulate rectification plans and implement each and every rectification. As a result, the completion rate for rectification reached 100%. In 2021 we continued the use of interactive mechanism and organization of fire drills, as well as updated fire alarm system, to ensure the safety of employees, customers and surrounding communities.

Staff Responsibility

Interactive mechanism

We have established a mutual-examination system with our neighbors, under which a total of 3,936 mutual examinations were carried out during the year. In order to improve the investigation mechanism against potential safety hazards of adjacent properties and reduce safety incidents in neighborhood communities, we organized a total of 1,312 joint fire drills and 656 written and conference communications.

Fire prevention and fighting

In 2021, we organized a total of 7,370 fire drills and skills competitions with a total of 157,783 participants, including 146 drills with participants from local firefighting departments, news media and other government departments. These fire drills were mainly for emergency evacuation of all staff, comprehensive fire drills for the initial fire handling process, and the full-time fire brigade handling process in shopping malls, which increased employees' fire safety awareness and emergency response capabilities in the face of emergencies. In addition, since January 2021, we have continuously strengthened the supervision of kitchen flue cleaning to ensure that the flue for catering involving open flame cooking should be cleaned once every half month and the flue for catering without open flame cooking should be cleaned once every quarter. We reviewed a total of 2,160 cleaning reports for catering booths involving open flame cooking in the year, and the timely cleaning was followed up in 100% of the shopping malls involved.

Safe operation code

Falling objects and non-standardized operation may threaten the safety of employees and customers. To eliminate the unnecessary personal injury and property loss caused by falling objects, we conduct periodic stability check on pendants at height, sign boards within the shopping malls, which focused on a comprehensive inspection of external tiles covering all suspending layers in the mall halls. It was also required to be fixed with pressing bars and the hanging decorations in the middle hall with risks were removed to avoid the risk of falling objects. To prevent personal injuries, we have formulated regulations of safety practice for employees with focuses including electric technical operations, operation at height, operations with fire-hazard and maintenance operation. No personal injury of employees caused by falling object or non-standardized operation happened in 2021.

In 2021, we also conducted safety management and control over the decoration sites of tenants, and provided 9,900 safety education and training sessions for decoration workers with a total of 59,405 participants. Meantime, 328 shopping malls have installed surveillance cameras in the decoration sites, so as to eliminate the use of illegal materials and tools and reduce safety accidents at decoration sites.



▲ Shenzhen Pinghu shopping mall and adjacent units jointly carried out safety hazard investigation

COVID-19 prevention and control of shopping malls

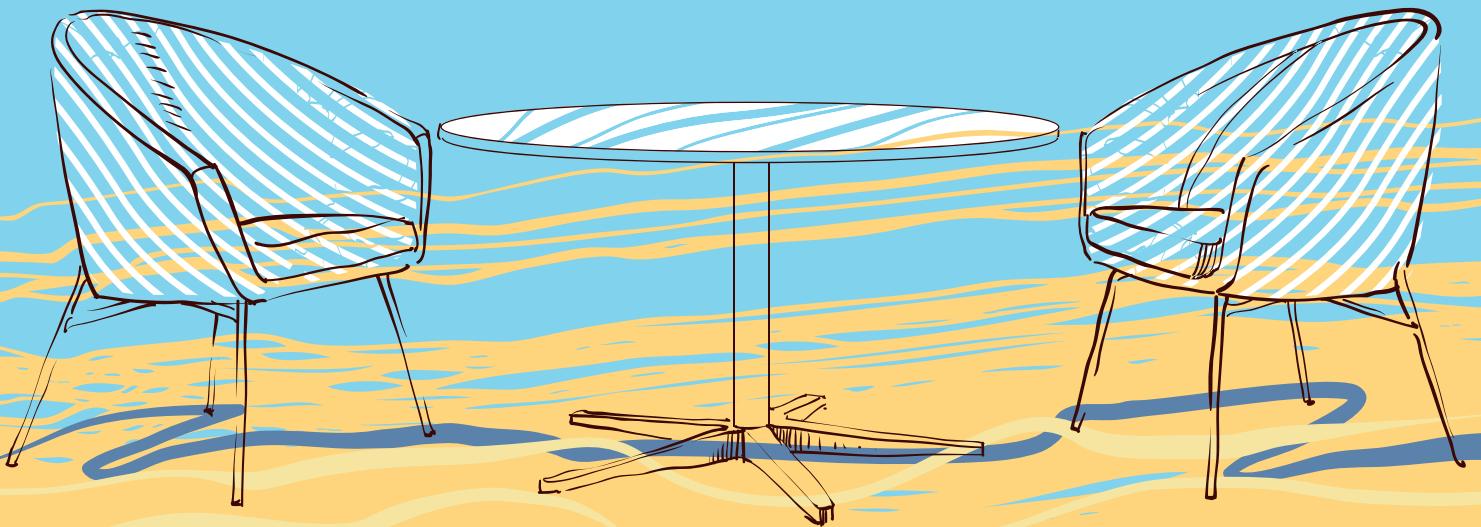
In 2021, in strict accordance with epidemic prevention requirements of governments, we have regulated the disinfection standards for shopping malls during COVID-19, emergency response procedures for COVID-19, storage requirements for epidemic prevention supplies, epidemic protection requirements of on-the-job personnel, epidemic prevention requirements for entry and exit of shopping malls and epidemic protection requirements of booths in decoration, daily random check of fresh air ventilators in shopping malls, regular follow-up on allocation of epidemic prevention supplies, so as to minimize the risk of COVID-19 prevention and control.



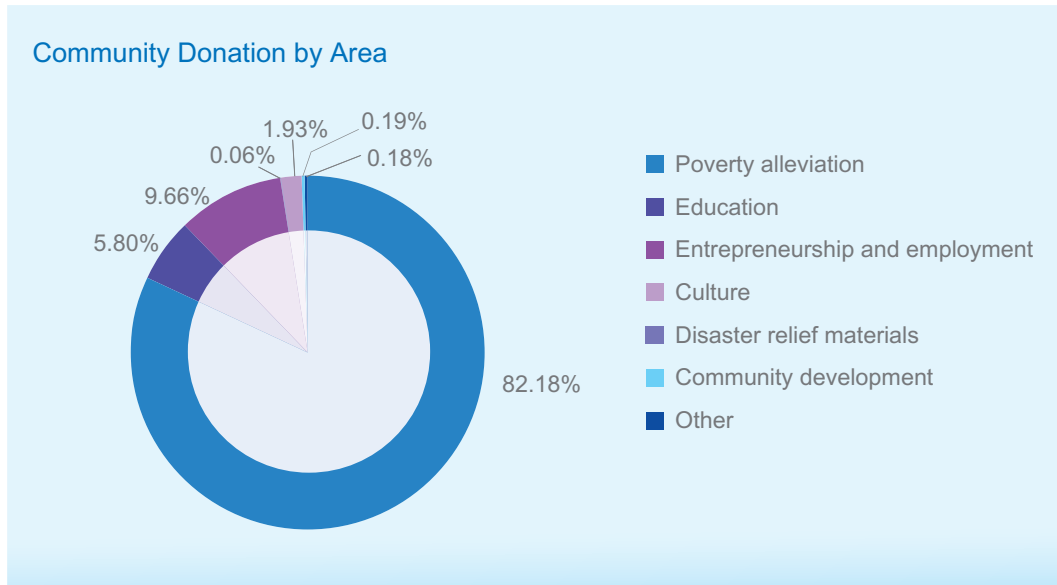
▲ Heze Kunming Road shopping mall was checking the fire water monitor

Communities

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



In 2021, we invested approximately RMB31.04 million in the entrepreneurship and employment, poverty alleviation, education, culture, community development and others.



Main Achievements in 2021:

- Donated RMB15 million to the People's Government of Suyu District, which was mainly used for the fight against the pandemic, poverty student aid and construction of kindergartens and schools in Suyu District, Suqian City.
- Donated RMB9.93 million to Guangzhou Oupai Charity Foundation (廣州歐派公益基金會), which was mainly used to help the poor and promote the development of remote mountainous areas.
- Continued to donate RMB3 million to the China Foundation for Youth Entrepreneurship and Development, for supporting the ambitious youth in contemporary China in starting their own businesses and obtaining employment.
- Donated RMB0.6 million to YICAI Foundation to carry out the charity projects of "My Beautiful Life in Dunhuang (我的敦煌·美的生活)" and "Commercial Civilization" for supporting the development of Dunhuang culture and art.

Communities

Supporting the Sustainable Development Goals (SDGs) of the United Nations:



Supporting the Youth in Starting Their Own Business

In order to help the contemporary Chinese aspirational young people to start their own business, we made a contribution of RMB20 million to the China Foundation for Youth Entrepreneurship and Employment, with a term of seven years starting from 2017. We donated another RMB3 million in 2021.

Supporting Poverty-Stricken Areas

In 2021, we donated RMB15 million to the People's Government of Suyu District for charity and public welfare projects including the fight against the pandemic, poverty student aid and construction of kindergartens and schools in Suyu District, Suqian City, so as to promote local harmonious development.

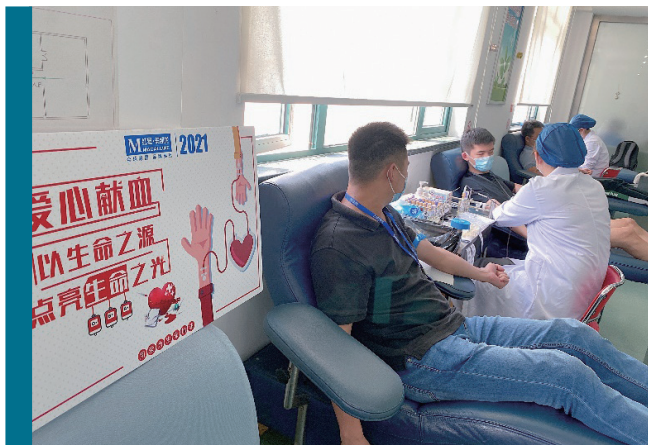
In addition, we donated RMB9.93 million to Guangzhou Oupai Charity Foundation (廣州歐派公益基金會), which was mainly used to help the poor and promote the self-reliable development of remote mountainous areas, and promoted the corporate culture of fairness, uprightness and unity, further performed the corporate citizenship responsibilities and co-built a beautiful society.

In 2021, we also donated RMB0.2 million to the Society for Promotion of the Guangcai Programme of Pudong New Area, Shanghai (上海市浦東新區光彩事業促進會), which was used to fund the 2021-2025 enterprise-village partner assistance project of "Joint Efforts for Rural Revitalization, Hundreds of Enterprises Partnered with Hundreds of Villages", including one village in Fugong County, Nujiang, Yunnan and one village in Gyangze County, Shigatse, Tibet.

Volunteer Activities

In order to alleviate the shortage of blood for medical and clinical use due to the pandemic, we organized employees to go to Pudong Blood Station at No.531 Dongjian Road, Shanghai, for the annual blood donation activity, with a total of 31 participants.

In addition, we donated RMB0.17 million to YICAI Foundation for participating in its “One Breakfast” public welfare project and launching a children’s furniture festival. “One Breakfast” is a project of the Rainbow Charity Program Fund of YICAI Foundation, which aims to provide free breakfast for children in poor areas. In 2021, we provided 339 teachers and students in two project schools in mountainous areas (complete elementary schools with junior and senior sections in Pinganzhai and Jiunaishan) with free breakfast for 30 days, with a total donation of RMB0.07 million. The remaining RMB0.1 million was mainly used to fund the public welfare cooperation in the super children’s furniture festival in 2021, including video shooting, content production, script, business travel and dissemination.



▲ Blood Donation

Protect Traditional Culture

As an advocate of quality life, we actively promote the concept of aesthetics through the promotion of traditional Chinese art culture and various art activities, etc., to enhance the aesthetic appeal of the public, thus improving the quality of public life. In 2021, we donated a total of RMB600,000 to the Shanghai First Financial Community Foundation. RMB0.2 million was donated to the cooperative project of “My Beautiful Life in Dunhuang (我的敦煌·美的生活)” and RMB0.4 million was donated to the new cooperative project of Commercial Civilization, to support the development of culture and art.



▲ “One Breakfast” Public Welfare Project

We carried out the Red Star Macalline M+ China high-end interior design project for three consecutive years from 2018 to 2020. In 2021, we launched the fourth cooperative project of “My Beautiful Life in Dunhuang (我的敦煌·美的生活)”. The project was 2021 M+ China high-end interior design competition involving space beautification design in Dunhuang. The M+5 dream teams stayed in Mogao Caves in Dunhuang, where they conducted research exchanges and public space renovation. We wished to promote the Dunhuang art with the strength of the Company, and strived to enable the utilization, connection and dissemination of resources from Mogao Caves in Dunhuang.

Communities

In 2021, we also explored the new cooperation model of Commercial Civilization. We carried out theme dialogue recording in four places, including Mogao Caves in Dunhuang, Northern Cave Temple in Shaanxi, Yulin Caves in Guazhou, Gansu and Bingling Temple Caves in Lanzhou, Gansu, so as to link Dunhuang culture IP with the commercial strategy of Red Star Macalline. The tripartite cross-industry dialogue between media big shots, Dunhuang Academy and Red Star Macalline interpreted the enterprise from multiple perspectives, and helped convey the corporate thinking, strategic value and different views, and publicize the enterprise.

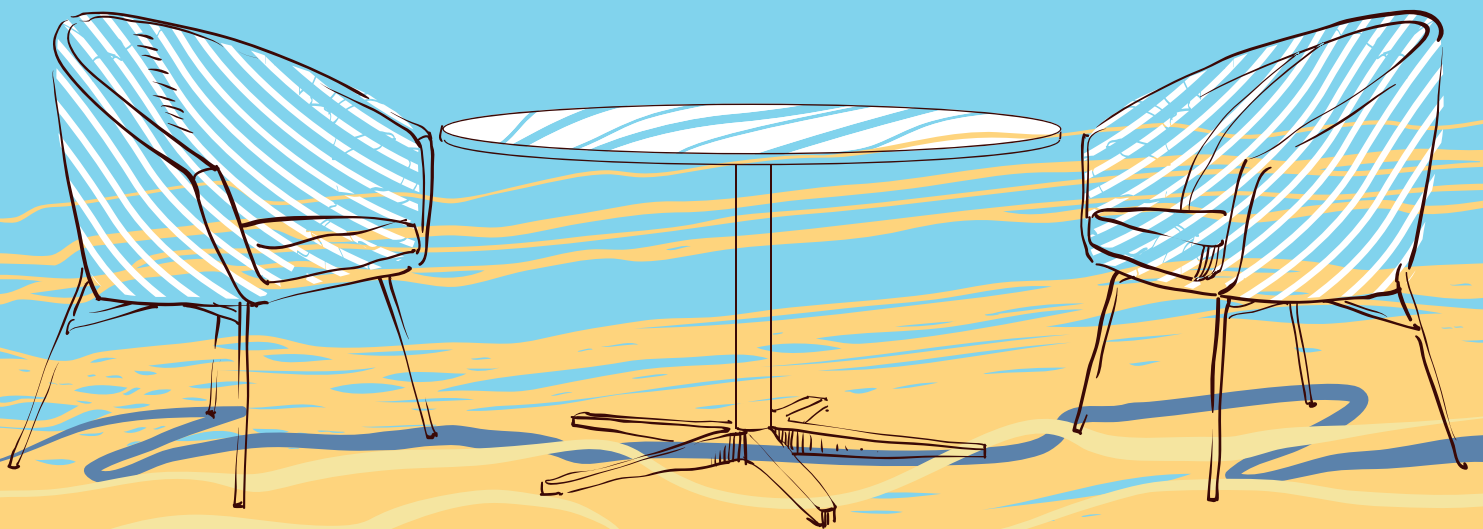
Co-construction of Community

In 2021, we took the co-construction of Aibowu Village Community as a trial, and integrated the resources of merchants from shopping malls, organized brands suitable for community residents to carry out marketing and activities for the convenience of the residents including “trade-in”, “free door-to-door service” and “partial renovation” in the community, so as to expand the community marketing channels targeted at end consumers, accumulate experience, optimize portfolio and gradually cover other communities.

In addition, we carried out free decoration for the families of veterans in Laigang Xingyuan Community in Shanghai. The “face recognition” system was installed in the community, such that residents could scan their faces to enter the community after the collection of facial information. Meanwhile, intelligent elevator systems were installed for all elevators in the community, and ancillary equipment for geomagnetism, water pressure monitoring of fire hydrants, and waterlogging monitoring of manhole covers, etc. were gradually constructed. With intelligent equipment, community governance is more efficient and convenient.

Environmental Responsibilities

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



Environmental Responsibilities

Main Achievements in 2021:

- Our energy consumption intensity was 785.51 MWh/10,000 m², representing a decrease as compared with 2020.
- In 2021, we carried out LED lighting retrofits of 8 shopping malls and promoted small-scale energy-saving retrofits of central air-conditioning systems in 16 shopping malls, so as to achieve the goal of reducing energy consumption in shopping malls.
- Our water consumption intensity was 3,184.44 m³/10,000 m², representing a decrease as compared with 2020.
- In 2021, 16,771 drills for climate emergency plans were organized in shopping malls across China; the activity of “Special Inspection of Safety at High Temperature in Summer and Emergency Drill for Typhoon and Flood Prevention” was carried out, with the participation of 324 shopping malls, and 648 special drills were conducted with a total of 7,387 participants.

Supporting the Sustainable Development Goals (SDGs) of the United Nations:

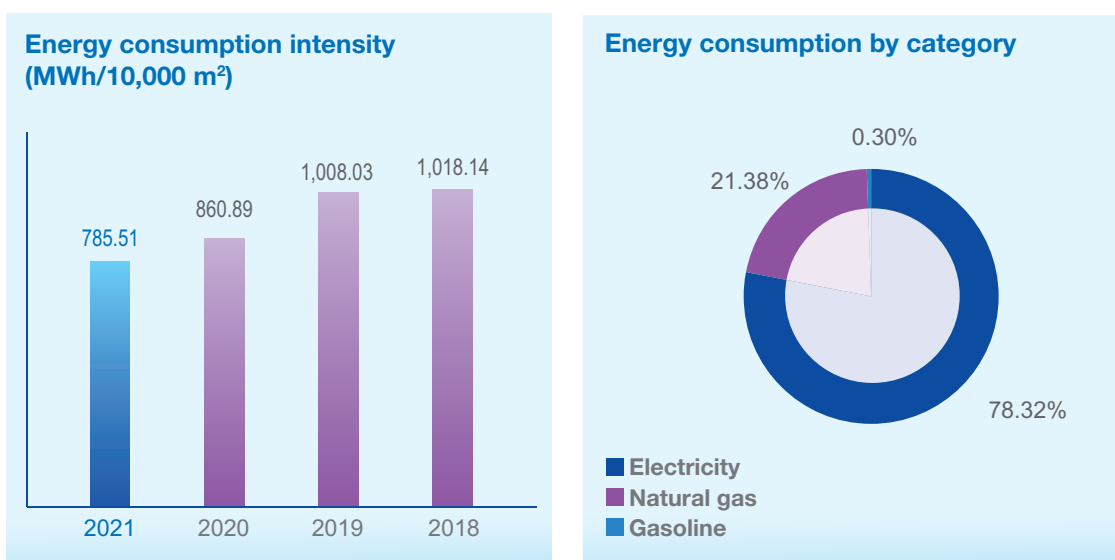


In our long practice of environmental protection concept, we strictly control the environmental protection management of each step from the planning and design of the construction projects of shopping mall to its building construction as well as to property management and office building management after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

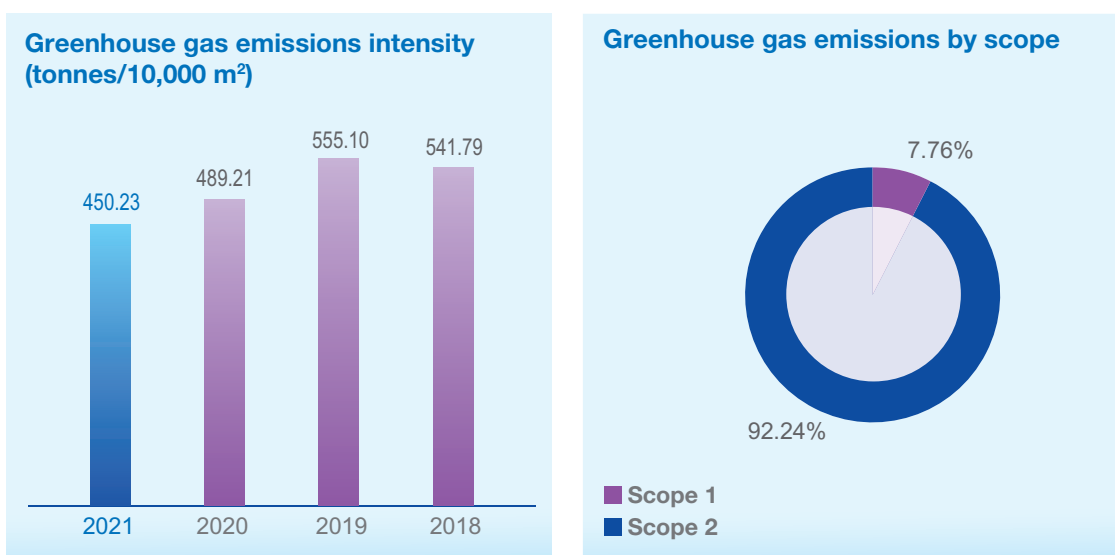
Red Star Macalline strictly complies with the Environmental Protection Law of the People's Republic of China, attaches great importance to environmental protection and increases investments in environmental protection, and management and control is in strict compliance with the “green and environmental protection management system” of the Company. In 2021, there were no business activities and events that had a material impact on the environment and natural resources.

Low-carbon Shopping Malls

The main energy consumed by our shopping malls and offices is electricity and natural gas. In our daily operation, we strictly comply with the Energy Conservation Law of the People's Republic of China. We have set the energy utilization efficiency target: In constructing shopping malls, the Company will take energy conservation as a key consideration, and will actively promote various energy-saving retrofit projects to achieve energy consumption reduction. In 2021, our total energy consumption amounted to 1,751,957.83 MWh, of which electricity consumption accounted for 78.32%, and the energy consumption intensity decreased to 785.51 MWh/10,000 m² compared to 2020.



In 2021, our total volume of greenhouse gas emission was 1,004,170.06 tonnes. The percentage of greenhouse gas (scope 2) was approximately 92.24%, with a decrease in greenhouse gas emission intensity to 450.23 tonnes/10,000 m² compared with 2020.



Environmental Responsibilities

Energy Saving of Shopping Malls

In order to reduce energy consumption, we set the goal of improving energy efficiency in the stage of project planning and design. In 2021, when the Company was launching its construction projects of shopping malls, energy saving was considered as a principal element.

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

In 2021, we carried out LED lighting retrofits of 8 shopping malls, including Beijing East 5th Ring Mall, Nanjing Kazimen Mall, Zhengzhou Shangdu Mall, and Yangquan New Area Mall so as to effectively reduce the energy consumption of shopping malls. Meanwhile, we promoted small-scale energy-saving retrofits of central air-conditioning systems in 16 shopping malls, including Beijing East 5th Ring Mall, Beijing West 4th Ring Mall, Chengdu Jialing Mall, Chifeng New City Mall, Tianjin Hexi Mall, Tianjin Hongqiao Mall, Weifang Kuiwen Mall, and Wuxi Xishan Mall, starting from cooling tower packing, air-conditioning water quality monitoring and centralized monitoring of fans at floors, so as to improve the operation efficiency of central air-conditioning systems and achieve energy saving and consumption reduction.

Energy Saving of Office

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



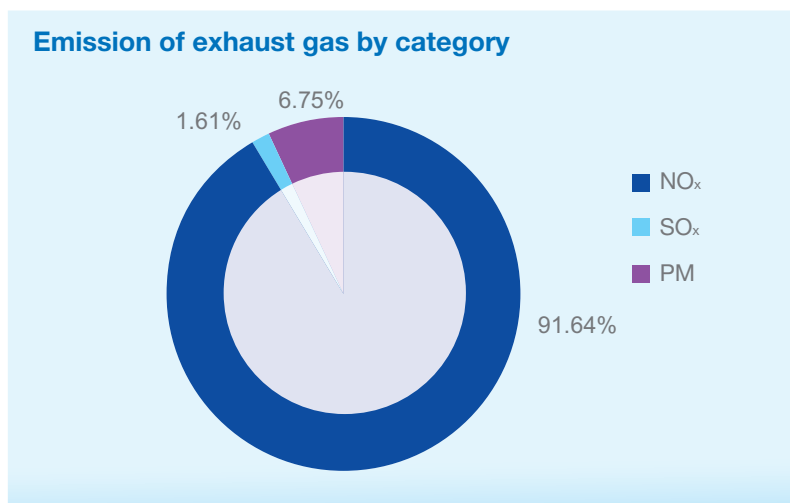
▲ Air conditioning burner replacement

Emissions Management

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

Exhaust Gas Disposal

Red Star Macalline strictly abides by the Law of the People's Republic of China on the Prevention and Control of Air Pollution. As a home improvement and furnishing shopping mall operator, it does not involve the production process. Therefore, the exhaust gas generated is mainly a small amount of nitrogen oxides, sulfur oxides and PM particles produced by vehicle exhaust emissions. The Company has set an exhaust emission target and made effort to achieve it. In other words, the Company will minimize business travel or adopt a low-carbon travel mode without affecting daily operations and will give priority to new energy vehicles when purchasing company cars in the future. In 2021, we released a total of 417.57 kg of exhaust gas, of which about 91.64% is nitrogen oxides.



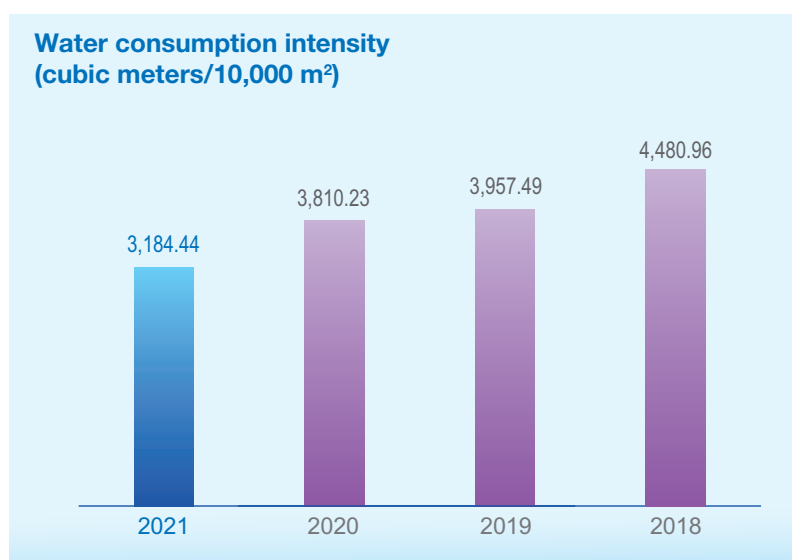
Environmental Responsibilities

Waste Water Management

In terms of water resources, the Company has set the water use efficiency target, namely further strengthening of the calculation and monitoring of water resources use, to promote the improvement in the water utilization efficiency in shopping malls, and achieve the sustainable management of water resources. In 2021, our total water consumption was 7,102,419.62 cubic meters and the intensity of water consumption was 3,184.44 cubic meters/10,000 m², representing a slight decrease as compared with that in 2020.

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

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



Waste Disposal

Wastes mainly included construction wastes and household wastes in course of the development of shopping malls of Red Star Macalline. We strictly abide by the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, continuously conduct proactive waste management and strengthen waste management on construction sites and waste recovery of shopping malls to reduce the generation of waste. The Company has set a waste discharge management target mainly to reduce the impact of waste on the environment by actively reducing, reusing and recycling waste. The total amount of hazardous and non-hazardous waste we generated in 2021 was 2,286.61 tonnes, of which more than 98% of the waste is non-hazardous waste. The waste discharge density was 1.03 tonnes/10,000 m².

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

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

Noise Reduction

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

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

Environmental Responsibilities

Responses to Climate Change

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

We have established a preventive management system to deal with climate change, and formulates a monthly safety theme and preventive management and control work plan for shopping malls each month, which is committed to eliminating the impact of potential disaster weather on shopping malls from the source. Secondly, we have formulated five emergency plans that targeted at seasonal disastrous weather, and established the annual safety training program of the Company to regulate and implement emergency drill plans and requirements. In 2021, we carried out 16,771 drills of emergency plan covering shopping malls nationwide. Thirdly, the emergency tools and equipment for disaster prevention such as flood control, typhoon prevention, rain and snow prevention, etc. are arranged for all departments in advance, which greatly improves the ability to deal with disastrous climate. In July, 2021, we organized the shopping malls in China to carry out the activity of “Special Inspection of Safety at High Temperature in Summer and Emergency Drill for Typhoon and Flood Prevention”, with the participation of 324 shopping malls, and 648 special drills were conducted at day and night shifts with a total of 7,387 participants. In July 2021, there were heavy rains and strong typhoons in many places in China, leading to disasters including waterlogging in urban streets and rainwater intrusion into buildings to varying degrees in various places. Due to the joint efforts of teams of shopping malls in the affected areas, all shopping malls withstood severe tests, protected the personal safety of customers, merchants and employees, and minimized the property losses of shopping malls and merchants. In 2021, our shopping malls were not seriously affected by disastrous climate.

Overview of ESG Data

Overview of ESG Data

Overview of Annual ESG Data

	2021	2020	2019	2018
Number of employees				
Total number of employees	21,514	25,201	27,113	24,339
By gender				
Female	9,015	9,447	10,016	8,956
Male	12,499	15,754	17,097	15,383
By employment type				
Full-time	21,514	/	/	/
Part-time	0	/	/	/
By geographical region				
East China	9,715	/	/	/
South China	1,357	/	/	/
Central China	2,787	/	/	/
North China	2,667	/	/	/
Northwest China	885	/	/	/
Southwest China	2,837	/	/	/
Northeast China	1,266	/	/	/
By age group				
Below 30	8,895	10,295	12,259	11,343
Between 30 to 50	11,422	13,400	13,463	11,801
Above 50	1,197	1,506	1,391	1,195
By type of employees				
Senior management	291	300	302	603
Middle management	1,927	2,124	2,143	4,534
General employees	19,296	22,777	24,668	19,202

Overview of ESG Data

	2021	2020	2019	2018
Employee turnover rate				
By gender				
Female	29.72%	/	/	/
Male	33.22%	/	/	/
By age group				
Below 30	39.56%	/	/	/
Between 30 to 50	25.67%	/	/	/
Above 50	17.96%	/	/	/
By geographical region				
East China	30.39%	/	/	/
South China	32.42%	/	/	/
Central China	37.80%	/	/	/
North China	29.13%	/	/	/
Northwest China	35.02%	/	/	/
Southwest China	30.91%	/	/	/
Northeast China	32.15%	/	/	/
safety				
Number of work-related fatalities occurred ¹	1	1	0	/
Rate of work-related fatalities occurred	0.0046%	0.0040%	0.0000%	/
Lost days due to work injury	0	/	/	/

¹ There was one “deemed work-related” death of an employee in a shopping mall who failed to be rescued due to a sudden illness, respectively in 2020 and 2021. The Company paid a pension and actively supported the subsequent funeral matter in the whole process.

	2021	2020	2019	2018
Development				
Percentage of employees trained	100%	100%	100%	100%
By gender				
Female	100%	100%	100%	100%
Male	100%	100%	100%	100%
By type of employees				
Senior management	100%	100%	100%	100%
Middle management	100%	100%	100%	100%
General employees	100%	100%	100%	100%
Average hours of training completed per staff (hours/year)	248	245	240	224
By gender				
Female	242	247	240	226
Male	253	242	240	224
By type of employees				
Senior management	204	241	192	192
Middle management	331	336	264	264
General employees	241	237	235	216
Supplier management				
Total number of suppliers	411	/	/	/
By geographical region				
East China	223	/	/	/
South China	11	/	/	/
Central China	36	/	/	/
North China	70	/	/	/
Northwest China	10	/	/	/
Southwest China	37	/	/	/
Northeast China	24	/	/	/
Product responsibility				
Percentage of total products sold or shipped subject to recalls for safety and health reasons	0%	/	/	/
Number of products and service related complaints	31	/	/	/

Overview of ESG Data

	2021	2020	2019	2018
Emissions				
Total emission of greenhouse gas (scope 1 & 2) (tonnes)	1,004,170.06 ²	393,041.56	429,475.65	374,864.98
Total emission of direct greenhouse gas (scope 1)	77,925.99	36,314.50	47,854.83	48,141.03
Total emission of indirect greenhouse gas (scope 2)	926,244.07	356,727.06	381,620.82	326,723.95
Emission of greenhouse gas per 10,000 m ² operating area of Shopping Malls (tonnes/10,000 m ²)	450.23	489.21	555.10	541.79
Total emission of waste gas (kg)	417.57 ²	87.33	89.80	89.18
NO _x emission	382.68	79.86	81.17	80.70
SO _x emission	8.80	1.59	2.65	2.54
PM emission	28.18	5.88	5.98	5.94
Total hazardous waste produced (tonnes)	43.50	33.55	43.00	7.50
Oil paint	20.50	12.55	17.00	1.80
Glue	23.00	21.00	26.00	5.70
Total non-hazardous waste produced (tonnes)	2,243.11	1,999.35	10,977.97	10,035.70
Domestic waste	355.75	286.00	286.00	330.60
Construction waste	1,010.00	963.00	963.00	10,056.00
Scrap cable	5.80	14.35	19.37	17.30
Scrap steel	871.56	736.00	572.00	286.40
Production of non-hazardous waste per 10,000 m ² operating area of Shopping Malls (tonnes/10,000 m ²)	1.01	2.49	14.19	14.50
Total production of hazardous and non-hazardous waste (tonnes)	2,286.61	2,032.90	11,020.97	10,043.20
Production of hazardous and non-hazardous waste per 10,000 m ² operating area of Shopping Malls (tonnes/10,000 m ²)	1.03	2.53	14.24	14.52
Water resource consumption				
Total water consumption (m ³)	7,102,419.62 ²	3,061,246.89	3,061,849.23	3,100,374.98
Fresh tap water	7,102,419.62	3,061,246.89	3,061,849.23	3,100,374.98
Water consumption per 10,000 m ² operating area of Portfolio Shopping Malls (m ³ /10,000 m ²)	3,184.44	3,810.23	3,957.49	4,480.96

² The environmental performance indicators disclosed in the 2021 report were expanded to cover Portfolio Shopping Malls and Managed Shopping Malls, leading to a significant increase in greenhouse gas emissions, exhaust emissions, water and energy consumption in the year.

	2021	2020	2019	2018
Energy consumption				
Total energy consumption (MWh)	1,751,957.83 ²	691,659.82	779,896.48	704,450.93
Electricity	1,372,136.58	514,266.75	546,209.89	469,349.34
Natural gas	374,655.03	176,383.64	232,004.67	233,487.38
Gasoline	5,166.22	997.34	1,681.92	1,614.21
Diesel	33.10	12.09	0.00	0.00
Energy consumption per 10,000 m ² operating area of Shopping Malls (MWh/10,000 m ²)	785.51	860.89	1,008.03	1,018.14
Social investment				
Social investment (RMB'0,000)	3,104	3,215	576	1,008

Data Calculation Standard and Method:

1. Greenhouse gases: Include carbon dioxide, methane, nitrous oxide and sulfur hexafluoride. Scope 1 greenhouse gases are calculated based on the default values of characteristic parameters of common fossil fuel published by the National Development and Reform Commission of the People's Republic of China; scope 2 greenhouse gases are calculated based on the average carbon dioxide emission factors of regional power grids in China published by the National Development and Reform Commission.
2. NO_x, SO_x, PM: Based on the emission factors provided in the EMFAC-HK Vehicle Emission Calculation model published by the Environmental Protection Department of Hong Kong.
3. Hazardous waste: Classified according to "hazardous waste" specified in the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal mentioned in the Reporting Guidance on Environmental KPIs published by the Hong Kong Stock Exchange. The data sources are related records and ledgers.
4. Non-hazardous waste: Waste that does not fall within the definition of "hazardous waste" in the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal is classified as "non-hazardous waste". The data sources are related records and ledgers.
5. Water consumption: The data source is the purchase of municipal water.
6. Energy consumption: The data are based on the consumption of electricity and fuel purchased and the relevant conversion factors provided by the International Energy Agency.

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

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

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

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

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

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

紅星美凱龍家居集團股份有限公司
Red Star Macalline Group Corporation Ltd.