

cdf 中免集团
CHINA DUTY FREE

China Tourism Group Duty Free Corporation Limited

Stock Abbreviation: CTG DUTY-FREE

A Share Stock Code: 601888

H Share Stock Code: 01880

 中国旅游集团成员
Member of China Tourism Group

cdf 中免集团
CHINA DUTY FREE

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2022

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT



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About this Report

Introduction

This report is the second Environmental, Social and Governance Report (hereinafter “ESG Report”, “this Report” or “the Report”) issued by China Tourism Group Duty Free Corporation Limited (hereinafter “CTG DUTY-FREE”, “the company”, or “We”) and its affiliated companies.

Reporting Scope

Unless otherwise stated, the scope of content disclosed in the ESG Report is consistent with that of the company's Annual Report.

Reporting Period

The period of the CTG DUTY-FREE ESG report is from 1 January to 31 December 2022. To enhance the readability of the Report, some contents or data refer to previous years or extend to the date of disclosure of the Report.

Source of Information

The information and data provided in the Report have been obtained from our internal documents, statistical reports and ESG-related performance summaries.

Reporting Principles

This Report is prepared with reference to the following rules. Unless otherwise specified, the currencies involved in the Report are all measured in CNY.

- The Guidelines for State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities issued by SASAC
- The Guidelines No. 1 for Application of Self-regulation Rules for Listed Companies – Standardised Operation issued by SSE
- The Environmental, Social and Governance Reporting Guide (“ESG Guide”) Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”)
- The Guidelines on Corporate Social Responsibility Reporting in China released by Chinese Academy of Social Sciences (“CASS-ESG 5.0”)
- The “core” options of Global Reporting Initiative's Sustainability Reporting Standards (“GRI Standards”)
- The Ten Principles of the United Nations Global Compact
- United Nations Sustainable Development Goals (SDGs)

Release Form of the Report

The electronic version of this Report can be downloaded from the company's official website or obtained by following the WeChat official account of “CTG DUTY-FREE Investor Relations”. This Report is published in Simplified Chinese, Traditional Chinese and English. In the event of any discrepancy between the three versions, the Simplified Chinese version shall prevail.



Messages from Stakeholders

She Yifeng, Vice President of Retail in Greater China, ARC'TERYX

We have established a long-term, stable, mutually beneficial and win-win partnership with CTG DUTY-FREE, forging a path to common prosperity. We are leveraging our respective strengths to expand the depth and breadth of our cooperation, jointly driving the continued growth of travel retail market in China and working together to provide consumers with better products and services.



Han Weixiaozi, cdf Member

As a cdf member for years, cdf offers quality products, lower prices, and increasingly convenient and customised services; I hope your company will improve and provide better goods and services.



Nicholas Yeo, Fund Manager, abrdn

We are paying growing attention to the sustainable development planning and ESG targets and achievements of enterprises, which not only outline their social responsibilities but also empower them to develop in the long run. We look forward to the smooth and steady progress in the ESG journey of China Tourism Group Duty Free, as a benchmark for the travel retail industry in China, to create sustainable value for investors and the broader society.



Wan Ziqian, Haikou International Duty-Free Shopping Complex customer

I'm impressed by Haikou International Duty-Free Shopping Complex's overall design, diversified product offerings, and professional and convenient services that make my shopping experience enjoyable and comfortable.



Liu Zhili, delegate of the 20th National Congress, and a young employee of the Sanya Downtown Duty-Free Store

Over the eight years I have been working here, I have witnessed the boom of the offshore duty-free industry in Hainan and discovered a stage where I can realise my value. I am proud to serve as a delegate to the 20th Communist Party of China (CPC) National Congress am determined to act as a model CPC member. I will serve each customer to a high standard and contribute to developing of the Hainan Free Trade Port.



Yang Jipeng, employee at the company's headquarter

We appreciate the company's effort in giving us care packages, as well as its diligent implementation of daily health monitoring and mobility control measures. We feel safe doing our job as the company has been doing its best to safeguard our health.



Ye Feng, sales from Sanya International Duty-Free Shopping Complex

The working environment here is very collaborative and mutually respectful. We all share a common goal and work hard to reach it together. I am pregnant now and have thoroughly enjoyed the company's care for mothers-to-be, such as setting up a separate card-punching machine, a particular dining area for pregnant women, and a separate room for breastfeeding. These measures all made me feel very warm.



Li Xinjie, villager in Yongqian Laozhai Village in Menglian County

CTG DUTY-FREE helped revive the traditional culture of ethnic minorities in our village with its advantages and resources in the industry. In 2022, Yongqian Laozhai Village in Menglian County was successfully designated as a AAA Tourist Attraction of China, marking a new chapter in the rural revitalisation of Menglian County. We are grateful for CTG DUTY-FREE's support and help. Now, we are more confident that we can pass down and promote our traditional culture as Hani ethnic minorities, pursue our economic goals, and make our dreams come true.



Letter from the Management



Wang Xuan

China Tourism Group Duty Free Corporation Limited
General Manager

Dear stakeholders:

The successful convening of the 20th CPC National Congress in 2022 showcased the Chinese path to modernisation and the dream of the great rejuvenation of the Chinese nation. Along this path, Hainan Free Trade Port has been a milestone highlighting China's rapid development. Haikou International Duty-Free Shopping Complex commenced the business operation in 2022, was started construction during the same year in which the Plan for the Hainan Free Trade Port Start-up (Pilot) Zone Park was passed. The company could still progress, maintain stability, pursue high-quality development and strengthen its commitment to meeting customers' desire for a better life.

The grand opening of the Haikou International Duty-Free Shopping Complex marks another milestone for Hainan's offshore duty-free industry.

On 28 October 2022, Haikou International Duty-Free Shopping Complex – the largest single duty-free store in the world – opened for business. The Complex is an integrated tourism retailer with a dual focus on "duty-free retail and cultural tourism". From their positions in northern and southern Hainan Island, Haikou International Duty-Free Shopping Complex and Sanya International Duty-Free Shopping Complex are leading the development of the travel retail industry in China and around the world, and they are also supporting the Hainan Free Trade Port's development into an international hub for tourism and shopping.

Adapting to changes and fully demonstrating our business resilience.

We are people-oriented and keep up with current events, consumption trends, and employees' health. We took measures to safeguard our employees' mental and physical health. We have embraced digitalisation and innovation to adapt to customers' shopping habits, and we have more closely integrated our online and offline businesses to improve our service quality and shopping experience.

Better customer service for a better experience.

The company adheres to "customer-centric" business philosophy and strives to create a first-class service experience. In 2022, we began offering a new duty-free shopping experience that is digitally empowered, and we undertook a campaign specifically to improve the quality of the company's customer service across multiple dimensions. The newly-opened Haikou International Duty-Free Shopping Complex is a digitally advanced shopping centre that provides an innovative, immersive shopping experience and grants customers access to an array of "debut" and "exclusive" businesses. In this way, we have launched a new model for retail services that marks a new chapter in the development of China's travel retail industry.

Sincerely caring for employees to promote mutual development.

We protect the rights of our employees and implement a democratic management system that is based on the trade union and the staff representative assembly. The company steadily strives to improve its work environment and is committed to listening to employees' concerns. In 2022, the company's trade union staged an online activity to collect and sort out recommendations from staff on employee benefits, disclosure of corporate affairs, office improvements, and personal development, and each suggestion was implemented after being approved and classified. In addition, we have established a sound mechanism for talent development and training. To this end, the company regularly organises training campaigns and designs promotion paths for its personnel to facilitate the mutual development of employees and the company.

Commitment to social responsibility and our local communities.

As a responsible central state-owned enterprise, we are committed to corporate social responsibility. We are concerned about people's livelihood, and we strive to promote the prosperity and well-being of the regions in which we operate. For this reason, we take measures to support local economic development and social welfare, with a particular focus on student assistance, community investment, and rural revitalisation, among other fields. As the largest travel retail operator in the world, and we are keen to share our successful experience with our industry peers to guide the development of the travel retail industry, taking the leading role in the industry.

Green cdf promotes sustainable development.

We are actively taking green and low-carbon measures, including the implementation of green office concepts, energy and emissions management, climate change responses and food conservation. As part of the company's development, we also adopt green building concepts to maximise social, economic and environmental benefits, and we have achieved impressive results in this regard. We connect upstream brands and downstream customers to convey the "green cdf" message and promote innovative environmentally friendly activities.

2023 marks the first year in which the spirit of the 20th CPC National Congress will be fully implemented. At the starting point of a new era, a new future awaits those who are brave enough to seize opportunities and pursue their dreams. With high-quality development as our core direction, we have implemented the five development concepts of "innovation, coordination, green, open and shared development". As a central state-owned enterprise, CTG DUTY-FREE actively strives to meet its social responsibility, and we are preparing for a new stage of development under the direction and goals described in the 14th Five-Year Plan (14th FYP) and are striving to achieve these goals.

China Tourism Group Duty Free Corporation Limited General Manager
Wang Xuan
30 March 2023



Social Responsibility Performance Overview

Economic

Ranked first

Retained No. 1 travel retail operator in the world for the consecutive three years

Top two

We operate the two largest duty-free shops in the world — Haikou International Duty-Free Shopping Complex and Sanya International Duty-Free Shopping Complex

Most comprehensive

With full coverage on on-board aircrafts, borders, foreign ships, passenger stations, railway stations, diplomatists, cruises and downtown channels, we are the travel retail operator with the complete types of duty-free shops and the largest number of retail outlets in a single country worldwide

CNY54.433 billion

Operating income reaches CNY54.433 billion

CNY5.03 billion

Net profit attributable to shareholders of listed company reaches CNY5.03 billion

CNY8.574 billion

Various taxes and fees paid in 2022 reach CNY8.574 billion

316,000

Selling over 316,000 SKUs of products

Social

1,300+ well-known brands

More than 1,300 well-known brands in the world are in our duty-free shops

16,808 employees

There are 16,808 total employees as at the end of 2022

100% training coverage, more than 330,000 training hours

The employee training coverage reaches 100%, with more than 330,000 training hours in total.

45:55

The ratio of male and female employees is 45:55, and females in the Board of Directors and the Supervisory Committee account for 30%, females in the senior managerial roles account for 28.57% and in general managerial roles account for 36.13%

CNY35.54 million

We invested CNY35.54 million in operation safety, organised 667 safety training sessions

CNY12.10 million

We invested CNY12.10 million in rural vitalisation, implemented 10 assistance projects and attracted CNY4.848 million to poverty alleviation projects

26 million

26 million registered cdf members

Environmental

LEED Gold

Haikou International Duty-Free Shopping Complex has obtained LEED Gold pre-certification¹

Sanya International Duty-Free Shopping Complex Phase 1 Plot 2 Project has obtained LEED Gold pre-certification

Haikou International Duty-Free Shopping Complex (Block No.1) has obtained 2-star Green Building pre-certification

24.13 million shopping bags

In Hainan province, more than 24.13 million shopping bags that meet environmental protection requirements have been provided, effectively reducing the generation of non-degradable plastic waste

7

7 stores/counters in Sanya International Duty-Free Shopping Complex, have received LEED Gold certifications

0.16 MWh/m²

Electricity usage per square meter is 0.16 MWh.

0.09 tonnes of carbon dioxide equivalent

Greenhouse gas emissions per square metre are 0.09 tonnes of carbon dioxide equivalent

* All the above are data as of the end of 2022 or for the year 2022.

¹ LEED or Leadership in Energy and Environmental Design is a rating system devised by the United States Green Building Council (USGBC) to evaluate the environmental performance of a building.

Statement of the Board of Directors

In order to standardise the ESG management mechanism and enhance the quality of ESG management, CTG DUTY-FREE has established an ESG governance structure with the Board of Directors having the highest responsibility and decision-making authority for ESG matters, bearing full responsibilities for the company's ESG strategy, target management and information disclosure, and approving ESG improvement proposals. As the committee assuming the primary responsibility, the Strategy Committee of the Board of Directors takes on the work of studying the sustainable development strategy, supervising the formulation and implementation of the ESG policies, and conducting the identification, assessment and management of important ESG issues, and the risks and opportunities associated with green, safe and sustainable development. The Strategy Committee is also responsible for reviewing and approving ESG management objectives, approving and publishing reports, and assisting the Board of Directors in performing ESG governance functions in departments. The company has established the ESG Leadership Group, and its members include the heads in charge of relevant departments. The Leadership Group is responsible for managing and coordinating the company's ESG-related work. The company establishes and improves the company's management system and operating mechanism for ESG-related work, and it also formulates ESG work plans and organically integrates the company's development strategy, image, branding and operations with ESG concepts.

Based on the external environment and the development strategy of the company, CTG DUTY-FREE has identified 17 key ESG agendas through the investigation of stakeholders during the reporting period and thus clarified its critical tasks, including excellent service experience, customer satisfaction, health and safety of products employee welfare and satisfaction, health and safety of employees, employee career development and skill upgrading, employee diversity and equal employment, the integrity of operations, green logistics and supply chain management, customer privacy protection and information security, promoting the economic development of the operation region, collaborating with brand partners to promote environmental protection, corporate ESG strategy, ESG governance, responsible suppliers, green building, green offices. The above issues have been examined and the performance has been improved in routine work, and target-oriented management has been carried out accordingly. In the future, we will continue to regulate our sustainable development management strategy and promotion methods according to the expectations of stakeholders and the actual operation of the company, in an effort to continuously improve the level of sustainable development.

The Report provides detailed information on the progress and effectiveness regarding CTG DUTY-FREE's ESG efforts in 2022 and has obtained approval from the Board of Directors on 30 March 2023. The Board of Directors and all directors of the company hereby guarantee that the information presented in this Report is free from any false records, misleading statements or material omissions, and undertake joint and several liabilities for the authenticity, accuracy and completeness of the information.



About the Company

Company Overview

China Tourism Group Duty Free Corporation Limited (stock abbreviation: CTG DUTY-FREE; stock code: 601888.SH/01880.HK) was listed on the Shanghai Stock Exchange on 15 October 2009 (previously known as "China International Travel Service Co., Ltd.", the stock abbreviation "China CITs"), and was listed on the Main Board of the Hong Kong Stock Exchange in August 2022. Our company mainly engages in duty-free business, including the wholesale and retail of duty-free commodities such as fragrance, luxury, jewellery, watch, etc. Moreover, the company is also involved in investing and developing commercial complexes with duty-free business as the core.

Our company has established long-term and stable cooperative relations with more than 1,300 renowned brands worldwide. It also has set up over 200 duty-free shops in more than 30 provinces, cities, autonomous regions and special administrative regions in China, and also Cambodia, covering airports, on-board aircrafts, borders, passenger stations, railway stations, foreign cruise supply, diplomatists, cruises and downtowns (offshore, departures) in these regions. Its seven customs-supervised logistics centres in Dalian, Qingdao, Shanghai, Shenzhen, Sanya, Hong Kong SAR and Beijing cover the entire country. Its main sales channels cover large domestic hub airports in Beijing, Shanghai, Guangzhou Chengdu and Hangzhou, international airports in Hong Kong SAR and Macau SAR in the Asia Pacific region, and Sanya International Duty-Free Shopping Complex, Haikou International Duty-Free Shopping Complex. China Duty Free Group has developed into a travel retail operator with the most complete types of duty-free shops and the largest number of retail outlets in a single country in the world, providing duty-free commodity services to nearly 200 million domestic and foreign tourists every year.

The "courageous, professional, teamwork, innovative" corporate culture has been fostered during the company's development over the years, and it is with this culture that we face challenges bravely and overcome difficulties. In recent years, the company's core functions and capabilities such as procurement, operations, channel expansion, digitalisation and marketing have been continuously enhanced. Our business has been steadily transformed and upgraded, achieving leapfrog development.

In the future, our organisation will maintain the continuous, stable and healthy growth of the duty-free business, adhering to the concept of "customer-centered, market-oriented", with "duty-free business" as the core to upgrade the value chain, and "tourism retail" as the extension to upgrade the industrial chain to build a more globally competitive world-class travel retail operator.

Corporate Culture



Brand Positioning

The world's leading travel retail operator



Core Values

Courageous, professional, teamwork, innovative



Corporate Mission

Share the joy of shopping and extend the enjoyment of travel

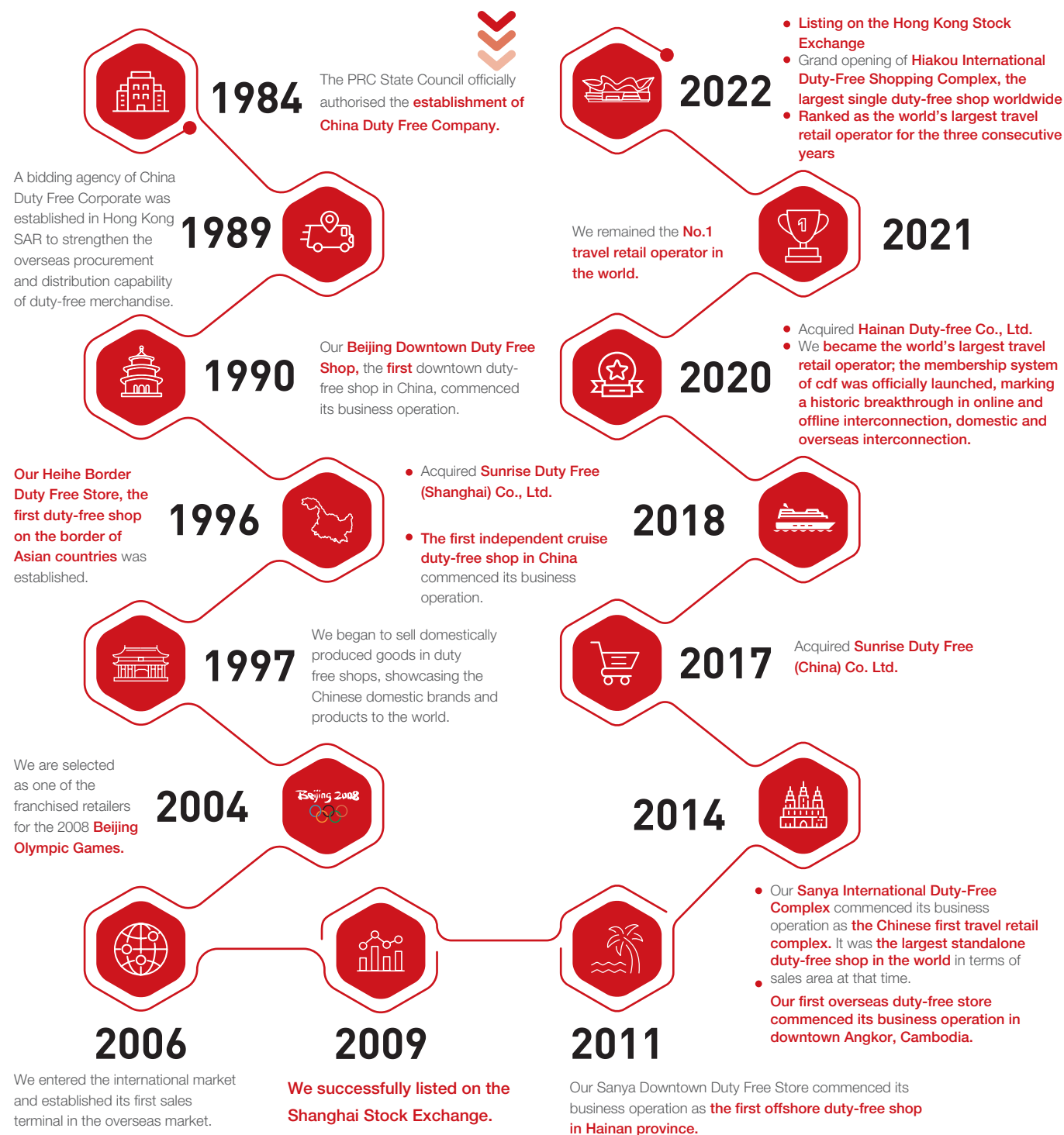


Operation Concept

Customer-centered, market-oriented

Our Milestones

After nearly 40 years of rapid development, we have developed into the world's leading travel retail operator.



Awards and Honours



- 5 Selected into the **"2021 Profitability Index – Top 100 Chinese Listed Companies"**



2021 Profitability Index – Top 100 Chinese Listed Companies

- 7 Selected into the **"ESG & Governance Pioneers 50 Index of Central State-owned Companies"**



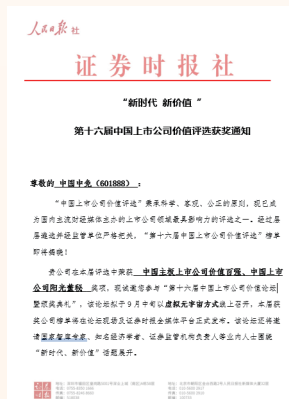
ESG & Governance Pioneers 50 Index of Central State-owned Companies

- 9 The **"2022 Golden Hong Kong Stock Award"** in the 7th Listed Companies Selection by ZhiTong Financial



2022 Golden Hong Kong Stock Award

- 6 Selected into the **Top 100 Value List of Chinese Mainboard Listed Companies** in the "16th Chinese Listed Companies Value Selection" (Organised by Securities Times)



Top 100 Value List of Chinese Mainboard Listed Companies

- 8 Selected into the "2022 Top 100 List of Chinese Listed Companies" at the 22nd China Summit Forum for the Top 100 Listed Companies. The company won two awards: the **"China Top 100 Enterprise Award"** and the **"China Top 100 High Growth Enterprise Award"**



China Top 100 Enterprise Award



China Top 100 High Growth Enterprise Award

- 10 Received the **"Best ESG Award"**, **"Best Information Disclosure Award"**, and **"Best Investor Relations Award"** at Excellence in IR's 6th Awards Ceremony



Best Information Disclosure Award, Best Investor Relations Award, and Best ESG Award

- 11 Recognised as the **"Most Valuable IPO of the Year"** in Gurucub's 2022 Greater China Outstanding Listed Companies Selection



The "Most Valuable IPO of the Year" in Gurucub's Greater China Outstanding Listed Companies Selection

- 13 Received the **"Digital Pioneer Enterprise"** award at the 2022 WeChat Open Class Pro conference



Digital Pioneer Enterprise

- 15 Recognised as the **"All-Data Smart Enterprise of the Year"** in the Dingge Awards' 2022 Digital Transformation Pioneers list based on the company's big data programme



All-Data Smart Enterprise of the Year

- 17 Received Trip.com Group's "2022 Global Partner Award – **Outstanding Marketing Platform in the Tourism Retail Industry**" for the company's membership applet



Outstanding Marketing Platform in the Tourism Retail Industry

- 12 Received the **"Outstanding IR Team Award"** at the 11th Financial Leadership Summit Forum in China



Outstanding IR Team Award

- 14 Received the **"China Big Data Gold Sand Award – Best Innovative Application in 2022"**



China Big Data Gold Sand Award – Best Innovative Application in 2022

- 16 CDF International received the **"Most Valuable Brand Award"** at the 3rd session of the Greater Bay Area (GBA) 9+2 Development Forum



The GBA 9+2 Development Forum's Most Valuable Brand Award

Feature 1

The Grand Opening of Haikou International Duty-Free Shopping Complex Marks a New Milestone in the Development of Hainan's Offshore Duty-Free Industry

After its grand opening on 28 October 2022, Haikou International Duty-Free Shopping Complex, which covers a total area of about 285,000 square metres, became the world's largest single duty-free shop. While Sanya International Duty-Free Shopping Complex is positioned at the southern tip of the island, the new store is located at the sub-centre of Haikou's western coast, close to the most important transportation hub in the city, the Xinhai Port. From its position at the northern end of the island, it serves as an additional stronghold in our Hainan network and act as an integrated tourism retailer with a dual focus on "duty-free retail and cultural tourism", with duty-free business as its foundation.



The facade of Haikou International Duty-Free Shopping Complex



Haikou International Duty-Free Shopping Complex

The project as a whole covers an area of about 930,000 square metres. It comprises six blocks of land, which hosts various industries, including duty-free commercial retail, taxable commercial retail, high-grade offices, high-end hotels and talent communities. The project has been designed to meet multiple functions, including business trips, leisure travel and vacations, daily life, offices, and art exhibitions, serves as a benchmark for the development of the travel retail industry in China and around the world, and it supports Hainan Free Trade Port's development into an international hub for tourism and shopping.

Awards and Recognition

Since construction commenced three years ago, Haikou International Duty-Free Shopping Complex has won wide recognition for its first-class services.

- The "Best use of a visual property – Silver" and "Best strategic or creative development of a new brand – Highly commended" at the 2022 Transform Awards
- "Non-Airport Retailer of the Year", "Best Visual Design" and "Best Sustainable Initiative" at the Trinity Awards
- The "7th REARD Global Design Award – Silver"
- 2nd place winner at the "2nd Contest on High Promotion Value Patents in the Engineering Construction Industry" held by the China Association of Construction Enterprise Management
- "Advanced Organisation in Key Project Competition in the Hainan Construction Industry"
- Special Mention Award at the Architizer A+ Awards
- DOMUS, a prominent global magazine, selected Haikou International Duty-Free Shopping Complex as the cover and published a featured story



Best Visual Effects at the 2022 Transform Awards

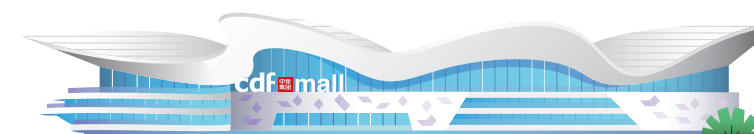
China Duty Free Group and FutureBrand Silver

Tax-free tourism destination CDF Haikou International Duty-Free City worked with FutureBrand to capture a luxurious, aspirational feel. To do so, the brand uses its wordmark to emulate a gift box and ribbon. This graphic device brings cohesiveness to the identity. Judges praised the elevated design, memorability and versatility of the visual property.



Best use

"Best use of a visual property – Silver" at the 2022 Transform Awards



Special Mention Award at the Architizer A+ Awards

Pursuing an Innovative Approach to Brand Strategy to Boost Hainan's Economy

Based on the company's strong branding, operational expertise, and market reputation, cdf Haikou International Duty-free Shopping Complex is partnering with over 800 renowned international and local brands to collaboratively open a selection of "debut" and "exclusive" duty-free stores in China.



Haikou International Duty-Free Shopping Complex

► A Select Collection of Duty-Free Luxury Brands

The Haikou International Duty-free Shopping Complex offers a select collection of international luxury and high fashion brands. The grand mall's leading stores, which cover 4,000 square metres, operate and serve customers.



"Debut" and "exclusive" brands:

25 debut duty-free stores and 78 cdf exclusive offshore duty-free stores in Hainan province have been opened in the Haikou International Duty-free Shopping Complex, offering consumers a truly unique shopping experience.



Complete collections of perfumes and cosmetics:

Perfumes and cosmetics are popular among consumers. For this reason, we have designated a special area at Haikou International Duty-free Shopping Complex exclusively for collections of perfumes and cosmetics. Covering a single floor of 30,000 square metres, the site is the largest in the global tourism retail sector. In this area, customers can try make-up virtually, enjoy exclusive customised products, attend perfume and cosmetics lectures, and interact with celebrities.



Exclusive customised services:

The Haikou International Duty-free Shopping Complex also provides consumers with customised services exclusive to certain brands. For example, SK-II is offering the AI non-contact skin test, which represents an all-round exclusive beauty service featuring a luxurious experience, personal customisation and technology-enabled interaction.



Luxury jewellery and watches:

More than 50 first-class global watch and jewellery brands have opened stores at cdf Haikou International Duty-free Shopping Complex, 10 of which have no other stores in Hainan.



Brands with novelty designs:

Several world-famous wine and liquor brands have opened new stores at cdf Haikou International Duty-free Shopping Complex.

Improving Customer Service and Offering an Innovative Shopping and Leisure Experience

The Haikou International Duty-free Shopping Complex has harnessed the power of digital services by adopting "Scan & Go" capabilities and other digital methods for perfume and cosmetics sales. These services save significant waiting time for customers, raise shopping efficiency, and offer customers a more immersive duty-free shopping experience.

The Haikou International Duty-free Shopping Complex has also broadened its marketing activities to offer customers various innovative services and entertaining IP-themed activities. Customers are always excited to enjoy the customised and innovative experiences brought by these themes and novelties.



Haikou International Duty-Free Shopping Complex

Based on our customer-oriented approach, we have continued to provide high-quality services that integrate online and offline platforms. Haikou International Duty-Free Shopping Complex offers over 1,000 square metres of exclusive VIP social space for travel retail customers. Within the space, we collaborated with SHANG XIA to provide an exclusive area for specific VIPs and showcased a variety of customised themes to meet the different tastes and needs of VIP customers.

Leveraging brands, services and creativity, Haikou International Duty-Free Shopping Complex provides an innovative shopping experience that offers "debut" and "exclusive" duty-free stores, marking a new chapter in China's travel retail and duty-free shopping industries. Haikou International Duty-Free Shopping Complex offers the following facilities to shoppers:

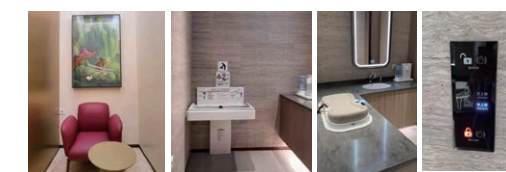
- In terms of dining options, approximately 20 leading flagship catering brands in Hainan and Haikou, five Michelin, Black Pearl, and China time-honoured brands, and other flagship and customised concept stores are operating at cdf Haikou International Duty-Free Shopping Complex. This group of restaurants constitutes the first indoor culture and food market experience of its kind in Hainan;
- The flying dome theatre offers an entertainment experience with its world's most abundant film sources, bringing consumers a stunning, immersive flying experience;
- Working with a professional team from Hollywood, we built Hainan's first IP experience hall featuring blockbuster movies in order to cater to customers' interests;
- We introduced the "Meet you Museum" series to present well-known art exhibitions from across China and the world and incorporate art into the shopping experience. This activity allows consumers to connect with the arts while shopping and appreciate art exhibitions that feature the integration of technology and art, light and shadow, authentic art, etc.;
- Based on the atrium's AURA Skyrim Forest theme, we have created a brand-customised catering concept flagship store that incorporates the retail theme of each floor;
- We provide thoughtful, convenient services and warm, clean, well-equipped nursing rooms.



Immersive food and art space



Hainan's first IP experience hall featuring blockbuster movies



Cosy, comfortable and well-equipped nursing room

An Immersive Experience that Represents a New Model in Retail Services

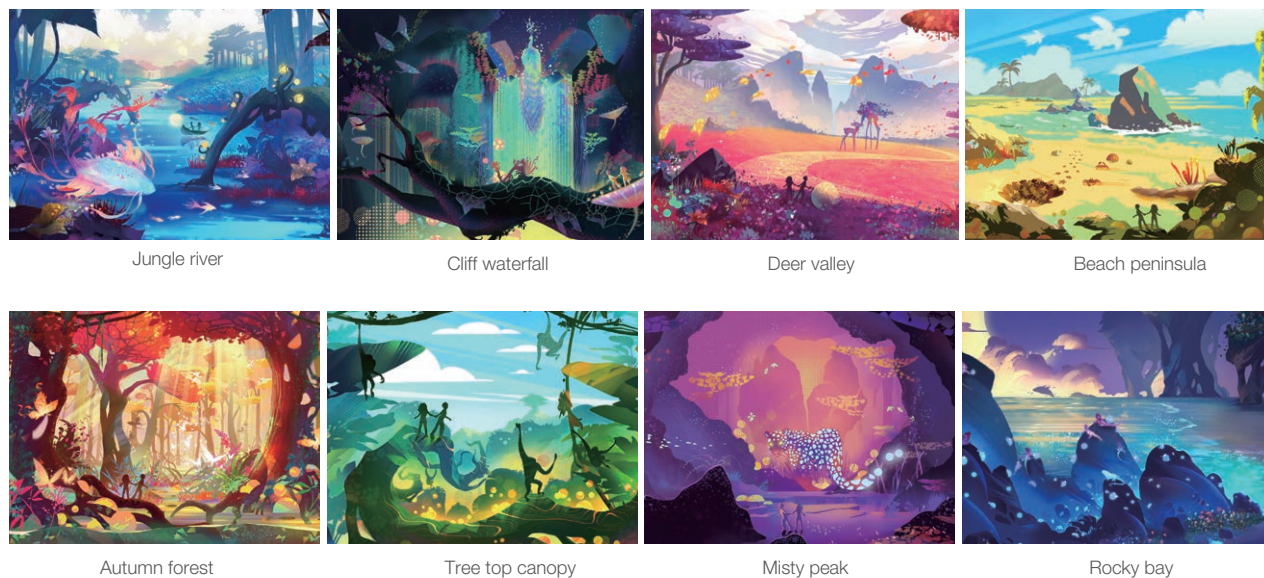
Haikou International Duty-Free Shopping Complex has developed a new retail service model that provides consumers with an exciting shopping experience featuring immersive experiences and delectable food.

► AURA Skyrim Forest: An Immersive Visual Feast Designed by Weta Workshop

Haikou International Duty-Free Shopping Complex collaborated with Weta Workshop, the winner of six Academy Awards for Best Visual Effects, to design an exclusive themed atrium for Haikou International Duty-Free Shopping Complex: AURA Skyrim Forest. The atrium provides an immersive shopping space that combines artistic lighting, art installations, creative displays and other techniques while drawing inspiration from Hainan culture. It creates a fantasy version of Hainan that mirrors the visual effects of a movie, transforming consumers' duty-free shopping trips into a cultural experience.



The design of the eight fantasy scenes of AURA Skyrim Forest draws inspiration from Hainan's distinct and unique culture. The designers translated Hainan folklore into creative scenes to enable shoppers to experience Hainan culture in-person. For example, one of the themed scenes, "Deer Valley", features a deer strolling in a valley, which is inspired by the well-known Hainan folktale of "a deer offering an elixir to save islanders".



► Upgrading the Visual Experience to Improve Duty-Free Shopping

The company pays close attention to customers' aesthetic needs and spiritual and cultural imagination. The AURA Skyrim Forest-themed atrium is loaded with cultural connotations and vibrant visuals. It was important to the company that the atrium deliver a robust interactive experience. The AURA Skyrim Forest derives its theme from stories and uses giant screens, projections, and large-scale artistic sculpture installations for the scenery. Tourists interact with the installations in real-time as the story develops, creating an immersive and exclusive shopping space that redefines the shopping experience and represents a benchmark for interactive cultural tourism.



The Skyrim Forest transforms into the poetic and romantic "Fantasy on Hainan Island" scene

► Collaborating with Brand Partners to Create an Immersive Shopping Experience

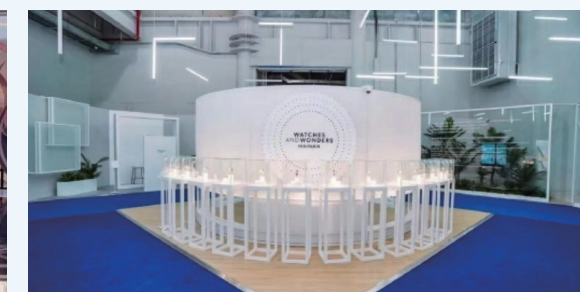
Haikou International Duty-Free Shopping Complex collaborated with brand partners to build a bridge spanning brand culture and brand perception. For example, we opened the Moutai tasting shop, the first of our initiatives to combine retail cultural creative goods, product collections and rare product displays through a travel retail channel. Another example is the immersive "Whisky tasting centre", which is the first immersive whisky museum in China. The whisky "tasting and retail" centre integrates whiskey history, culture, craftsmanship, products and consumer interaction. As part of their museum visit, customers can discover the historical origins and development of various liquor brands and understand of their brewing process.

Case The Third "Watches & Wonders" Luxury Watch Exhibition in Hainan

In December 2022, the third Watches & Wonders luxury watch exhibition was held at cdf Haikou International Duty-Free Shopping Complex and cdf Sanya International Duty-Free Shopping Complex. The company and the Foundation High Horology (FHH) jointly organised the exhibition. The luxury watch exhibition showcased classic watch collections to watch lovers worldwide and illuminated the long history of fine watchmaking, highlighting luxury watches' sophisticated functions and designs. This immersive and interactive event offered an experiential feast to watch enthusiasts.



The third "Watches & Wonders" luxury watch exhibition was held in Hainan



New watch collections were showcased to watch lovers from around the world

To promote Chinese culture, Haikou International Duty-Free Shopping Complex is building on the "China chic" trend. As part of this effort, it has set up a Moutai tasting shop to give customers a chance to experience the craftsmanship of Moutai and taste the country's national liquor. In addition, Haikou International Duty-Free Shopping Complex has established the first global travel retail store that is dedicated to "China chic" beauty products, offering an array of Chinese beauty brands. Meanwhile, our travel retail channels have been collaborating with Huawei to introduce automotive products and create a cutting-edge smart living pavilion that incorporates the latest high technology. In this way, customers can feel the charm of "China chic" through innovative promotional activities covering a range of merchandise.



The first global travel retail store focusing on "China chic" beauty products



Moutai tasting shop



The first global travel retail store focusing on "China chic" beauty product

The company is actively seizing opportunities in the domestic market, and it is consolidating its competitive advantages to reinforce its leading position in China's duty-free industry and its influence around the world. As an essential participant in Hainan's offshore duty-free industry, cdf Haikou International Duty-Free Shopping Complex showcases the Hainan Free Trade Port and attracts massive inflows of tourists to Hainan's travel retail industry. We are proud to play a role in Hainan's development into an international hub for tourism and shopping.

Feature 2

Adapting to Changes and Demonstrating Our Operational Resilience

Online shopping has become tendency to consumers' shopping habits in recent years. In the face of this trend, we have taken various measures to ensure and improve our service quality and shopping experience.

Passing on the warmth and safeguarding our employees' health

The company continued to implement policies issued by governments, and we vigorously carried out robust measures to safeguard employees' health. We provide our employees with necessary medical and health supplies, prompt health monitoring, and publish emergency responses, which specify the procedures and measures that should be used for various emergencies in operating locations, accelerating the construction of the company's resilience and protecting front-line employees' health.

We care for our people and regard our people's safety and health as our top concern. To this end, we introduced a series of measures to protect our employees. We purchased, stored and distributed care packages and medical kits and provided psychological counselling for employees. In addition, we offered lunch boxes at the staff canteen and allowed employees to work from home, among other measures. In this way, the company was able to take care of its people while also maintaining orderly operations.



Care packages postcard prepared by the company



Medical kits prepared by the company



Care packages prepared by the company

Stable Development and Unity to Overcome Difficulties

We work as one and act responsibly as a central state-owned enterprise. The company shouldered its responsibility, organised donations of funds and supplies, and arranged for employees to participate in volunteer services.



In Hainan, the company donated CNY 2 million to the Sanya Red Cross Society, offered vehicles to assist in transporting donation supplies, and took other measures to support local community work. Hundreds of CPC members and cadres and Communist Youth League members from the Sanya Downtown Duty-Free Store and Hainan DF participated in local community work. In an effort to act as a responsible central state-owned enterprise, the company dispatched 133 people to support the construction of the project in Hainan, and Sanya International Duty-Free Shopping Complex organised a volunteer team to deliver meals. In total, 214 employees spent 4,440 hours delivering 2,243 meals to ensure employees received food in a safe and timely manner. In 2022, Sanya International Duty-Free Shopping Complex organised 791 CPC and Communist Youth League members to provide more than 17,000 hours of volunteer services.

In Shanghai, 99 employees from Sunrise Shanghai took the initiative to volunteer in communities. In this effort, they devoted a total of 1,471 hours to assisting the communities.

In Hong Kong SAR, CDF International actively participated in "CTS Community Services" activities and supplies donation drive.

In Beijing, we participated in community activities, and guaranteed supplies. In recognition of their efforts, dozens of CPC members and other employees have been recognised as "Outstanding Volunteers".



Volunteers from the Sanya Downtown Duty-Free Store



The first group of 23 volunteers from the Sanya Downtown Duty-Free Store successfully completed their volunteer work and returned home

In addition to taking care of its people's mental and physical health, we introduced a series of operational and management policies that took into account local conditions and requirements to ensure stable and orderly business operations.

Case Upgrading Skills to Adapt to Changes

In 2022, Sunrise Shanghai embarked on a business transformation campaign to move its operations online. The company quickly changed its business model and encouraged certain employees who were willing and able to transfer to online posts, such as positions related to logistics warehouses, online operations, online customer service, and network promotion platform maintenance. Mentors were assigned to help newly transferred employees adapt to their new roles and acquire new knowledge and skills. In this way, employees were able to continuously improve their professional skills and operate as high performers in their new positions.

Each store has put in place a safety operation leading group to devise emergency plans pertaining to people, goods and venues, with a view to ensuring that safety work is carried out in an orderly manner. We ensure a safe shopping environment and a comfortable shopping experience for our customers.

Embracing Digitalisation to Upgrade the Consumer Experience

In recent years, the company has been actively developing new business and consumption models, broadening offline retail space, diversifying online e-shops, and expanding its online business to integrate online and offline channels and break through the traditional boundaries of travel retail. We aim to provide comprehensive shopping services “before, during and after travel” and created “Digital CTG DUTY-FREE” to diversify our service model and offer a new duty-free shopping experience that is digitally empowered. In 2022, the company expands its online customer service channels: create online service entrances for WeChat official account and applet, reaches customers through multiple channels, solves customers’ pre-shopping, shopping and post-shopping problems on the platform, and the total online services during 2022 has been doubled compared to 2021.

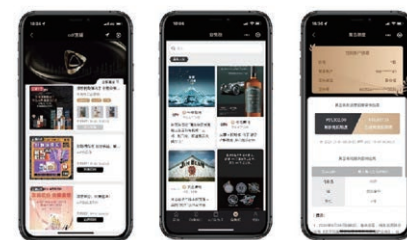
► The “cdf Membership” WeChat Applet Boosts Comprehensive Services Capabilities

Based on O2O marketing models, we have developed the “cdf Membership” WeChat applet. This viewership integration platform, which serves over 26 million members as the company’s new digital value centre, adopts an innovative business model that is revitalising the travel retail industry. Following several stages of development, the “cdf Membership” WeChat applet combines various functions such as tools, content, marketing, and e-commerce. It also provides an online service port for our offline stores and strengthens the company’s comprehensive service capabilities.

One of our competitive advantages is our ability to provide high-quality services to walk-in customers at offline malls. Sanya International Duty-Free Shopping Complex, Haikou International Duty-Free Shopping Complex and other stores have been actively optimising the customer service experience. To this end, they have been sorting out and refining processes covering customer services, store cashiers, online order delivery, and public opinion monitoring, with the goal of providing high-quality, professional and thoughtful services to walk-in customers.

► More ‘Smart Stores’ for New Consumer Experience Trends

The company has vigorously developed ‘Smart Stores’ to support consumption that integrates online and offline capabilities. Relying on technologies such as passenger flow statistics and analysis programs, in-store virtual reality (VR) monitoring, and electronic price tags, we continuously innovate our services to keep up with the latest consumer experience trends. The array of automated and digital tools digitises the entire consumption chain and effectively improves stores’ operational efficiency.



The “cdf Membership” WeChat applet



cdf Macau Flagship Store

Case The cdf Macau Flagship Store Launches Diversified Smart Retail Tools

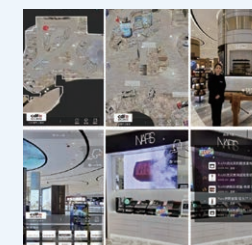
Recently, the company launched an array of intelligent retail tools at the cdf Macau Flagship Store to integrate the real-life store with an online business. With the virtual reality (VR) store and augmented reality (AR) try-on tools, customers can enjoy a full-path retail experience in the company’s online mall, marking a new milestone in developing of smart retail.

Using the cdf Macau Flagship Store’s VR application, customers can view the entirety of the store anytime, anywhere, and experience the brand history and product features as introduced by the sales staff. Customers can browse their favourite brands in the store and go directly to the boutique with the designated brand with one click. Choosing from among a display of popular available products, customers can quickly complete their purchases.

The cdf Macau Flagship Store’s cross-brand AR makeup tool provides a one-stop makeup trial experience featuring a range of options. Customers can conveniently choose single products or full makeup cosmetics, add their favourite styles to their shopping cart, and check out. The company has already partnered with Estee Lauder and NARS to offer their products on the tool.

In addition to trying on makeup, customers can also use the AR tool to try on watches and see how they look on their wrists. Customers can view the watch in detail, and if they like a model, they can add it to their shopping cart and order it in advance, which increases the efficiency of their shopping experience.

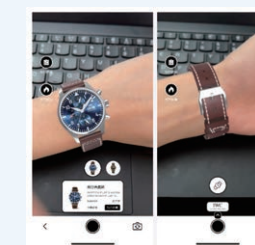
The company is digitally empowering the new retail landscape. In 2022, we successfully launched a digitalised system to support procurement and replenishment, merchandise management and freight information, with the goal of enhancing the company’s information system and providing effective support for business and consumer services.



Customers can use the VR application to view the entire store



The tool provides a one-stop makeup trial experience that offers a range of available options



Customers can use the AR tool to try on watches

► Capabilities and Brand Building Upgrade the Duty-free Shopping Experience

The company continues to enhance procurement, operations, and channels, as well as its digital and marketing capabilities, in an effort to strengthen its leading position in the global duty-free industry, accelerate innovation, and provide an impetus for its stores to expand their brand portfolios.

The company has established long-term, stable partnerships with more than 1,300 renowned brands worldwide, and with over 316,000 single units of merchandise. In 2022, the company successfully introduced Blancpain, Breguet and other well-known brands into its offerings. We have also been holding more events to collaboratively release new products around the world and launch new products through cdf channels, with the aim of diversifying the products available to customers. In addition, the company has collaborated with other Hainan stores to host a number of intellectual property (IP) activities, including the Duty-free Festival, the Wine Festival and the Year-end Carnival. In this way, we are working to provide customers with exciting activities and a brand-new shopping experience throughout the year.

The company is actively responding to the consumer market, and we are preparing to tap its potential as it grows larger in the future. Going forward, we will strive to steadily expand our share of new business in the offshore duty-free industry, and continue to pursue innovation, upgrade the online and offline experience, and act as a leader in the industry. We will bear in mind our customer-centric principles, continue to strengthen our partnerships with brands, and empower the travel retail industry through digital transformation and continuous innovation.

stable partnerships with more than **1,300** renowned brands worldwide

over **316,000** single units of merchandise

Principles of Governance

- Corporate Governance and Interactive Communication 26
- Effective Management with a Clear Focus 28
- Trusted and Ethical Business Operations 33

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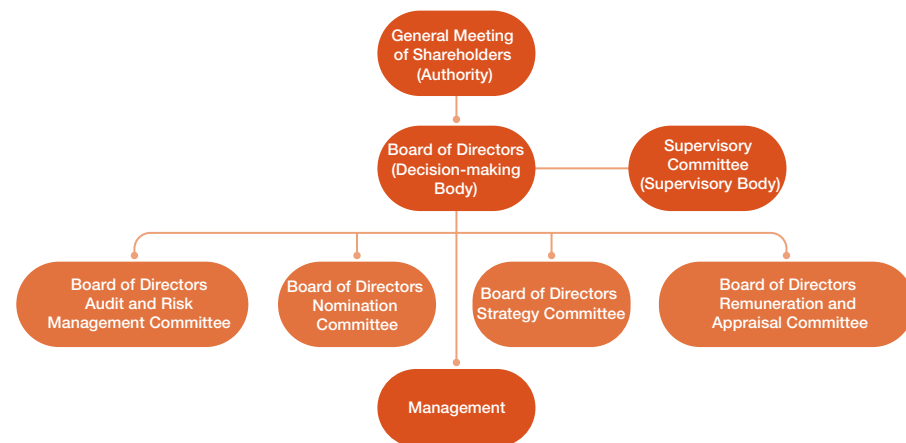


Corporate Governance and Interactive Communication

► Corporate Governance

Robust Governance System

The company has established a governance system consisting of the Party Committee, General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and the Management with a clear division of authority, responsibilities and regular operations. The Party Committee plays a leading role in "setting the direction, managing the overall picture and ensuring implementation", and implements the decisions and plans made by the CPC Central Committee and national development strategies. The General Meeting of Shareholders represents the highest decision-making authority and plays an overall guiding role in the company's operation and development. The Board of Directors is accountable to the General Meeting of Shareholders. It plays the role of "setting strategy, making decisions and preventing risks", exercising decision-making power on major issues of the company in accordance with legal procedures and the "Articles of Association". and carrying out its work strictly with the "Articles of Association" and the "Rules of Procedure of the Board of Directors". Four special committees, namely the Strategy Committee, the Audit and Risk Management Committee, the Remuneration and Evaluation Committee and the Nomination Committee, have been set up under the Board of Directors to provide consultation and advice to the Board on significant decisions. The Supervisory Committee, as the supervisory body, is responsible for overseeing the performance of the Board and management. The management level is responsible for the operation, implementation and administration, and is subject to the management of the Board of Directors and the supervision of the Supervisory Committee.



CTG DUTY-FREE has formed a corporate governance system based on the "Articles of Association" and concerning the "Rules of Procedure of the General Meeting of Shareholders", the "Rules of Procedure of the Board of Directors", the "Rules of Procedure of the Supervisory Board" and the "Rules of Work of the General Manager" in accordance with the requirements of the *Company Law* and the *Code of Governance for Listed Companies*. Under this system, the company ensures standardised and effective corporate governance and operation. Following the latest regulatory requirements and the company's actual situation, the company revised the "Rules of Procedure of the General Meeting of Shareholders", the "Rules of Procedure of the Board of Directors", the "Information Disclosure Management System" and several other documents in 2022 to raise the standardised and efficient work of the Party Committee, the General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and the Management.

Our company attaches importance to the diversity of Board members, including but not limited to gender, age, race, language, cultural and educational background and industry and professional experience, to further enhance the effective functioning of the Board and maintain a high standard of corporate governance.

► Information Disclosure

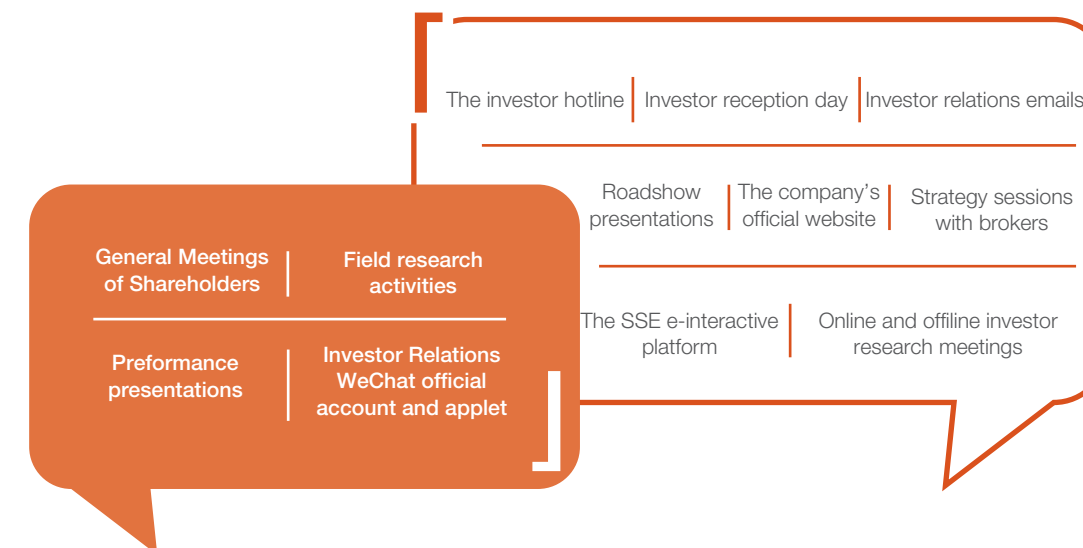
The company has formulated the "Information Disclosure Management System" to strengthen its management of information disclosures and protect investors' legitimate rights and interests. In 2022, the company disclosed information truthfully, accurately, completely, promptly and fairly, in strict compliance with the *Company Law*, the *Securities Law* and other laws and regulations, as well as the relevant regulations of the CSRC and the Shanghai Stock Exchange (SSE). We continue to regard "error-free" information disclosure as its basic goal, and we are steadily improving our information disclosure system accordingly to effectively protect shareholders' right to know and enhance the effectiveness of our information disclosures. The company has been awarded an A-grade evaluation for information disclosures by the SSE for the past seven consecutive years.

Since its A-share listing in 2009, CTG DUTY-FREE has steadily improved the quality of its information disclosure to maintain a harmonious and constructive relationship with investors and become a high-quality, compliant listed company. On 25 August 2022, the company was successfully listed on the Stock Exchange of Hong Kong, ushering in a new era with a dual-listing in Chinese Mainland (A shares) and Hong Kong SAR (H shares). As an A+H listed company, CTG DUTY-FREE strictly abides by the information disclosure requirements in both regions, ensures the consistency and synchronisation of both information disclosures, and strives to convey its values through high-quality information disclosure. In 2022, the company continued to improve the readability and presentation of its disclosure documents. During the year, we released the first designed annual report, as well as an English version of the annual report summary, in an effort to fully meet investors' personalised information needs.

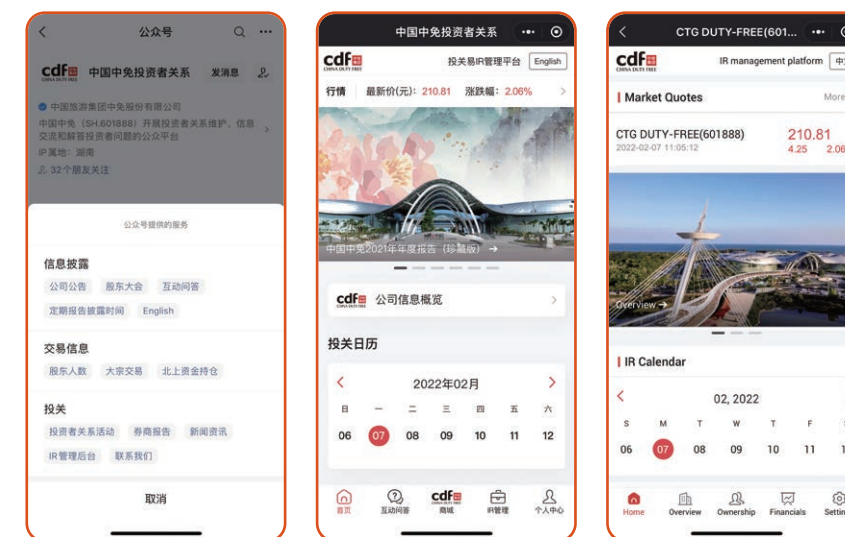
► Investor Relations

The company strictly complies with the *Company Law*, the *Securities Law*, the *Listed Company Investor Relations Management Guidance* and other laws and regulations and established the "Investor Relations Management System" to implement investor relations management. Guided by the needs of investors, the company continuously enrich and improve the smooth investor communication channels to enhance pertinence and effectiveness. We also improve the quality of investor relationship management and convey corporate investment value to the market precisely and timely to promote high-quality development of the company.

Diversified Communication Mechanism



We explore and manage investor relationships in an innovative manner and provide convenient channels for investors to understand the company. In 2022, we deliver the latest information and news to investors through our official account on Xueqiu and a public investor relations account and applet on WeChat. In addition, we keep developing the Investor Relations page on the company's official website.



In March 2022, "CTG DUTY-FREE Investor Relations" official account and platform launched on WeChat in both Chinese and English version simultaneously

We frequently arrange diversified sessions to deliver information about performance, share the company's businesses, and conduct exchanges, and we have hosted a number of one-to-one/one-to-many roadshows and reverse roadshows. At these roadshows, the company has received more than 6,600 investors in total, and we have provided our visitors with briefings on watches and jewellery, wine tastings and skincare trials. We also conduct interviews with investors' representatives, listen to their recommendations and opinions on the company's business development, and convey their messages to management and business departments.

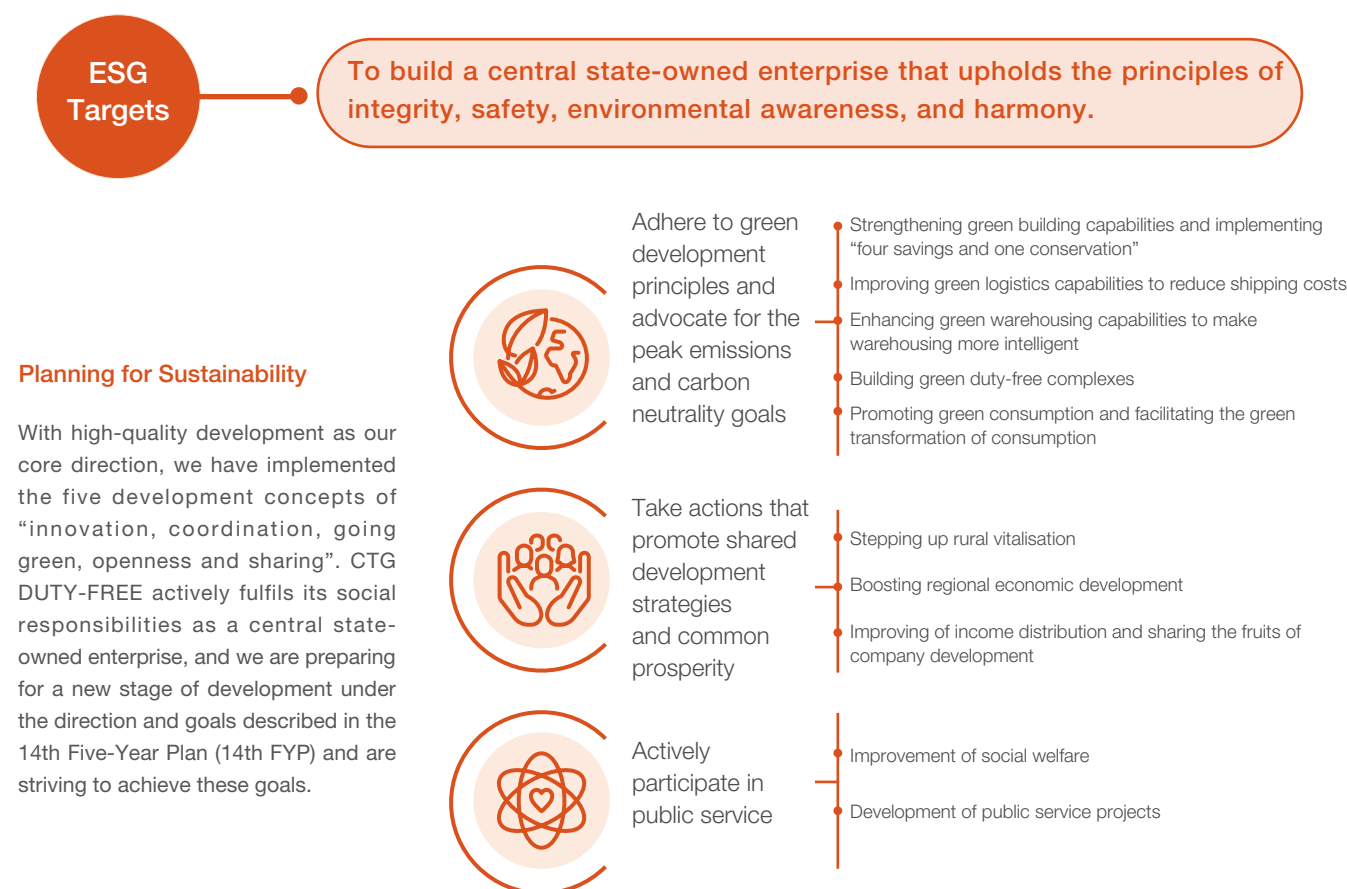
We have launched a new promotional IPO video, an official WeChat account and an IR applet in both Chinese and English, and our posts delivering the company's latest news have garnered more than 300,000 views. In 2022, the company organised a themed "media day" event and invited media representatives to visit and hold exchanges with cdf experience officers. Financial media both in China and overseas have closely monitored cdf, and they have published a wide range of reports across various media platforms.



2022 Investor relations event

Effective Management with a Clear Focus

► ESG Focus



CTG DUTY-FREE's 2023 ESG Targets

■ Sector • Target

■ Green office

- Continue to advocate energy conservation and emissions reduction to implement "Green and Low Carbon Initiative"

■ Green building

- Follow green building standards in new construction projects
- Continue to promote energy-efficient transformation of existing facilities
- Actively explore the use of new energy sources
- Facilitate partnering brands to obtain LEED gold certification

■ Operational safety

- 100% coverage of operational safety responsibility (for leads in charge)
- 100% coverage of operational safety inspections (for all places)
- 100% coverage of operational safety training (for all staff)
- Achieve 100% signatures for the responsibility pledge regarding operational safety targets
- No safety accidents and no work-related fatalities throughout the year
- Continue to enhance automation and smart operations to empower operational safety
- Guarantee investments in operational safety

■ Training

- Guarantee investments in employee training
- Guarantee investments in launching training activities
- Continue to diversify training courses to increase learning hours per person

■ Customer satisfaction

- Achieve a 95% answer rate at the call centre
- Answer customer complaints within 30 minutes and resolve them within 72 hours
- Regularly conduct customer satisfaction surveys to make continuous improvements

■ Anti-corruption advocacy

- Conduct onboarding integrity training for 100% of new leaders and cadres
- Conduct onboarding integrity training for 100% of new joiners
- Achieve a 100% coverage rate in annual anti-corruption training

■ Public services

- Closely monitor and respond to community and societal needs

ESG Management Framework

The Board of Directors is the highest decision-making authority for the company's ESG work.

The Strategy Committee of the Board is responsible for offering suggestions to the Board on ESG-related decisions and sustainability strategies based on research.

The company established the ESG Leadership Group, which is responsible for managing and coordinating the ESG-related work. The Leadership Group establishes and improves the company's management system and operating mechanism for ESG-related work. It also formulates the ESG work plans and organically integrates the development strategy, image, brand and operations with ESG concepts. The head of the Leadership Group includes the Chairman of the company, and the members include the department heads in charge of the company's relevant departments.

The company incorporates ESG work into daily management to reinforce ESG awareness and continuously improves the standardisation and systematism of work. The departments and affiliated companies allocate the ESG-related tasks to the frontline employees; and they are responsible for supervising and implementing ESG-related work. For details regarding our work focuses, please see the "Statement of the Board of Directors" of this Report.

► Communication with Stakeholders

Stakeholder Communication Mechanisms

The company attaches great importance to communication with stakeholders and actively builds a robust internal and external communication platform. We pay attention to important issues of concern to our stakeholders and continuously reinforces our management to better respond to their expectations and create value for them.

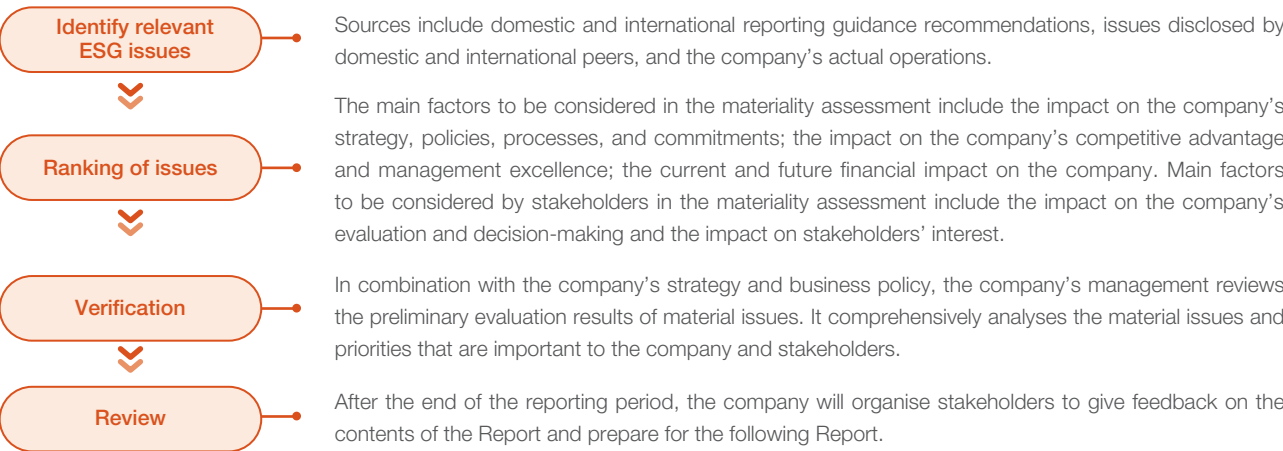
Stakeholders	Stakeholder expectations	Communication and participation mechanism	Corporate response
 Investors	Improvement of market capitalisation and profitability Protecting shareholders' rights and interests Standardisation corporate governance Accurate information disclosure Smooth investor communication Improvement of ESG performance	Periodic reports and interim announcements Communication via SSE e-interactive platform Official website, new media platforms, telephone, fax and emails General Meeting of Shareholders, performance presentations, roadshows, analyst meetings, investor reception day, investor seminars	Provision of truthful and adequate information disclosure Improvement performance and generate profits Diversified investor communication channels Improvement of ESG practices
 Consumers	Product quality guarantee Improvement of shopping experience Protecting customers' legitimate rights and interests	Communication during service process Diversified after-sales channels Customer satisfaction surveys	Meeting product quality Good service quality Improvement of the professionalism of after-sales service Innovative service practice
 Employees	Guaranteed remuneration Good working environment Improvement of communication mechanisms Employee development and career paths	Employment contracts Trade union, General meetings of employee representatives Seminars and condolence visits	Enhancement of the remuneration and welfare system Improvement of the system for general meetings of employee representatives Provision of a strong career development ladder Diversified staff trainings Various staff activities Establishment of healthy and safe working environment
 Business partners	Honest, fair, and provision of mutual benefits Maintenance of long-term cooperation Complying with business ethics Promotion of supply chain's sustainable development	Daily business exchanges Business meetings and negotiations Document correspondence Procurement activities Industry forums	Legal perform of contracts and agreements Arrangement for open and fair tendering Open and transparent business principles Collaborations on environmental projects
 Communities	Community engagement and development Public services support Social development concerns	Research via site visit Public service activities Targeted assistance Volunteer services	Actively participation in public services Targeted assistance projects Community development support Advocation of green development
 Government and regulators	Law-abiding compliant operations Undertaking social responsibility Promotion of economic development	Participation in relevant trainings, and conferences Daily communication and information reporting Document notifications Cooperation between government and enterprise	Abiding by laws and policy requirements Required information disclosure Promoting regional economic development Increase of local employment
 Industry associations	Promotion of industry development	Daily communication Document notifications Participation in associations' conferences and activities	Performing duties as an association member Participating in conferences and activities held by industry associations Sharing our experiences with a wide audience

► Materiality Assessment for ESG Issues

Materiality Assessment Process

Based on the Global Reporting Initiative (“GRI”) procedures on materiality assessment, the company collects issues of concern to critical stakeholders through questionnaires and interviews. Then, we perform the materiality assessment and rank the results to identify the company’s material environmental, social and governance issues, which are disclosed in the Report.

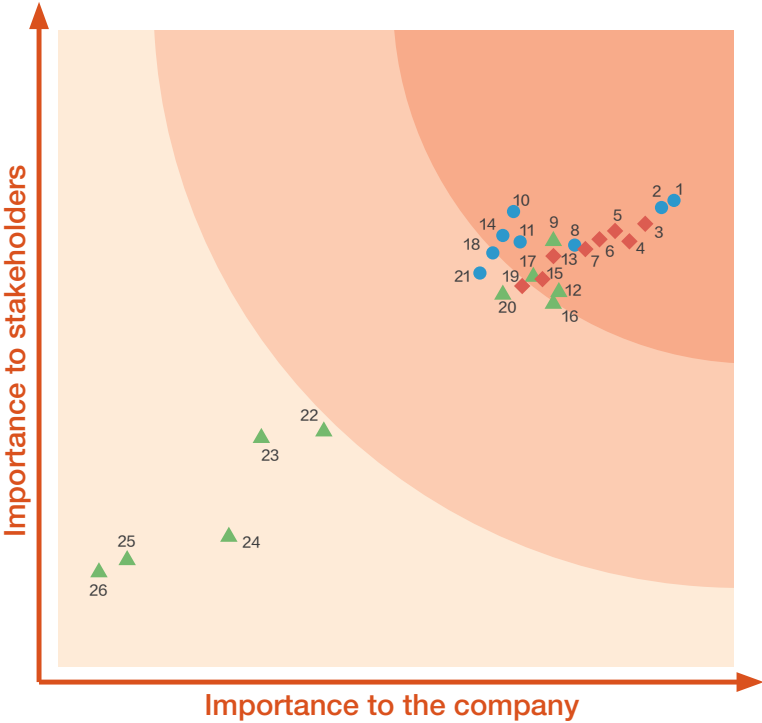
The materiality assessment process is mainly divided into four steps:



Materiality Assessment Matrix

CTG DUTY-FREE determines the importance of sustainability issues from two dimensions: the company and stakeholders. Based on an effective selection from the issues database and sufficient stakeholder research, the company has depicted a materiality assessment matrix and finally identified 17 highly important issues, 4 important issues and 5 related issues.

- Governance
- ◆ Social issues
- ▲ Environmental issues



No.	Importance	Issues	Response in the Report
1	highly important	Excellent service experience	Improving Customer Service and Offering an Innovative Shopping and Leisure Experience An Immersive Experience that Represents a New Model in Retail Services Embracing Digitalisation to Upgrade the Consumer Experience Trusted and Ethical Business Operations Excellent Service, High Satisfaction Comfortable Shopping and Quality Guarantee Supply Chain Management with Intelligence Innovative Green Marketing
2	highly important	Customer satisfaction	Excellent Service, High Satisfaction
3	highly important	Health and safety of products	Pursuing an Innovative Approach to Brand Strategy to Boost Hainan's Economy Comfortable Shopping and Quality Guarantee Supply Chain Management with Intelligence
4	highly important	Employee welfare and satisfaction	Employment Compliance and Rights Protection
5	highly important	Health and safety of employees	Operations Safety and Health Protection
6	highly important	Employee career development and skill upgrading	Talent Growth and Retention
7	highly important	Employee diversity and equal employment	Employment Compliance and Rights Protection
8	highly important	Integrity of operations	Trusted and Ethical Business Operations
9	highly important	Green logistics and supply chain management	Supply Chain Management with Intelligence
10	highly important	Customer privacy protection and information security	Trusted and Ethical Business Operations
11	highly important	Promoting the economic development of the operation region	Pursuing an Innovative Approach to Brand Strategy to Boost Hainan's Economy Leading Development as a Sector Benchmark
12	highly important	Collaborating with brand partners to promote environmental protection	Innovative Green Marketing
13	highly important	Corporate ESG Strategy	Effective Management with a Clear Focus
14	highly important	ESG governance	Effective Management with a Clear Focus
15	highly important	Responsible supplier	Comfortable Shopping and Quality Guarantee Supply Chain Management with Intelligence
16	highly important	Green building	Green Building – Creating a Green Future
17	highly important	Green office	Green and Low Carbon Operations
18	Important	Advertising and responsible marketing	Comfortable Shopping and Quality Guarantee
19	Important	Public welfare activities	Devotion to Charity and Society
20	Important	Environmental management systems and management systems/policies	Green and Low Carbon Operations
21	Important	Intellectual property protection	Trusted and Ethical Business Operations
22	Related	Climate risk management	Green and Low Carbon Operations
23	Related	Packaging material management	Innovative Green Marketing
24	Related	Energy management	Green and Low Carbon Operations
25	Related	Carbon footprint reduction	Green and Low Carbon Operations
26	Related	Waste management	Green and Low Carbon Operations

Trusted and Ethical Business Operations

Business Ethics

The company strictly abides by the *Law of the People's Republic of China Against Unfair Competition* and other laws and regulations. We participate in fair market competition according to business ethics and market rules and forbid commercial bribery, and we continuously optimise the company's anti-bribery mechanism to ensure its effectiveness. We are earnest in conducting self-examinations and self-rectifications, and we do not violate any laws, regulations, business ethics or market rules in business activities or engage in any unfair trading practices that undermine fair competition. The company continues to attract consumers by engaging in trusted business operations and providing excellent services, and we continue to promote anti-corruption, anti-monopoly, and human rights protection initiatives in relation to our suppliers.

Anti-corruption



System and Mechanisms

The company has formulated a supervisory and management system covering its headquarter and affiliated companies and established a leading group and a coordinating group for upholding anti-corruption. The anti-corruption leading group convenes twice each year to analyse and determine how the company has maintained its anti-corruption stance and corporate political ecosystem, and to put forward future work arrangements. The coordinating group comprises Disciplinary Inspection, Audit, Inspection, the Party Office, the General Office, Human Resources, Finance, and Legal, among other departments, convening twice each year and member departments present their work proposals and plans during the meetings. They coordinate the supervision of all parties to enhance supervisory effectiveness in accordance with the working rules.



Reporting Mechanisms

The company accepts letters, visits, and telephone reports, and announces telephone numbers, e-mail addresses and physical mailboxes for reporting. Our staff must strictly comply with the confidentiality and avoidance mechanism, precisely control the information scope and the clues of problems, and strictly prohibit any disclosures regarding the case information and disposal solution. As a protection measure for whistleblowers, the company's Disciplinary Inspection Committee enforces the "Rules on the Handling of Whistleblowers' Reports by Disciplinary Inspection and Supervision Organs" and other regulations, strictly prohibits the revealing of whistleblowers' information and giving priority to handling the accusations with a real name; for anonymous reports and reporting materials, unauthorised checks of the whistleblowers' information are strictly forbidden.



Advocacy against Corruption

The company continues cultivating an integrity-based culture to create a stable and law-abiding operating environment. In 2022, the company issued the "Detailed Work Arrangements of the Company's CPC Committee in Implementing the Opinions on Strengthening the Development of an Integrity Culture in the New Era", with the aim of establishing a robust education mechanism that prevents the company's people from engaging in any corrupt activities. The company provides onboarding training for new leaders and cadres of affiliated enterprises, as well as for new joiners, and we regularly carry out educational activities through the "cdf e-Party" application. In addition, in 2022, the company convened an educational seminar for all CTG DUTY-FREE employees to warn against corruption. The seminar explained Party discipline, state laws, and the company's rules and regulations, and provided examples to remind our people to keep away from corruption and stay committed to acting with integrity and in compliance with the law.

In 2022, the company carried out five anti-corruption trainings for all employees, covering 100% of employees. We carried out three anti-corruption trainings for directors and supervisors, including independent directors, with a training coverage rate of 100%.



Dedicated Supervision

The company regularly implements special supervisory inspection, including monitoring and reviews before festival and holidays. These approaches cover persons who are in leadership positions, examine their performance of duties and scrutinise their business expenditures. Special supervisory inspections are also conducted for compliance operations.

Anti-money Laundering (AML)

We strictly comply with the *Anti-money Laundering Law* and other laws and regulations in the local regions of our operation. We have developed our AML policies and procedures accordingly, such as “Know Your Customer” procedures, transaction monitoring, suspicious transaction reporting and record-keeping. Our company is constantly looking for ways to further improve our anti-money laundering measures. We provide AML training to our employees to ensure that they are kept abreast of laws, regulations and updates to our AML policies and procedures.

Intellectual Property Right (IPR) Protection

We attach great importance to works related to IPR and has formulated the “Brand Management Measures” and “Trademark Use Management System”, which regulates the management and use of IPRs, including the standardised management of the Brand Visual Identity (VI) system and the use of trademarks.

We established a comprehensive retail terminal VI system, which conveys the corporate philosophy, culture, and norms to the public and eventually shapes a unique corporate image.

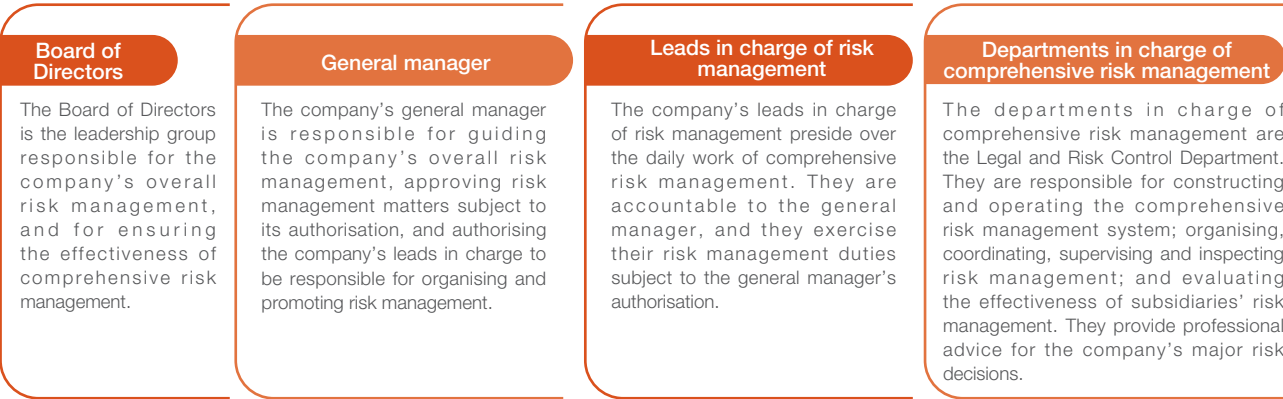
For trademarks with more comprehensive applications, the company has a team of professional lawyers to monitor trademark infringement both at the time of registration and use; we will defend our rights vigorously in the event of a violation.

► Compliance and Risk Management

The company formulated the “Measures on Comprehensive Risk Management” and the “Management Regulations on the Reporting of Significant Operational Risk Events”, to establish an effective and comprehensive risk management system and mechanism; improve risk prevention and management; clarify the collection, collation and reporting of significant operational risk events; and safeguard the company’s stable operations and sustainable development. The company performs an annual assessment of material risks based on two dimensions: the possibility of risk and the magnitude of impacts. CTG DUTY-FREE trained the compliance risk topics to all staff quarterly to enhance their awareness.

Risk Management

In terms of risk governance, the company has specified the top-level personnel responsible for operational risk management, the top-level personnel responsible for monitoring and auditing risk management performance, and their relevant reporting lines.



The company organises a company-wide risk assessment every year to study and determine the risk situation in the coming year. In this regard, the first objective is to establish the risk classification of each business, fully apply the results of risk loss event analysis, internal control supervision and inspection, quantify the relevant criteria for risk analysis, and form a panoramic risk list for each business through bottom-up aggregation of risks. The second objective is to further deepen and expand the study of risk early warning indicators, the key business areas are selected, and the selection of industry indicators and the design of early warning thresholds are studied from both quantitative and qualitative aspects to form a holistic risk early warning indicator applicable to the company. The third objective is to evaluate the probability and impact of each risk according to specific risks in the risk database. The evaluation team comprises the company’s management, various departments and key subsidiaries. Ultimately, the team determines the risk priorities for the coming year based on the comprehensive assessment, and response plans are devised for the top 10 risks. The company monitors and tracks its risk response on a quarterly basis to improve its risk response capabilities.

We have taken the following actions to create an effective risk culture within the company:

According to the requirements of the company’s “14th Five-Year” strategic plan to comprehensively improve risk management and control, we comprehensively organise and implement special tasks related to the risk management and control system and tasks related to the “year for strengthening compliance management”. The company plans to establish a long-term management mechanism to enhance its overall management and risk prevention capabilities.

To this end, we have initiated the systematic construction of an internal control system, conducted risk analysis and diagnosis of business processes throughout the system, urged relevant units to implement rectifications according to the risk diagnosis report, and put forward optimisation suggestions for key issues, such as the company’s digital transformation, to support management decision-making and enhance the company’s overall operations and management.

Second, the company embeds its own requirements on risk management and control into specific control points and maps specific responsibilities to information in the risk database. In this way, we ensure that the company’s internal control lists and programmes and internal control system are vertically linked and horizontally consistent. Using the system, we are able to generate useful management tools, such as a practical internal control manual that reflects the company’s business reality, as well as risk control blacklists and whitelists.

Third, we are continuously improving the company’s internal control and compliance management system, and we incorporate risk, internal control and compliance responsibilities into the duties of the Audit and Risk Management Committee under the Board of Directors. In addition, we are steadily improving the organisational system for risk, internal control and compliance to strengthen responsibility for the management of these areas at the corporate governance level.

Case

Safeguarding the Law to Mitigate Compliance Risk – Special Training on “Corporate Compliance and Job-related Crime Prevention”

We are steadily working to improve the company’s compliance management, enhance employees’ legal knowledge and mitigate criminal compliance risks such as job-related crimes. To this end, on the afternoon of 24 November 2022, the company invited Professor Wang Zhiyuan from the China University of Political Science and Law to conduct a special training on “Corporate Compliance and Job-related Crime Prevention”. More than 3,000 people participated in the training.

Internal Control Management

In accordance with the “Basic Standards for Enterprise Internal Control”, the “Application Guidelines for Enterprise Internal Control”, the “Guidelines for Corporate Internal Control Assessment” and other regulations, the company has formulated the “Management Measures on Internal Control” to establish a robust and comprehensive internal control system. The company has established a management and organisational system for internal control comprising the Board of Directors, Board of Supervisors, Operating Department, Internal Control Construction Department, Internal Control Operations Department, and Internal Control Supervision Department. For internal control management, the company adopts a system of “centralised leadership and hierarchical responsibilities,” which combines the comprehensive management of internal control supervision and management departments with the professional management of functional departments. In 2022, the company convened meetings of the Audit and Risk Management Committee and Board of Supervisors to deliberate on key issues such as related-party transactions, major investments, regular financial reports, etc.

The company implements the internal control evaluations and prepares the “Internal Control Evaluation Report” annually, which is disclosed on the SSE website concurrently as the Annual Report. In 2022, the company revised two sets of internal audit regulations – the “Internal Audit Management Measures” and the “Economic Liability Audit Regulations”—to update and regulate internal audit processes.

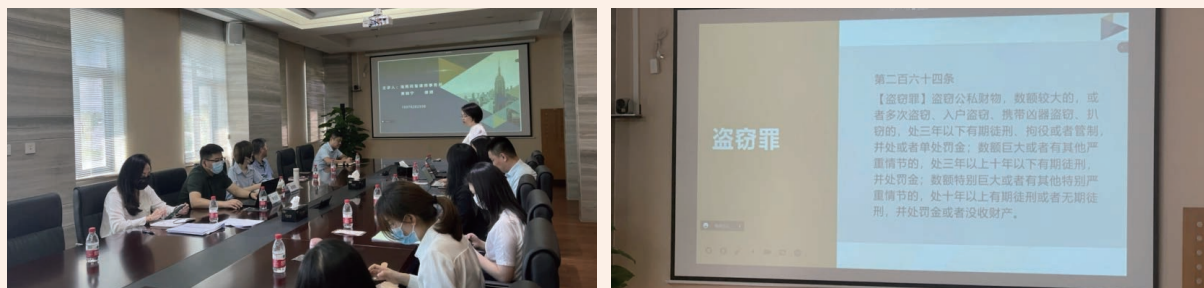
The company carry out various internal evaluations for affiliated companies to ensure the full coverage of corporate top-down internal management. Annual internal self-assessment covers all affiliated companies, the evaluated areas including social responsibility, safety and health, environmental protection, etc. Core entities perform semi-annual internal self-assessment regarding focused areas. On-site internal supervisory assessment is implemented irregularly. External auditors carry out the auditing task of annual internal control.

To enhance digital supervision of its stores, the company continuously supervises the system and mechanism improvements in key areas and across key links. We have conducted special on-site inspections of operational compliance in 138 stores, and we dispatch disciplinary inspection cadres to supervise projects in areas where corruption is prone to occur. Disciplinary committees from the company and at stores work together to conduct joint inspections.

Case

Promoting Rule of Law and Integrity Awareness – Rule of Law Training for Frontline Staff in Hainan

To thoroughly live up to the spirit of the important speech delivered by President Xi Jinping in Hainan on creating a sound market and legal environment, and to attract consumers by engaging in honest operations and providing high-quality services, the company decided to conduct integrity and legal compliance training for frontline employees in Hainan. To this end, the company held a large-scale training programme on rule of law with the theme of “Operational Integrity and Compliance”. The company invited a senior lawyer from a law firm to host the training. The main venue for the training was Sanya International Duty-Free Shopping Complex, and it was also held at Hainan DF, Phoenix Airport Duty-Free Shop and Haikou International Duty-Free Shopping Complex through online and offline channels. Cadres and frontline employees of all affiliated enterprises in Hainan participated in the training.



Training on rule of law for frontline staff in Hainan

► Information Security and Privacy Protection

The company respects and protects customer privacy and assists safeguard network and information security in strict compliance with laws and regulations such as the *Cybersecurity Law*, the *Personal Information Protection Law*, and the *Information Security Technology – Personal Information Security Specification*. The company develops its information security systems under these laws, regulations, and principles.

Information Security System Construction

The company and affiliated companies have established and improved various information management systems and standards to suit the company's digitalisation needs. CTG DUTY-FREE formulated information security management systems that cover information security management, network security management, data management, information encryption rules, information security emergency plans and other aspects of information security management. In this way, we have developed comprehensive information security management systems that feature well-defined responsibilities, a clear division of labour and a combination of technology and management.

Client Privacy Protection

In July 2022, the company updated its customer privacy policy, which is available to consumers and other stakeholders on its website (<http://www.ctgdutyfree.com.cn/p/yinsizhengce.html>). In accordance with the *Personal Information Protection Law* and our customer privacy protection policy, we take the following measures to protect customers' information:



A customer can register cdf memberships at the system of member terminal (cdf membership applet, cdf membership App, cdf Membership Club and other channels) in a self-service manner. Once the information is entered, the key parts of the personal data are desensitised; and the customer has the right to access, adjust and delete his/her personal information at any time. The company obtains personal information from the self-input of customers and does not collect personal data from third parties (except when required by law). The company undertakes to delete customer data within the time limit required by law and does not provide personal data to any third parties (except when required by law).

To raise our employees' awareness regarding customer privacy issues, the company conducts specific training sessions for all employees at least

twice a year

Corporate Information Security

The company cooperates with leading domestic security server providers and adopts a variety of security protection means to guarantee the security of key information systems. The data centre is designed with active-active architecture and a stable and reliable data backup plan to provide double protection to ensure the information security of our company.

The company inspects its information system regularly for all types of operating and maintenance events and performs checks to safeguard the system's health. Daily automatic or manual inspections are carried out for key information system to ensure that the information system operates in a routine and stable manner 24 hours per day.

The company guarantees sound operations and maintenance for vital activities and events and has formed a working mechanism to efficiently resolve problems and rapidly rectify them afterwards. To improve the safety of employee work habits, raise awareness of safety precautions, protect the company's data assets, and ensure that security threats are reported in a timely manner, the company conducted an online “Safety Awareness Training” for all employees.

Case

Protecting Cybersecurity during the 20th CPC National Congress

To protect cybersecurity during the 20th CPC National Congress, the company heads lead to set up a cybersecurity working group and developed a detailed work plan and emergency system for cybersecurity. The company carried out drills for key information systems of the company's headquarters and key subordinate enterprises, and quickly arranged personnel to rectify security issues identified in the drills. We also formed a tracking mechanism to quantify the progress of rectification. During the 20th CPC National Congress, the company deployed resources in advance and fully enabled cybersecurity monitoring across multiple dimensions of the company's operations. If a major cybersecurity incident occurs, the company will handle, study and report the incident according to the prepared cybersecurity emergency plan. Under the company's management, we excelled in securing the 20th CPC National Congress.

Case

Special Training on the “Impact of Data Security Compliance on Corporate Brand Protection”

To effectively enhance employees' understanding of operational compliance and strengthen the compliance of data security and the protection of consumers' personal information in business activities, the company invited lawyers with expertise in the field of data and personal information to hold an online special lecture on the “Impact of Data Security Compliance on Corporate Brand Protection”. More than 500 employees from the company's headquarter and affiliated companies participated in this training, including employees responsible for membership system management, store and e-commerce platform data, customer information management and other relevant positions.

In 2022, the company provided **three** training courses related to information security and privacy protection.

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02



Excellent Service, High Satisfaction

We adhere to the “customer-centric” business philosophy, intending to create a first-class service benchmark. We provide a full range of services for consumers in the “pre-shopping, shopping, post-shopping” to give them a “happy shopping” experience before, during and after travel.

► Service Management System and Training System

The company continues to improve the standard of its service and implement various related tasks in an organised, structured, and effective manner. We have developed the “Code of Conduct for Sales Staff” to clarify requirements on customer services, the dress code and welcome etiquette. Our company also formulated the “Operating Standards for 400 Customer Service Posts” and the “Operating Standards for After-sales Services” to specify after-sales service standards.

We also constantly improve our talent management and staff training system. The company continuously carries out various training, including leadership training, professional skills training for front-line staff, and general knowledge training, to ensure that employees at all levels possess professional service capabilities. The ultimate goal of the training is to accurately grasp customers’ core demands.

► Enhancing Service Quality

- Taking multiple measures to steadily improve service quality

Optimising the store environment: We changed the music in the store, considering factors such as time of day, festivals, and seasons, and constructed the fragrance in the store.

Improving service facilities to enhance the mall’s overall environment: We provide customers with electric shuttle bus services to transport visitors from the parking lot to the store, temporary rest benches, complimentary bottled water at the front desk, and drinking fountains at various locations in the mall, among other amenities.

Enhancing comprehensive support capacity: We formulated the “Emergency Plan for High Traffic” and refined support work during high traffic hours. We also enlarged the nursing team in the customer service centre to improve capacity when handling unexpected events.

Convenient offshore duty-free services in Hainan province: We provide postal and back-to-island pick-up services to offer more options for offshore duty-free pick-up. At the end of the reporting period, we provided 11 pick-up locations across Hainan Island, and the total number of pick-up windows increased to 135.

Priority services for special visitors: We provide priority services such as priority entry, priority settlement, priority pickup and other services for pregnant females and members of the armed forces.

Convenient storage services: the Meilan store at Hainan DF provides storage services for passengers who need to leave the quarantine area due to flight cancellations or delays, and it pushes SMS alerts for customers who have purchased goods to remind them not to take duty-free goods out of the quarantine area illegally.

We provide multiple in-store services tailored to customer needs and send holiday-greeting and birthday-greeting text messages to members and specific VIPs to strengthen its connection with customers.

We also host exclusive activities in a manner welcomed by consumers with prominent brands from time to time. In 2022, we invited customers to participate in activities such as luxury watches and wine party, Watches & Wonders high-end watches exhibition.

Case

Sanya International Duty-Free Shopping Complex Phase 2 Organises a Special Work Project to Improve Service Quality

On the morning of 11 April 2022, President Xi Jinping visited Sanya International Duty-Free Shopping Complex to inspect the implementation of offshore duty-free policies. He stressed leveraging the advantages of China’s huge market size, fostering a favourable market environment with the rule of law, and attracting customers with trusted business operations and quality services, and make a greater contribution to the development of a free trade port with Chinese characteristics. In response, the company organised the “trusted business operations and excellent services” project to refine its customer services, comprehensively enhance service quality, and consolidate CTG DUTY-FREE’s status as a world-class travel retail operator.



A quote from the speech delivered by President Xi Jinping during his visit to Sanya International Duty-Free Shopping Complex on 11 April 2022



Aerial photo of Sanya International Duty-Free Shopping Complex



Citizens and tourists shopping at Sanya International Duty-Free Shopping Complex

Clear objectives and responsibilities

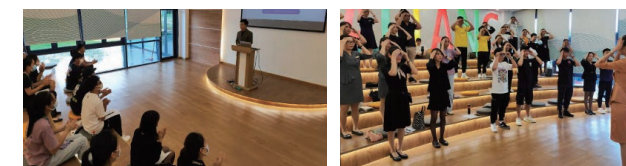
Since May 2022, Sanya International Duty-Free Shopping Complex Phase 2 has been steadily identifying and analysing shortcomings in its project operation and management processes. Based on this analysis, it has compiled more than 30 work improvement targets across seven categories, including property services, merchant services, customer services, member services and logistics support, and it has devised detailed work plans for various departments to ensure that services are improved in a comprehensive and orderly manner.



Sorting out the shortcomings of project operations and devising detailed work plans for all departments

Enhancing skills and strengthening capabilities

To improve the skills of service personnel, enhance the company’s projects, and provide consumers with a better leisure shopping experience, Sanya International Duty-Free Shopping Complex Phase 2 organised a special training activity on service etiquette at the Party and the Masses Service Centre in Haitang district from 21 to 23 June 2022. The training programme focused on service awareness, language etiquette and service etiquette, and more than 140 employees from all of the company’s departments and brand stores attended the training.



Team members who attended the service improvement training organised by Sanya International Duty-Free Shopping Complex Phase 2

Learning from experience, standardising management and strengthening our image

Since the service quality improvement project was launched, Sanya International Duty-Free Shopping Complex Phase 2 has implemented various service initiatives, including setting up a Party member pioneer post, serving walk-in customers a glass of water, one greeting from one post, and efficient settlement with merchants. In addition, it has put in place the “four any’s” requirement where customers walk through will be Business premises; what customer’s contact represents a good image. What customers buy will be of good quality. What customers experience will be a good service and the “four understandings” customer service management concept (understanding customers’ needs, faults, gripes, and complaints). These approaches have further strengthened the daily operational management of Sanya International Duty-Free Shopping Complex Phase 2 and effectively enhanced customer experience and satisfaction.



Different aspects of the service improvement project organised by Sanya International Duty-Free Shopping Complex Phase 2

► Improving Service Coverage



Establishing and improving after-sales service channels and listening to and responding to consumer demands.

- The Customer Service Department has set up a feedback group to promptly respond to customer enquiries and complaints through multiple channels.
- The Company has set up four call centres in Beijing, Hainan, Shanghai and Shenzhen, with a customer service team of nearly 500 people. Consumers can make enquires and business consulting by calling customer service call centres and customer service centres on online platforms. The call centres are responsible for the overall management of customer calls, and for supervising the distribution of customer service tickets to the various sales platforms. The online customer service centres also apply artificial intelligence (AI) capabilities to respond quickly to customers’ basic business enquiries in a timely and efficient manner. In 2022, services were provided to consumers 7.4 million times via telephone and online.



Streamlining the process for handling after-sales issues to raise efficiency.

- To safeguard customer rights and interests, our company has unified related standards under the “Management Regulations on After-sales Return and Complaint Approval Authority” in Hainan region.
- We have launched a circulation mechanism for customer complaints, which dispatches customer service tickets and tracks the complaint completion rate to improve processes for handling customer complaints and raise the efficiency of the process for responding and handling complaints.
- We implement the “Detailed Implementation Rules for the Classification of Customer Complaints”, so that serious complaints are handled and responded to quickly. A consultation group will be set up to formulate and carry out solutions for common and urgent issues (if any).
- For external customer complaints, we strictly implement the 12315 policies of “handling complaints immediately upon receipt”, and we have established effective communication channels with the Beijing Dongcheng District Market Supervision Administration. In 2022, the company received a total of 38 complaints from related authorities, and we ensured that we responded to complaints within 30 minutes and resolved them within 72 hours.



Conducting customer satisfaction surveys and optimising service processes.

- Every year, our company conducts a consumer satisfaction survey. Before we implement phone interviews, we seek customers’ permission regarding their willingness to accept the survey through SMS.
- To protect consumer rights and improve customer satisfaction, we completed the sorting and integration of online business and realised 7-day no-reason return.
- We are planning to conduct monthly surveys on consumer satisfaction to timely and comprehensively collect feedback from consumers. Using this feedback, we will sort out and summarise problems and work with various business departments to continuously optimise service processes.
- In 2022, the Company’s Marketing Department conducted a customer satisfaction survey covering the five membership levels of CTG DUTY-FREE: Ordinary Members, Silver Members, Gold Members, Platinum VIP and Diamond VIP. The company used a combination of qualitative hotline interviews and online questionnaires to comprehensively analyse customers’ consumption habits and motivations, gain an in-depth understanding of their needs, and make targeted improvements.

Case

Sanya Downtown Duty-Free Store Carries Out a Customer Satisfaction Survey to Identify Gaps and Improve Services

In 2022, the Sanya Downtown Duty-Free Store engaged a third party to carry out a customer satisfaction survey. The third party conducted multi-dimensional research on online and offline shopping experiences from the perspective of consumers, completing 2,000 online + offline questionnaires with a decent overall satisfaction rate. The company was able to make rectifications based on the feedback received from customers in the survey, and specifically, we have been providing additional professional guidance on customer service to employees to improve service satisfaction.

In the future, the company will continue to strengthen the service consciousness of all staff, optimise the service management system and develop a package of solutions to address service-related issues and improve service quality.

Comfortable Shopping and Quality Guarantee

► Guarding the “Entrance Gate”

The company strictly selects and approves suppliers in accordance with relevant systems and procedures. We conduct research and studies on the supplier market, steadily strengthen supplier development, and require that domestic suppliers be certified through a state-certified supervisory and management information platform. The company reviews suppliers’ certification information and business information, runs checks to determine whether suppliers have any record of legal or regulatory violations, and strictly implements supplier audit and selection processes.

The company has formulated the “Procurement Management Measures” and the “Supplier Management Regulations”, and it strictly implements the procurement approval process. The measures specify provisions on supplier selection methods, selection procedures, assessment methods and tender procurement practices, and we supervise and review the supplier admittance process to control the company’s “Entrance Gate”. In the tender process for construction projects, we have set up checkpoints to review suppliers’ environmental system certifications, health system certifications, and quality system certifications, as well as their practices in respect of quality management, safety management and civilised construction management.

The company has also established a list of qualified suppliers and incorporated compliance performance requirements into the evaluation process for suppliers. We conduct annual performance evaluations of suppliers in accordance with the “Supplier Management Regulations”, and we dynamically adjust the qualified suppliers list by promptly removing any suppliers involved in irregularities.

During the reporting period, the company performed risk assessments of suppliers in relation to environmental and social factors. Statistics regarding these assessments are as follows:

Supplier categories	New supplier admission	Existing suppliers
	Performed assessment (Number of suppliers assessed)	Performed assessment (Number of suppliers assessed)
Construction contractors	46	56
Suppliers of bulk materials	47	96
Service providers	89	67

In order to reduce accidents, property loss and safety risks during commodity storage, distribution and transportation, the company has formulated the “Distribution Centre Safety Operation Management Regulations”, the “Distribution Centre Emergency Plan” and the “Distribution Centre Fire Safety Management Regulations”. These policies, which are based on the principle of “safety first and prevention first”, aim to strengthen the management of distribution centre safety operations and emergencies and enhance the distribution centres’ emergency plans and fire safety management regulations.

► Product Quality Guarantee

To ensure product quality, the company has issued the “Regulations on Safety Management, Quality-Risk Early Warnings, Inspection and Testing for Imported Commodities (Trial)”, which standardises and institutionalises quality and safety management for our imported commodities. We have strengthened safety and quality control for imported commodities to ensure that the company meets its responsibilities and protects consumers’ rights and interests. Since 2022, in accordance with the *Law on Product Quality*, the requirements of the commodity quality standards issued by the State Administration for Market Regulation and the Standardisation Administration, and other laws and regulations, the company has re-signed agreements with domestic liquor producers and suppliers, and the new agreements include the “Liquor Quality Assurance Agreement”, which helps the company ensure the quality of its products, protect the rights and interests of consumers, strengthen its corporate image and meet its social responsibility.

Regarding food safety, the company has made every effort to establish and improve its comprehensive management systems, including those related to food management rules, supervision and monitoring, traceability cooperation, inspection, and testing, to ensure the food safety of our pre-packaged goods. We adhere to standardised online and offline management standards with respect to food safety and exercise whole-process control in this area. For goods with special storage requirements, such as chocolate that needs to be stored below 20 degrees, our stores strictly enforce the storage and transportation standards provided by suppliers and maintain daily temperature and humidity measurement records.

In respect of the management of goods close to expiration, the company disposes of them by means of return shipments, returns to suppliers for exchange, selling them at a discount, offering special promotions, and destroying them under the supervision of customs in accordance with the product categories and actual circumstances. The company strives to reduce goods close to expiration by forecasting market demand, flexibly deploying goods and improving procurement efficiency, with the goal of enhancing resource use efficiency and operating effectiveness.

We also require suppliers to establish information transmission mechanisms with the company so that we can take prompt actions to protect the rights and interests of customers if product or service quality issues arise, including in cases when the supplier needs to initiate a product recall or reconstruct products due to quality issues.

► Responsible Marketing and Sustainable Brands

We attach great importance to the management of advertisements and new media marketing. In accordance with the *Advertising Law* and other laws and regulations, the company has formulated relevant documents such as the “Regulations on the Management of Press Release” and the “Marketing Activities Management Measures” to strengthen management and control over marketing activities. The company’s affiliated companies also formulate detailed management regulations following their respective business conditions, including the “Regulations on the Management of Promotional Videos and Brochures”, “Regulations on Advertising and Publicity Management”, “Regulations on the Management of Marketing Activities” and “Regulations on the Management of External Publicity Information”, etc. to regulate all aspects of marketing management.

To explore sustainable development strategies for its brands, the company has accelerated its transition towards digital management with the aim of becoming a global leader in this area. In 2022, the company comprehensively improved its data capabilities and developed a membership system called OneID with more than 300 self-built digital tags based on the characteristics of duty-free industry. Our Marketing Department also performed an in-depth interaction analysis of membership data from six perspectives, focusing on the two categories of member portraits and consumption preferences. The analysis has flexible selection of target groups and therefore formed CTG DUTY-FREE’s own member tracking system. Based on the results, the Company has been able to empower its brand; enhance collaboration, consumer services and marketing activities; and optimise tourism retail operations. Through this analysis work, the company was able to effectively mine the commercial value of its membership data and devise plans for how to more effectively use this data in the future.

Supply Chain Management with Intelligence

The company aims to establish a green supply chain to align its operations with the nation’s goal to construct an ecological civilisation. Such a supply chain requires strong capabilities in warehouse and transportation management, as well as the intelligent management of the entire process.

► Supply Chain Management

The company has established good partnerships with suppliers, standardised its supplier management system, and established a secure and stable pool of suppliers.

The distribution of its brand partners by region is as follows: **562** in total



Case CDF International Improves its Supply Chain Process

In 2022, CDF International sorted out its supply chain process, including procurement, customs declaration, inbound and outbound product processes, claims and other links. CDF International was able to enhance the plans and administrative measures covering its supply chain process, clarify the accountability and claim compensation system, and lay a foundation for the formulation of a full-category supply chain flow chart that is visualised, transparent and monitorable.

► Intelligent Supply Chain

With recent advances in research and development, innovation and the application of digital technology, China has become a new engine driving the growth of the global digital economy. Supply chain intelligence has always been the company’s development focus. We have established an industry-leading supply chain management system, and actively applied visual and digital support systems to create an intelligent supply chain, promoting industrial digitisation and the development of the digital economy.



Box-Type E-Commerce Robot

In 2022, the company launched its first box-type e-commerce robot project on a trial basis in the Shenzhen Qianhai e-commerce warehouse of cdf Membership Club. In contrast to the commonly seen palletising robots, which transport the entire shelf, the box-type robot can pinpoint and transport goods with specific SKUs, enabling higher sorting precision. The official launch of the box-type robot has significantly improved the overall operating capacity of the Qianhai e-commerce warehouse and doubled its order picking capacity, recording an error rate of less than 1/10,000. Moreover, the box-type robot has also helped the warehouse surpass the previous height limits imposed by manual order picking. As a result, the warehouse has been able to expand the number of shelf layers from 4 to 7, which has doubled its cargo box storage capacity from 4,500 to 9,000. In addition, the box-type robot operates in a paperless manner by skipping order printing.



Visualisation Platform

The company has established a supply chain visualisation platform that provides a 360-degree visualised model that can be described as “warehouse under closed supervision + electronic information fence + video surveillance”. As part of this platform, the company uses a video surveillance system to monitor the “purchase, sale, and storage” of duty-free commodities. Using the platform, the company can perform real-time monitoring of goods delivery and ensure that products are delivered in a safe, timely and accurate manner, thereby raising customer satisfaction. The platform also assists logistics personnel in obtaining optimal solutions to problems such as logistics routes and delivery priorities, effectively improving the efficiency of the logistics chain and eliminating excess carbon emissions caused by route planning problems in freight transport and delivery.



Robotic Sorting

The company has promoted robotic sorting in the Sanya E-Commerce warehouse, Sunrise Shanghai e-Commerce warehouse and other sites. After receiving an order, the intelligent robot performs a series of built-in logical analyses of inventory location to accurately and quickly locate and deliver products to warehouse employees, who then scan the product code and complete the picking process according to the tips provided by the human-computer interaction workstation panel. The intelligent console intelligently monitors the entire process, which greatly improves picking accuracy and sorting efficiency.



Intelligent robots automatically pick and transport goods in warehouses

Digital supply chains represent the future. Our company has built a digital supply chain system to assist suppliers, manufacturers, and distributors achieve data exchange and supply chain integration. We promote digital management throughout the processes of online procurement, online tracking, and online acceptance in order to provide standardised digital commodity information to upstream and downstream enterprises in the supply chain, comprehensively improve the operational efficiency of enterprises and supply chain partners and engage in win-win cooperation.

► Green Supply Chain

Climate change is a common issue worldwide, and the increasingly severe impact has brought new challenges to logistics management. We comprehensively promote green warehousing and transportation. In doing so, we are creating more environmentally friendly and sustainable supply chains, effectively reducing our carbon footprint, and actively responding to environmental challenges.

Green Storage

Green warehousing is a core component of green supply chains and a critical step in the company’s effort to conserve energy and reduce emissions. In December 2021, the State Council released the *Comprehensive Work Plan for Energy Conservation and Emission Reduction for the “14th Five-Year Plan” Period*, which introduced the concept of “energy conservation and emission reduction projects”, called on organisations to “accelerate the construction of green warehousing and encouraged the construction of green logistics parks”. In response to national policies, the company has fully promoted green warehousing to reduce transportation costs, improve warehousing efficiency and conserve energy.

Advanced and Rational Warehousing

The company combined several previously scattered warehouses to form an integrated warehouse distribution centre and achieve “integrated warehousing”, “integrated distribution” and “integrated warehouse management”. This integration project has made its warehousing and logistics transportation more effective, allowed for a larger number of goods to be loaded onto each batch of carriers, and optimised the utilisation of carrier capacity. The integrated warehousing and distribution assist the company in avoiding under-utilisation of capacity, improving the efficiency of the logistics chain and reducing emissions. Going forward, we also plan to locate new warehouses closer to sales locations to further reduce logistics costs and energy use.

Efficient and Advanced Operating Model

In its daily operations, the company’s warehouse distribution centre considers the characteristics of its products and strictly follows relevant requirements around storage, loading and unloading, and handling to reduce damage caused during the storage and handling process and effectively reduce inventory loss. In terms of storage, we strictly abide by the principle of placing similar products near each other, to unified control over storage conditions, energy conservation and efficiency improvement.

Energy-efficient and Environmental-Friendly Equipment and Facilities

The company’s warehouse distribution centre prioritises using energy-efficient, environmentally-friendly, and recyclable logistics equipment and facilities. For instance, LED lights are used in indoor lighting to save energy; clean energy tools are vigorously promoted, by replacing traditional fuel forklifts with electric forklifts, to reduce carbon emissions and environmental pollution.

Green Transportation

The *Development Plan for Comprehensive Transport Services during the 14th Five-year Plan Period* issued by the Ministry of Transport specifies that construction of the green transportation system should be accelerated; corporate use of integrated, efficient, green, and low-carbon freight and logistics systems should be encouraged; and a clean and low-carbon green transportation system should be created to reduce carbon emissions. To act as a role model in this area, the company steadily strives to raise transportation efficiency and reduce the energy consumed in its transportation processes to facilitate the construction of a green transportation system, and we have obtained the TAPA² and WCA³ certifications.

With the support of big data and intelligent route optimisation algorithm technology, the company has rationally arranged transportation routes by sea, land and air to improve logistics efficiency. CTG DUTY-FREE maximises unit carrying capacity, thereby reducing the number of trips, energy consumption, and carbon emission during the transportation process.



Certificate of Membership by Transported Asset Protection Association (TAPA)



Certificate of Membership by World Cargo Alliance (WCA)

For long-distance transportation

Our company opts to ship by sea with relatively low carbon emissions per unit where possible. In 2022, the Supply Chain Department of CDF International continued to increase marine transportation as a share of overall logistics, with the proportion reaching around 30% at the end of 2022.

For short-distance land transportation

Our company strictly regulates the use of vehicles to ensure that they meet the standards for emissions in their operation regions.

Devotion to Charity and Society

► Actively Participating in Public Welfare and Charity Initiatives

CTG DUTY-FREE has always upheld our original beliefs and mission: to serve society with our actions, promote public well-being and act as a responsible central state-owned enterprise.

During the reporting period, the company actively participated in a range of public welfare and charity initiatives. Details regarding these activities are as follows:

57 public welfare and charity activities

Public welfare donations totalling CNY 2 million

Volunteer services totalling 52,400 hours

Total volunteer service attendance of 347,200 person-times

Total investment in rural revitalisation of CNY 12.1 million

Total investment in public health of CNY 12.0982 million

2 TAPA: Transported Asset Protection Association
3 WCA: World Cargo Alliance



Educational Programmes

In 2022, the company joined hands with Guerlain to introduce the Bee School in the Chinese Mainland. The Bee School is an educational programme on environmental protection for kids, and it is jointly carried out by United Nations Educational, Scientific and Cultural Organisation (UNESCO), Observatoire français d'apiculture (OFA), ELYX Foundation (ELYX is the United Nations' first "digital ambassador") and Guerlain.



A group photo of the Bee School's opening ceremony



Photos of Bee School classes

In 2022, Sanya Downtown Duty-Free Store launched a public welfare initiative to accept book donations from employees. This effort has helped improve awareness among employees about low carbon and environmental protection practices while also making a contribution to society. Statistics shows that more than 390 books were donated during the activity, and they were used to set up a charity reading corner for Qingtian Primary School of Haitang district to enrich the children's reading resources.



Photos of the book donation activity, which was themed "Donating Books with Love", organised by Sanya Downtown Duty-Free Store



In June 2022, the Trade Union of Sanya Downtown Duty-Free Store organised activities to provide schools with public welfare classes. During the activity, foreign employees from Kazakhstan were invited by the company to deliver a "Dream Class" for pupils in Qingtian Primary School of Haitang district, which provided the students with an excellent English learning experience and inspired them to think boldly and explore the wider world.



Photos of the "Dream Class" activity organised by Sanya Downtown Duty-Free Store in Qingtian Primary School of Haitang district



Community Activities

An old proverb says, "Used clothing still delivers warmth". In 2022, we organised a used clothing donation drive with the theme of "Donating Clothing in Harsh Winters" for the 14th consecutive year. In November 2022, we collaborated with the White Whale Dream Island Programme to carry out our used clothing donation drive in a more professional, sustainable and innovative way. The clothes will be sent to assist mountainous areas or processed for secondary use. This programme represents part of the company's effort to implement its green philosophy by promoting low carbon operations, environmental protection, resource conservation, and recycling.



Photos of the "Donating Clothing in Harsh Winters" activity organised by the company

To promote our volunteer service spirit of "dedication, fraternity, assistance and progress" and take the lead in advocating civilised practices, on the day before China's Youth Day, we paired with the Huiyuan Community on Dongzhimen street in Dongcheng district to carry out volunteer service activities with the theme of "Cleaning up Litter to Better Our Surroundings".



Group photo of volunteers in the "Cleaning up Litter to Better Our Surroundings" activity



Photo of volunteers busily cleaning up litter in the "Cleaning up Litter to Better Our Surroundings" activity

In 2022, Guangzhou Xinmian provided rice, flour, oil, warm clothing and other daily necessities and supplies to needy people in Xilian Village, Qigong Town, Yangshan County in Guangdong province's Qingyuan City, and handed funds to two families to support their children's education.



Photos of Guangzhou Xinmian's employees assisting people in need



Rural Vitalisation

In 2022, the company continued to study and implement the spirit of President Xi Jinping's speeches, instructions and comments on consolidating achievements in poverty alleviation and accelerating comprehensive rural revitalisation, and we strived to actively meet our social responsibility as a central state-owned enterprise. Based on the new tasks put forward for supporting rural revitalisation in Menglian and Ximeng counties in Yunnan province, the company strived to overcome local complexities, and we made significant progress in providing targeted assistance to these communities.

In 2022, the company directly invested CNY 12.1 million in poverty alleviation and implemented 10 targeted assistance projects to promote the revitalisation of industry, talent, culture, ecosystems and organisations. In addition, the company attracted CNY4.848 million in alleviation donations, among which CNY3.048 million was donated freely and CNY1.8 million was provided in the form of an investment. The company also supported various training activities for 288 grassroots county officials, 28 leaders in rural revitalisation and prosperity, and 1,266 professional technical personnel. In addition, the company's trade unions invested CNY1.4861 million to procure special agricultural products from Menglian and Ximeng counties.



Enhancing Organisational Leadership

The company has implemented paired assistance model, and it adheres to the three-level aid system of Group leadership, implementation by 2nd-tier enterprises and assistance from assigned officials. The company also takes measures to monitor the implementation of tasks that aim to help needy groups. For example, the company's heads have led the visits to Menglian and Ximeng counties to conduct field surveys on assistance projects. We attach great importance to the resident assistance project and consider it to be one of our top priorities. In 2022, the company's Party Committee held three meetings that focused on improving assistance projects.



Official Assistance for Poverty Alleviation

The company dispatched two high-performing grassroots officials to work in Menglian and Ximeng counties in Yunnan province. Under the leadership of the two counties' Party Committees and governments, and under the supervision of the People's Congresses and Chinese People's Political Consultative Conference (CPPCC) Committees at the county level, the commissioned officials have diligently organised a series of assistance projects regarding industrial development, cultural tourism, residential environment, talent development, and livelihood security, among other areas, and they have made significant progress in promoting these projects.



Officials assigned to grassroots assisting the rural counties

In 2022, the company directly invested CNY

12.1 million

the company attracted CNY**4.848** million in poverty alleviation donations

company also supported various training activities for **288** grassroots county officials

Trained **28** leaders in rural revitalisation and prosperity

Trained **1,266** professional technical personnel

the company's trade unions invested CNY**1.4861** million to procure special agricultural products from Menglian and Ximeng counties



Assistance for the Cultural Sector

The company aims to empower grassroots social governance for minorities in border areas. To this end, we promote rural cultural revitalisation in Menglian and Ximeng counties, and we are assisting these areas in maintaining their unique ethnic minority cultures. In 2022, the company carried out several cultural assistance projects, such as the ethnic cultural activity square project for the Dai ethnic group on the East Island of Hui E Village in Menglian County, the National Reading campaign with the Taofen Foundation of China, and the upgrading and transformation of a civilisation practice centre (institute, station) and village history office construction project in Ximeng County. During the reporting period, we also organised professional teams to shoot two promotional videos for Menglian and Ximeng counties, which showcased our relief efforts and achievements. In addition, we released 15 publicity reports on our assistance activities in the domestic mainstream media.



Assistance for Rural Business Sectors

The company is committed to exploring the development potential of assistance projects for rural business sectors, with a view to using tourism to promote the integrated development of the three sectors of agriculture, industry and service in rural areas. For example, in 2022, the company made additional assistance investments in the Beautiful Village project in Likan in Ximeng County and two key rural tourism projects in Yongqian old village in Menglian County that had been basically constructed. Furthermore, in 2022, the company helped improve two project development plans, equipped with more professionals to facilitate project operations, increased investment, and steadily improved the construction and operations of the two projects. In this way, we were able to actively assist the two counties in their journey towards common prosperity and rural revitalisation.



Photo of a rural tourism construction project in Yongqian old village, Mangxin town, Menglian County



Photo of a rural leisure resort project in Likan, Mengsuo town, Ximeng County



Assistance for Education

The company has continued supporting education in these areas by training grassroots officials and rural teachers to enhance their soft skills. In 2022, we invested funds of CNY1.8029 million to continue operating the "Star of Hope" teachers programme in Menglian and Ximeng counties. Furthermore, we strengthened the training of officials and technicians, consolidated and expanded the achievements made in alleviation in coordination with the extensive drive for rural vitalisation, developing cultural tourism in ethnic minority villages, and boosting officials' and technicians' rural governance capabilities. We also organised the participation of the two counties' 28 leader in rural revitalisation and prosperity in the special training classes offered by China Tourism Group, with a view to improving their ability to grow their income and pursue a better life.



Assistance for Immediate Need

2022 marked the 6th consecutive year in which the Company has carried out the “Together – ‘Rescue and Relief’ Actions by Central State-Owned Enterprises” project in Menglian and Ximeng counties. This project is a special project that was jointly initiated by the Ministry of Civil Affairs and State-owned Assets Supervision and Administration Commission (SASAC) in 2015. It focuses on engaging with central state-owned enterprises to help needy families who face difficulties in paying the individual portion of their medical expenses, even after government relief, and to reduce the medical burden of certain families that have fallen victim to diseases. In 2022, assistance funds were released to a total of 84 families in the two counties, which helped enhance the two counties’ defences against sliding back into poverty due to illness and provided strong support for the consolidation of poverty alleviation achievements.



Assistance for Consumption

In addition, our company is actively engaged in efforts to promote consumption.

- Taking the advantages of the travel retail industry and rich customer sources, the company helped sell agricultural specialties through the “Star Travel with Cloud Products” store in Sanya International Duty-Free Shopping Complex, Guangzhou cdf Membership Club and other channels to solve the sales needs of local agricultural specialties and promoted local specialties to the national market. In October 2022, Haikou International Duty-Free Shopping Complex opened as scheduled, and became the largest single duty-free shop worldwide. Meanwhile, the special zone for agricultural assistance in the “Star Travel with Cloud Products” store in the Sanya International Duty-Free Shopping Complex was also established and put into operation, enhancing our efforts to boost consumption.
- The company and its affiliated companies believe that “purchasing is a better alternative than donating”, and for this reason, we purchase local agricultural specialties from targeted cities and counties to help alleviate poverty. The company has directly purchased agricultural specialties totalling CNY1.49 million from disadvantaged area. Exploiting its advantages in the travel retail industry, the company helped sell special agricultural products to depressed areas, with total sales of CNY3.911 million.

In the future, Menglian County will continue to support nuts, avocado, coffee and other featured business sectors by leveraging local advantages and adapting to local conditions, with a focus on the avocado industry under the instruction of “One Industry in One County”. We will explore the establishment of a new mode for consumption assistance to facilitate sustainable growth of the industry based on our earlier efforts, such as skill improvement of employees, graded selection and sales of fruits, establishment of public brands and acquisition of the National Geographic logo and other agricultural product certification.



Assistance project for the coffee industry



Assistance for featured industries of nuts and avocado via hardware and infrastructure improvement



Training on avocado cultivation for technical personnel

Fulfilment of Central State-Owned Enterprise Responsibilities for Hong Kong SAR, Macau SAR, and Overseas Communities

As the world’s leading travel retail operator, the company not only promotes the globalisation of its business but also fulfils its social responsibilities overseas as a central state-owned enterprise. While actively participating in the construction of the Guangdong-Hong Kong-Macau Greater Bay Area (“Greater Bay Area”) and “the Belt & Road Initiative”, CDF International and CDFG (Cambodia) Limited, the company’s affiliated companies, are also bringing social responsibilities in every acre of soil.

CDF International Actively Participated in the “Chinese Enterprise Care” Public Welfare Campaign

In 2022, CDF International actively participated in the “Chinese Enterprise Serving the Community” and “Chinese Enterprise Caring for the Community” activity series to practice the concept of “Chinese Enterprise Care on the Same Journey” and demonstrate care to primary-level communities in Hong Kong SAR. Representatives from CTG DUTY-FREE visited 23 families of grassroots citizens and elderly living alone to help tidy up their living surroundings and comfort the elderly with some daily necessities. In addition, representatives visited the Monument of Anti-Japanese Martyrs at Tsam Chuk Wan, Sai Kung to express their grief and cherish the memory of the revolutionary martyrs.



CDF International implemented multiple measures in Hong Kong SAR to contribute to local communities

CDF International played an active part in contributing to the communities’ development in Hong Kong SAR. During the period to celebrate Hong Kong’s return to the motherland, the company hosted a ceremony & symposium for donations to communities in celebration of “the 25th anniversary of Hong Kong’s return to the motherland”. Office supplies and other materials worth nearly HKD30,000 were donated to grassroots Communities and Group Office of Sham Shui Po. The company also released public service advertisement on 247 public screens on Hong Kong’s subway system and delivered over 345,000 portions of living materials to assist grassroots communities’ development in Hong Kong SAR.



Ceremony for CDF International’s donations of office supplies and other materials to grassroots Communities and Group Office of Sham Shui Po in celebration of “the 25th anniversary of Hong Kong’s return to the motherland”.



Photos of employee representatives of CDF International actively participating in the volunteer service of “Chinese Enterprise Caring for the Community” and the flag-raising ceremony during the National Day holiday in Pingtian, delivering donation materials from CTS Holdings Foundation to citizens and helping build a healthy community.



CDF International helped Xiangjiang community.



Public service advertisement in Hong Kong's subway system released by CDF International.

Leading Development as a Industry Leader

► Keeping Abreast of the Times to Promote Sector Growth

As the world's largest travel retail operator, the company never ceases to expand its market share, enhancing its service quality and enriching its duty-free collections and brands to make it more appealing to consumers. It is willing to share its exceptional experience and leading practices with partners and calls for enhanced cooperation between all stakeholders to embrace a bright future for the industry.

Attending CICPE with Global Brands to Promote the Construction of Hainan Free Trade Port

With the theme of “Share Open Opportunities, Co-Create a Better Life”, the 2nd China International Consumer Products Expo (hereinafter referred to as “CICPE”) was held in Haikou city of Hainan in July 2022, one of the driving forces behind Hainan's further opening-up and construction of an international tourism consumption centre. As an active force in promoting the construction of the Hainan Free Trade Port, the company attended CICPE with many premium consumption products, which enriched the consumer shopping experience during the CICPE. The company also represented the emerging powers in the Chinese market by sharing with the world its new ideas on the growth in China's travel retail industry.



The framework of the company's booth in Hall No. 5 at the Hainan Expo comprises the exterior architectural appearance of the Sanya International Duty-Free Shopping Complex and the Haikou International Duty-Free Shopping Complex.



The 2nd CDF Watch Festival was jointly held by five cdf stores in Hainan during the CICPE.

During the Hainan Consumer Products Expo, the company supported and co-sponsored the “2nd Global Consumption Innovation & Duty Free and Travel Retail Conference”, and co-sponsored the “2nd Sustainable Consumption Summit Forum” and other supporting activities to continue its innovation efforts for high-quality services:

- Providing vigorous support for Hainan's further opening-up and the construction of an international tourism consumption centre by organising the attendance of professional procurement groups at the conference and facilitating negotiations and exchanges among global brands;
- Providing attendees with exclusive privileges for senior members in designated cdf stores, free bus transfers from Riyue Plaza to the venue of Hainan Consumer Products Expo, priority delivery from all cdf pick-up locations in Hainan, and exclusive check-in, security and other exclusive services.



Panel Discussion of the 2nd Global Consumption Innovation & Duty Free and Travel Retail Conference

By co-sponsoring the “2nd Sustainable Consumption Summit Forum”, the company benefited from the integration of sector resources and offered its advice and suggestions on how to transform business models to promote the sustainable development of the fashion life industry, how to fulfil corporate social responsibilities and, and how to refresh the consumption concept and quality. It also led the industry's change in production practices via issuance of industry guidelines and the launch of environmental protection projects.



In-depth discussion on, and sharing of, leading practices in sustainable consumption and production were carried out at the “2nd Sustainable Consumption Summit Forum”.

Duty-Free Tycoons Gather and Cooperate to Co-Create a New Pattern for Sector Growth

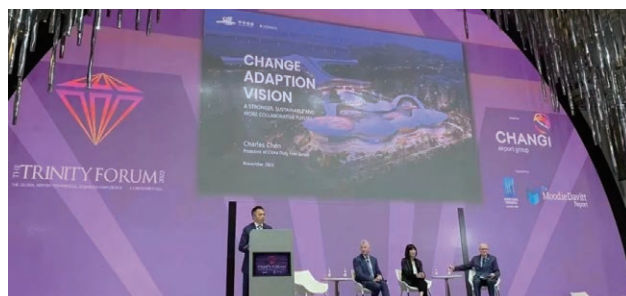
The Dedicated Working Committee for the Duty-Free Industry ("Dedicated Working Committee") of the China Tourism Association held a special meeting in Haikou and invited member entities and guest entities and organisations to attend for in-depth discussions and exchanges on the growth and prospects of the travel retail industry. At the meeting, the company, as a direct entity, made a detailed introduction on the background to the establishment of the Dedicated Working Committee and the progress it had made so far. Member entities and guest entities delivered their speeches to advise on the Dedicated Working Committee's purpose, working mechanism, internal and external exchanges, and other aspects. They also gave suggestions on how to enlarge and improve the China's duty-free industry market with a broader view of the emerging opportunities, to co-create a new pattern for further sector growth.



Group photo of attendees of a special meeting held by Dedicated Working Committee for Duty-Free Industry of China Tourism Association

Attending the Trinity Forum 2022 to explore new prospects for global travel retail

In November 2022, the company attended the Trinity Forum 2022 (the "Forum") as a platinum partner. The Forum is a welcome in-person return of the largest international conference in the global airport business sector after three years. During the two-day session, innovative solutions were put forward for major issues in the global travel retail industry, and expectations were made for the industry's encouraging revival. On the first day of the Forum session, Mr. Chen Guoqiang, one of the company's executive directors, was invited to deliver a keynote speech on "Change, resilience, potentials – for a better future with improved sustainability and enhanced collaboration".



Mr. Chen Guoqiang, one of the company's executive directors, delivering a keynote speech

The company is selected as one of the "High Quality Enterprises in Tourism Brand Value Transmission 2022" by Xinhuanet for its "duty free+" transmission demonstrating diversified consumption patterns

In 2022, a ceremony to launch the event "Thumbs Up • Typical Cases of New Growth Patterns in the Culture and Tourism Sector" was held at the 9th Culture and Tourism Integration and Innovation Forum. During the event, the company was selected as one of the "High Quality Enterprises in Tourism Brand Value Transmission 2022" in recognition of its continuous efforts in adopting a brand transmission strategy focusing on "duty free+" and leveraging diversified innovative media to forge an all-media dissemination matrix of articles, videos, drawings, and graph-texts and other content types.



The company was selected as one of the "2022 High Quality Tourism Brand Value Communication Enterprises".

► Sound Industrial Layout for Business Take-Off

As a leading enterprise in the global duty-free industry, the company makes investments in development projects to expand its business complexes, with a focus on duty-free business, and it has been deeply engaged in the cruise industry for many years. We aim to maintain our leadership in the exploration of new growth patterns in various fields to enable a brighter future for the travel retail industry.

- The company works with Swire Properties to develop Phase 3 of the Sanya International Duty-Free Shopping Complex in facilitating the construction of the Hainan Free Trade Port

In October 2022, the joint venture established by CDF Investment Development and Swire Properties Limited won the usage rights of a plot along the "National Coast" in the Haitang Bay of Sanya for a co-development of the Phase III of the Sanya International Duty-Free Shopping Complex. The project is forged as a world-class resort featuring premium cultural, commercial and tourism services, pilot areas for domestic leading practices in low-carbon lifestyle, and a commercial shopping complex brimming with ocean civilisation features. The project adopts the global new retail design concept to perfectly incorporate the island experience and natural resources into commercial architecture, so as to present a new landmark integrating high-end retail, coastal culture and tourism elements, and cutting-edge cultural and artistic scenarios. This project is also an overall and in-depth layout of our business in the Hainan tourism market, which plays an important part in the construction of the Hainan Free Trade Port with Chinese characteristics.

- Winning of the rights to operate the duty-free store onboard Costa Mediterranea of Carnival China, another boost to our cruise business

In 2022, China Duty Free Cruise Services Ltd. (CDFCS) won the exclusive rights to operate the duty-free shop onboard Costa Mediterranea of CSSC Carnival Cruise Shipping Limited ("Carnival China") for no less than 3 years, marking another victory for CDFCS internationally following its winning of the tender for Costa Atlantica of Carnival China and further expanding CDF Cruise's market share in the cruise business. Costa Mediterranea, a luxury liner which can accommodate up to 2,680 passengers, will debut on new cruise lines radiating from its home port in China in 2023 as scheduled, with an expanded duty-free shopping area up to 600 square metres. This project enhances CDF Cruise's cooperation with Carnival China and improves CDF Cruise's competitiveness and professional operations on the global stage with an expanded market share. It also helps improve customer experience with premium products and services and promotes the smooth and sustained growth of China's cruise business and related services.



The liner Costa Mediterranea of Carnival China



Interior scene of Costa Mediterranea of Carnival China

- The launch of the Duty-Free Shopping Policy for Cambodian Nationals spells a boom for our overseas business

In 2022, the General Department of Customs and Excise and the General Department of Tax of Cambodia issued an announcement approving CDFG (Cambodia) Limited's sale of duty-free goods to Cambodian nationals, marking the official launch of a duty-free shopping policy pilot in Cambodia. This innovative policy is a mirror of the good-neighbourliness and friendliness between China and Cambodia in their pursuit of better co-development, and a reflection of the Cambodian government's trust of us and recognition for the company's professional and compliant operations.

CDFG (Cambodia) Limited owns three downtown duty-free stores in Cambodia. According to the Cambodian Policies on Duty Free Shopping, the target customers are Cambodian nationals (not leaving the country), and available for both on-sites shopping in stores and purchases on e-commerce platforms, with limits on prices, categories, brands, and quantity of items purchased daily.



Launch Ceremony of the Duty-Free Shopping Policy for Cambodian Nationals



Milestones

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- Talent Growth and Retention 63
- Operations Safety and Health Protection 66

03



Employment Compliance and Rights Protection

► Employment Compliance and Rights Protection

Employee Rights

We consistently uphold the “people-oriented” management philosophy regarding talent management and strictly comply with the Labour Law, the Labour Contract Law and other laws and regulations, as well as the international human rights and labour conventions and protocols that China has signed, such as the Equal Remuneration Convention and the Elimination of Discrimination in Respect of Employment and Occupation. We adhere to the principles of honesty, trustworthiness, fairness and justice in our dealings with employees, and we fully guarantee their rights and interests.

Recruitment Management

The company has developed a comprehensive employee recruitment system and has recruited our employees through on-campus recruitment, job fairs, recruitment agencies, online recruitment platforms and internal recruitment. We sign labour contracts with employees and fully protect their legitimate rights and interests. For high-end talents, we insist on a combination of external introductions and internal trainings, attracting more talents on a selective basis, and selecting the best candidates to target for recruitment.

We adhere to the recruitment principle of focusing both on integrity and ability. We also respect differences, encourage diversity, and prohibit any form of discrimination from upholding the principles of fairness, impartiality and openness. Our company has formulated hiring criteria according to the actual needs of each position without imposing any restrictions related to age, gender, ethnicity, religious beliefs or other characteristics.

Employment Management

In regards of prohibiting child labour, we strictly abide by labour laws and regulations and forbid the employment of child labour. In terms of preventing forced labour, we strictly prohibit restricting employees’ freedoms or forcing employees to work by collecting deposits, detaining documents, or engaging in threats. During the reporting year, our company did not have any violations of laws and regulations involving child labour or forced labour.

Resignations Management

Unless exceptional circumstances arise, we generally do not voluntarily sever or terminate the labour relationship with employees. If it is necessary to terminate or rescind an employee’s labour contract, we strictly implement the process in accordance with the requirements and procedures of labour laws and regulations. Those who should be given economic compensation according to the law will receive corresponding compensation according to the legal requirements. The company generally does not try to restrict employees’ choice of new jobs. For particular cases involving competition restrictions, such restrictions are handled according to the signed agreement. In 2022, our employee turnover rate was 8.48%, of which the turnover rate of headquarter employee was 3.6%.

Holiday and Working Hours Management

We strictly observe regulatory requirements regarding national statutory holidays, employees are entitled to annual leave, maternity leave, marriage leave, parental leave and additional blood donation leave, parent-teacher conference leave, etc. According to the company’s situation, we implement two working hour systems: standard and comprehensive working hours (for the frontline employees under particular working conditions). We strictly enforce the monthly 174 working hour working system. As for excess working hours, we arrange compensated leave or pay overtime according to labour laws and regulations to effectively protect employees’ rights to rest.

Remuneration Management

The company adheres to market-oriented concepts and has established a performance and remuneration management system based on the “double benchmarking” principle. This system, which aligns with our development and talent strategy, prioritises performance and follows the principles of fairness, positive motivation and sustainable development. We determine appropriate salary levels according to our operations and market benchmarking analysis. We also set the basic and performance salary ratios based on market practices. In this regard, the company determines the basic salary based on the rank of the position, and the performance salary is linked to the company’s overall performance, the department’s performance and the individual’s performance, resulting in a management mechanism that balances incentives and restraints and enables reasonable remuneration adjustments. As for the long-term incentives, corporate managers at all levels of the company are contractually managed on a tenure basis. By the end of 2022, 166 corporate managers at all levels had access to the long-term incentive programmes.

In accordance with national and local policies, we have established and implemented a welfare system in order to make timely and complete payments of social insurance and housing provident funds for employees; and we also offer annuities, supplementary medical care, canteen dining and other welfare programmes to our staff. In this way, we have built a multi-level welfare guarantee system based mainly on social insurance, with corporate welfare programmes acting as a supplement.

Democratic Management

We continue to improve its democratic management system, which is based on the trade union and the staff representative assembly. The company’s trade union is committed to safeguarding collective bargaining rights of employees; and it carries out its work following the *Trade Union Law*, the *Constitution of the Chinese Trade Union* and other laws and plays a vital role in public affairs. The trade union effectively promotes the participation of employees in the company’s democratic management and deliberations involving major issues concerning the vital interests of employees.

When formulating, revising and deciding rules, regulations and material issues that are directly related to the vital interests of our employees, such as labour remuneration, working hours, rest and leave, labour safety and health management, insurance and welfare, employee training, labour discipline, headcount management, etc., we collect opinions from general meetings of employee representatives to ensure that decisions are made through consultation and on an equal basis. We then make public announcements to all employees or notify the relevant departments or individuals after decisions are made. Employees may also appeal to the trade union through email, WeChat, in-person talks and other channels.

Case

The Company’s Trade Union Actively Carries Out an Online Workshop for Workers’ Practical Suggestions

On 24 November 2022, the company’s trade unions launched an online workshop for practical suggestions for all staff at headquarters, with at least 3 to 6 representatives from each of the 11 trade union groups in two sessions and four meetings. During the workshop, everyone actively shared suggestions and ideas for the new stage of development based on their needs, expectations, thoughts and feelings of daily work life.

Twenty suggestions in total were collected in four categories covering staff welfare, transparency of factory affairs, optimisation of office facilities, and effectiveness. After the meeting, the company’s trade unions sorted through the suggestions and ideas to implement them one by one in accordance with the Trade Union Law. These actions effectively safeguard the legitimate rights and interests of employees in accordance with the law, highlight the political, advanced, and mass features of our trade union work, and contribute to the high-quality development of the company.

Staff Profile



Total number of employees is **16,808**

The number of female employees is **9,271**
accounting for **55.16%**

The number of male employees is **7,537**
accounting for **44.84%**

The number of ethnic minority employees is **1,282**
accounting for **7.6%**

The percentage of ethnic minority employees in the management is **13.30%**

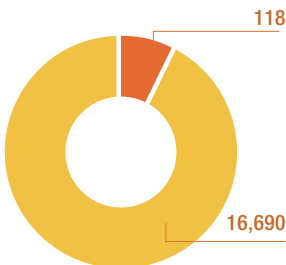
The number of foreign employees is **493**
accounting for **2.93%**

The number of employees from Hong Kong SAR, Macau SAR, and Taiwan is **560**, accounting for **3.30%** of the total

The number of physically challenged employees is **84**.

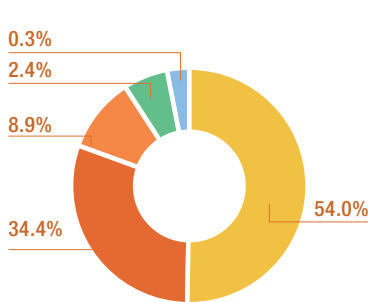
Females in the Board of Directors and the Supervisory Committee account for **30%**. Females in the senior managerial roles account for **28.57%** and in middle managerial roles account for **36.13%**.

The number of employees by employee category



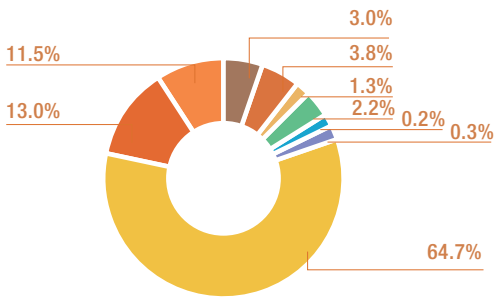
Management roles
General Employees

The number of employees by age



Below 29
30-39
40-49
50-60
Over 60

The number of employees by region



North China
Northwest China
East China
Southwest China
South China
Northeast China
Central China
Hong Kong SAR, Macau SAR and Taiwan region
Overseas

Employee Care

Based on the principle of “understanding our people, meeting their needs and addressing their difficulties”, we continuously strive to care for our employees’ needs. Our company also improves employees’ working conditions, enhances and ensures their quality of life, increases their happiness and satisfaction, and generally creates conditions that make employees “proud to work at CTG DUTY-FREE”.

In terms of employee benefits

We have formulated the “Administrative Regulations on Assistance for Sick Employees and the Collective Welfare of Trade Unions”. The company’s trade union conducts complete investigations to collect employees’ opinions. It sends warm and considerate blessings to employees on holidays and birthdays based on their age, tastes and living habits. The company demonstrates care for various groups, such as employees with difficulties and female employees. We always express our care and bless employees who get married or have babies.

In terms of employee activities

We organise various cultural and sports activities as appropriate, and we stage a number of festival activities. Furthermore, we have set up staff reading corners and formed various cultural and sports interest groups to enrich the spiritual lives of employees.



Employee Library Corner

Case The Company Holds the “Staff Online AI Fitness” Competition

To provide better service support for the staff and implement the staff’s practical suggestions effectively, the company’s trade union held the staff online AI fitness competition from 8 December 2022 to 6 January 2023, enriched the cultural and entertainment life of the staff and strengthened their physical health.



“Staff Online AI Fitness” Competition Poster

Case The Company Organised “Enjoying Youth and Encountering Romance” Staff Social and Dating Event

To build a high-quality youth communication platform and enhance the sense of belonging and happiness of young talents, the company organised a staff social and dating event “Enjoying Youth – Encountering Romance” in Beijing World Flower Wonderland Park in 2022.



Staff social and dating event “Enjoying Youth – Encountering Romance”

In terms of Party construction activities

“Spark Hero”, a micro-video made by our staff, was selected for the Subject Film Exhibition of the Third Micro-film and Micro-video Collection Activity for the Core Socialist Values of Central Enterprises held by State-owned Assets Supervision and Administration Commission. It won second prize in the national Federation of Trade Unions Positive Energy Micro-video Collection Activity. “The Present”, the corporate story micro-film won first prize in the Micro-film Contest of the 10th National Brand Story Contest.



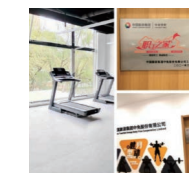
QR code for “Spark Hero”



QR code for “The Present”

In terms of the work environment

We have made various efforts to improve office facilities, provide convenient services, and ensure that employees are satisfied with the company canteen. Our company is fully committed to creating a convenient and comfortable working environment. In addition, we provide comfortable nursing rooms in order to protect the privacy and rights of breastfeeding mothers and generally show respect for female employees.



Staff centre with 247 square metre



Employee recreational and sports centre: equipped with central air conditioning, dance mirrors, soft seating, fitting rooms and other necessary equipment and facilities



Starbucks coffee machines in office area



Employee calligraphy activities



Employee calligraphy, drawing and photography exhibition



Company managements appreciation activity for the frontline staff who stayed at their posts during the Spring Festival



“Dumpling Making and Warmth Delivery” activity held by the Sanya Haitang Bay Party branch



Food Festival

Talent Growth and Retention

We have established talent-specific training systems that align with operations and international standards to build smooth career paths for our employees and provided them with a robust platform for their career development.

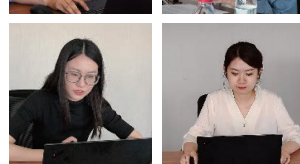
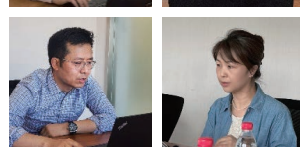
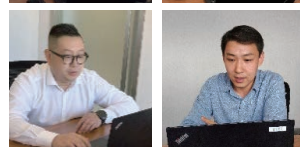
Staff Training

We regard strategic development as the core goal of the training, and we are committed to establishing a sound talent development and training mechanism, promoting talent development, and creating and developing a youth talent pool to enhance our core competitiveness. To this end, our company has formulated “Training Management”, and we enhanced training under the management principle of “grading and classification, and training for all employees”. Under this principle, we provide various types of training for employees across different positions and levels, carry out new hire training for new joiners, organise training courses for middle and senior management, and take various other measures to strengthen the company’s professional talent pool.

In 2022, to broaden the horizons of our middle and senior managers and enhance their strategic thinking and innovation awareness, we cooperated with the State-owned Assets Supervision and Administration Commission and the China Business Executives Academy, Dalian (CBEAD) to organise 27 training sessions with total 80 hours. Topics covered included the international and domestic political and economic situation, innovative business thinking and leadership development, as well as lectures on “Analysis of the International and Domestic Political and Economic Situation and Economic Development Trends” and CBEAD International “World-class Lectures” Series.



The company held a series of lectures to broaden the horizons of our middle and senior managements



The company invited the heads and representatives of 11 departments, including the Strategic Investment Department, to conduct online training for new joiners

In August 2022, we organised the annual new employee orientation and invited the heads and representatives of 11 departments, including the Strategic Investment Department, the Discipline Committee Office, the Procurement Centre, the Supply Chain Centre and the Operations and Marketing Centre, to conduct live courses for new joiners. We recorded and updated the employee training courseware and created particular learning programs for new joiners on the “China Duty-Free Academy” online learning platform for employees to study at any time. This training programme provides an in-depth introduction to the duty-free industry and the company’s development history, as well as an overview of our fundamental businesses that assist new joiners in quickly integrating into the company.

In 2019, we launched the online training platform, “China Duty-Free Academy”, to provide employees an abundance of online training courses. By integrating online and offline training, we are developing a culture of learning and a healthy learning ecosystem. In 2022, 17 course topics were introduced and 17 live training sessions were held, with a total of more than 710,000 person-times.

17 course topics were introduced

17 live training sessions were held

a total of more than **710,000** person-times



“China Duty-Free Academy” offers various courses

In 2022, we cooperated with a third-party organisation to launch the “Course System Construction and Course Development” project to build an internal course system based on the company’s actual business. We have completed our first batch of learning maps in conjunction with core business departments such as the Procurement Centre, the Supply Chain Centre, and the Operations and Marketing Centre, using interviews and workshops to clarify the training path for key business talent and organise 16 internal courses to be developed. Our internal business experts and internal instructors held a course development work team, and by the end of 2022, produced 13 core business courses, giving full play to the advantages of internal professionals, summing up experience from cases of key positions, and fully concluding and passing on the organisation’s experience.



In 2022, the company launched a “Course System Construction and Course Development” programme in collaboration with a third-party organisation

To improve training quality and personnel training levels, we have also formulated the “Internal Instructor Management Regulations (Trial)”, involving processes for the selection, certification, and delivery of courses, as well as the responsibilities and incentive criteria for internal instructors. So far, we have appointed 30 internal instructors. Through the “Good Instructors, Good Courses” live event series, our internal instructors conducted more than ten live sessions on topics such as “Structured Thinking”, “Wine Expertise and Frequently Asked Questions Analysis”, “Cigar Basic Knowledge Analysis” and “Duty-Free Sales Capability Enhancement” throughout the year to improve internal instructors’ comprehension ability and teaching ability through practice instead of training, helping our internal instructors grow and promoting the sharing of business knowledge.



We have held more than ten live sessions with internal instructors, such as “Five steps to becoming an executive master”, “Wine Expertise and Frequently Asked Questions Analysis”, etc.

In 2022, we conducted trainings as follows:

Employee Training Performance Summary			
Indicator	Sub-indicator	Unit	2022
Percentage of employees trained	/	%	100
Percentage of employees trained by gender	Male	%	100
	Female	%	100
Percentage of employees trained by category	Senior management	%	100
	Middle management	%	100
	General employee	%	100
Total training hours	/	10,000 hours	33.0
Average training hours completed per employee	/	hour	19.6
Average training hours completed per employee by gender	Male	hour	19.3
	Female	hour	19.9
Average training hours completed per employee by People category	Senior management ⁴	hour	162
	Middle management People	hour	22.6
	General employee	hour	19.5
	Chinese Mainland	hour	19.6
Average training hours completed per employee by region	Hong Kong SAR, Macau SAR and Taiwan region	hour	16.1
	Overseas	hour	26

Employee Development

Based on employees’ career development needs, we continuously improve the talent management system and consolidates the foundation of talent management to offer smooth career development channels to assist employees in achieving their dreams and living up to their full potential.

According to the actual circumstances of the company, to carry out job value assessments, we have established a ranking system covering all grades and types of positions to better reflect the value of different job positions, personal abilities and qualities, with the goal of better supporting talent management. The company’s ranking system features three divisions: management functions, professional functions and support functions. Promotions at our company can be divided into annual rank promotions and promotions based on professional reviews, which are undertaken according to the hierarchical management system and job qualification criteria. The company determines the function, level and rank of employees according to their abilities, performance and qualifications. We allow two-way movement within different positions to establish a smooth career path. We adopted the Management by Objectives (MBO), Key Performance Indicators (KPI) and 360°Feedback for integrated employee performance management. The assessment includes both work performance and professional capability, and the performance assessment results are determined through the ranking of the overall scores of employees responsible for the same tasks, covering 100% of the employees.

In 2022, we comprehensively encouraged the professional capabilities for our cadres and staff through professional talent assessment and vocational skill level identification. With regard to vocational skill level identification, the company took sales staff as the target to carry out the application of vocational skill level identification for the first time, achieving a “0 to 1” breakthrough in this area. For the professional title review, the company actively explored and selected senior professional talent with extensive experience in relevant fields, recommended them as judges for the China Tourism Group engineering professional titles, and assisted the Group in obtaining independent review qualifications for professional titles of engineering and accounting. In 2022, the company had nearly 100 employees obtained new professional titles, skill levels, and job qualifications. Going further, based on the actual needs of development, the company will adhere to the talent-driven principle, comprehensively improve the quality of our internal talent development, and focus on cultivating a number of experts in tourism retail. We will also consistently improve the long-term mechanisms of talent evaluation and development, and thoroughly and efficiently promote the professional talent review and vocational skill level identification.

⁴ As far as the training courses organised by the company are concerned, there is no significant difference for employees at different categories; however, the senior management participated in more intense trainings subject to the requirement on the training hours in the *Regulations on the Education and Training of Cadres* issued by the CPC Central Committee.

Operations Safety and Health Protection

► Operation Safety

We vigorously carry out the establishment of a safety culture, cultivate and refine the safety culture system with the characteristics of CTG DUTY-FREE, firmly establish the safety concept of “people-oriented, service first, and safety first”, focusing on five major pillars of safety, including Party construction, law, mechanism, science and technology, and employee awareness, in order to achieve the goal of “zero accidents” in operations safety.

In 2022, the establishment of the company’s safety culture system was rewarded Third in the Top Ten Practice Cases of Safety Culture of the Ministry of Emergency Management of the People’s Republic of China. It is the only corporation from the trade industry and also the first business group in the China Tourism Group to win this award.

Safety Compliance

The company strictly abides by laws and regulations such as the *Work Safety Law*, the *Law on the Prevention and Control of Occupational Diseases*, and we have formulated the “Operation Safety Responsibility System for Staff”, the “Operation Safety Management Measures”, the “Safety Training Management Measures”, and the “Emergency Management Measures”. The company and each affiliated company fully implement the main responsibilities of operations safety, strengthening operations safety responsibility at all levels for staff, establishing a duty list and a sound safety system, and strictly carrying out safety measures.

Party Construction

The company adheres to President Xi Jinping’s important statement on operations safety to arm ourselves intellectually and to guide our practice. Party organisations at all levels give full play to their leading role, improving the system of “equal responsibilities for CPC committees and government, dual responsibilities, and joint management”. All Party members should play an exemplary role in performing their duties, and ensure the implementation from the five aspects of safety regulations publicity, safety deployment implementation, safety funds investment, safety performance supervision, and safety awareness enhancement.

In 2022, the company organised seven meetings on operation safety to implement the work requirements of state ministries and commissions and the Group and re-deploy and re-implement relevant work based on the actual situation. Party committees at all levels of the company carefully conveyed the spirit of the President’s instructions on operations safety, organised the viewing of a film named “Life is of paramount importance” many times and repeatedly played it on the public area display screen, aiming to place the concept of “Life first, People first” in the hearts of everyone.

Safety Mechanism

In terms of operations safety management

The company has clarified the composition and responsibilities of the Safety Committee. All large-scale stores and projects under construction are equipped with full-time safety management personnel as required, ensuring the smooth implementation of all safety work. Meanwhile, based on the actual situation of the warehouse, the company formulated the “Warehouse Management Code” and other normative documents to strengthen warehouse safety management and ensure the regular operation of the warehouse. In 2022, the company signed 126 copies of the relevant “Letter of Commitment” with each affiliated company and department to clarify the management, assessment requirements and reward and punishment standards, and guide and supervise the company at all levels to implement it in detail, so as to achieve 100% coverage of operations safety responsibilities.

In terms of emergency management in respect of safety risk

The company has formulated the “Contingency Plan for Operation Safety Accidents”. All units continuously adjust and optimise emergency command systems and coordination and linkage mechanisms based on strengthening on-site emergency rescue and improving emergency response capabilities, and ensuring the preparation of materials, equipment and personnel to carry out various emergency drills. In 2022, the company organised 326 different types of emergency drills, including firefighting, emergency evacuations of office and production areas, typhoons, and flood prevention, with 18,500 participants.

100% coverage of operations safety responsibilities

the company organised **326** different types of emergency drills

18,500 participants



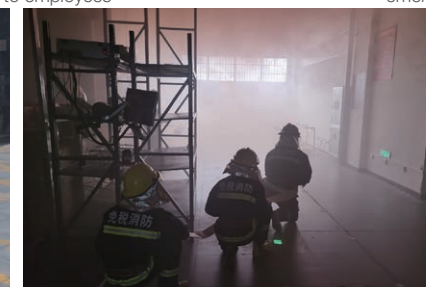
The company distributed fire protection publicity materials to employees



The logistics centre carried out firefighting emergency drills



The company carried out fire evacuation drills and training



The logistics centre carried out firefighting emergency drills



The logistics centre carried out firefighting emergency drills

In 2022, each affiliated company also actively carried out emergency drills according to their actual situation. During the Safety Month, Sanya Downtown Duty-Free Stores held large-scale comprehensive emergency response drills to test their joint operational rapid response capabilities, coordination and scientific disposal to emergencies such as anti-terrorism response, evacuation and escape, and firefighting, with more than 2,000 participants.

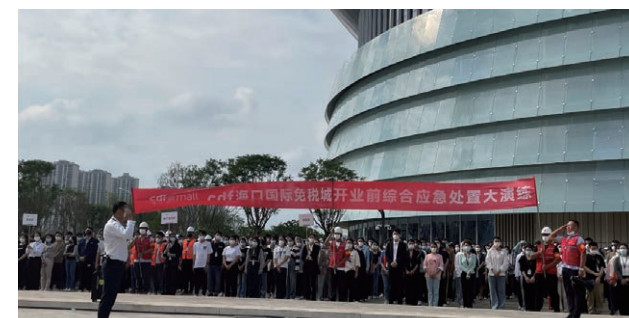


Anti-terrorism response drill in Sanya Downtown Duty-Free Stores



The company distributed fire protection publicity materials to employees

Before the grand opening, the Haikou International Duty-Free Shopping Complex organised and carried out comprehensive emergency drills, including anti-terrorism response, firefighting, evacuation, medical aid and more, with more than 1,500 people participating to ensure a safe opening.



Comprehensive emergency drill in the Haikou International Duty-Free Shopping Complex before its opening



Evacuation drill in the Haikou International Duty-Free Shopping Complex

CDF Investment Development organised each affiliated company prepared more than 20 particular emergency plans according to their actual situation, and organised 21 particular emergency drills, such as flood and typhoon prevention, struck-by hazards prevention, etc., to effectively improve the safety prevention and emergency response capacity.



CDF Investment Development carried out firefighting emergency drills



CDF Investment Development carried out struck-by emergency drills for projects under construction



CDF Investment Development carried out firefighting emergency drills for projects under construction

more than **20** particular emergency plans according to their actual situation
organised **21** particular emergency drills

In terms of operations safety inspections and prevention and control

The headquarter of the company has established a risk classification and control template, has organised its duty-free complexes, stores, projects under construction and warehouses to carry out comprehensive risk identification and evaluation, controlling the safety risk according to the classification, and has implemented the working mechanism of “one company one list, one store one list”. The headquarter of the company regularly checks the management and control of significant risks, serves, guides and supervises all units to improve management and control measures in combination with safety inspections. In 2022, all hazards identified by each unit were rectified.

During the reporting period, the company’s leaders also took the initiative in performing their duties, going to the frontline to take charge of inspections. They led the team 11 times in carrying out operation safety inspections in critical businesses and key units such as the Haikou Duty-Free Complex project, Sanya Downtown Duty-Free Stores, Sunrise China, Sunrise Shanghai, the Shenzhen Qianhai warehouse, and the Hainan logistics centre, during critical times such as Mid-Autumn Festival, National Day, and the 20th National Congress, ensuring continuous safety and stability.



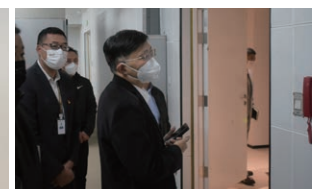
The company management led a team to conduct gas safety inspection



The company management led a team to visit Sunrise China to observe and exchange views in regards of operation safety



The company management led a team to conduct safety inspections in the logistic centre



The company management led a team to conduct safety inspections in the Haikou International Duty-Free Shopping Complex

Case

The Company Carries Out the “Operations Safety Promotion Year” Initiative, Deepens Special Rectification Actions and Strengthens Hazard Inspections

The company carried out the “Operations Safety Purity Year” initiative, further addressing problems at the source and continuously organising and carrying out hazard inspection and remediation. The company organised and carried out large-scale inspections and remediation, focusing on key areas and key parts, and all hazards were rectified. We insist on innovative supervision, provide safety services for the frontline, appoint professional institutions to conduct hazard inspections on key units and key projects, urge remediation of found hazards, and conduct on-site education and training. We strictly investigate seasonal risks, industrial hazards and recurrent problems, actively organise and carry out safety and hazard inspection of the overall system, elements and coverage, and pay close attention to remediation as required.



Appointed professional institutions carry out hazard inspection on key units



Appointed professional institutions conduct on-site inspection and training for key projects

Science and Technology

The company attaches importance to using safe, reliable, efficient and practical safety management technology to improve safety management. For instance, we use facial recognition devices in various projects to achieve real-name people management, and use drones to inspect construction sites, improving the level of intelligent construction and automated operations, and further improving safety technology support abilities and operation safety guarantee abilities.

Safety Publicity

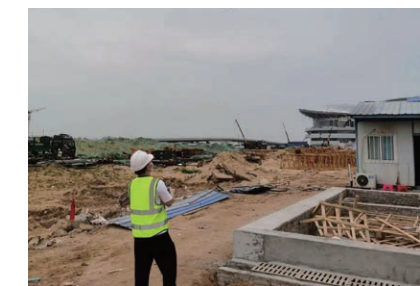
As our company culture attaches importance to staff awareness, we organise each unit to carry out activities such as Operations Safety Month, the Publicity Week of Law on the Prevention and Control of Occupational Diseases, Safety Consultation Day, and safety training for new joiners. We make full use of bulletin boards, banners, online training, knowledge competitions and other forms to popularise and publicise relevant laws and regulations, and general knowledge about safe operations. In 2022, the company organised and carried out activities such as operations safety lectures, open classes, lectures, and more. The prominent leaders of each business at all levels took the lead in studying the important statements of President Xi on operations safety, giving safety open classes in person, publicising and implementing the *Work Safety Law* and the 15 measures of the Work Safety Commission of the State Council, popularising cases of dual punishment for failing to implement the main responsibilities of businesses, and promoting the “first responsible person” to abide by the law and perform their duties.

Affiliated companies also actively carried out safety knowledge popularisation training for all employees. During Safety Month, Sanya Downtown Duty-Free Stores promoted operations safety knowledge to employees in various forms of “online+offline”, distributed Safety Consultation Day publicity materials to employees and customers and promoted a good atmosphere in which everyone pays attention to safety, and everyone participated in safety. Sunrise China invited local management departments to jointly carry out education and training activities on firefighting, gas safety, anti-terrorism, and other topics, and carried out an online assessment to further improve employees’ ability to deal with emergencies.

In 2022, the company invested a total of RMB35.54 million in operations safety, and this safety investment provided a strong guarantee for the safe development of the business. In 2022, the company organised and carried out 667 safety trainings, with 16,600 participants. The company did not record any safety accidents and had no work-related injuries or deaths in 2022.



Real-name secure access for employees



Using drones to inspect the construction site

► Physical and Mental Health

The company implements a people-oriented concept and puts the safety and physical and mental health of employees first. In terms of occupational health management, the company has organised employees to conduct annual medical check-ups and held health-related seminars to enhance health awareness and protect the health of our employees. In addition, we have directed affiliated companies to implement occupational hazard investigations based on actual business needs, focusing on hazards related to noise levels in stores and high temperatures in projects under construction.



The company has produced training materials to publicise and implement the *Law on the Prevention and Control of Occupational Diseases*, and we use a combination of online and offline methods to spread awareness of occupational disease prevention and control.



In 2022, the company formulated and issued the “Occupational Health and Safety Management Measures” to strengthen the primary responsibilities of occupational disease prevention and control, improve the ability of occupational disease risk prevention and control, and protect the health and safety and legitimate rights and interests of employees.



Hainan DF partnered with the Haikou Red Cross Society and Haikou 120 First Aid Centre to organise talks on first aid topics and training sessions. These seminars assist in improving employees’ ability to protect themselves and others in emergencies and raise their awareness of occupational health and safety.



A professional organisation conducted noise testing for areas that generate noise, such as air-conditioning rooms and diesel generator rooms at Phase 1 and Phase 2 of Sanya International Duty-Free Shopping Complex. The results indicated that the noise levels were below the prescribed limit.



We have inspected construction companies working at Haikou International Duty-Free Shopping Complex, logistics bases and other under-construction projects to formulate high-temperature protection measures, including avoiding outdoor operations during high-temperature weather and providing workers with heatstroke prevention and cooling materials and medicines.

Planet

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- Green Building – Creating a Green Future 82
- Innovative Green Marketing 88



Green and Low Carbon Operations

CTG DUTY-FREE has always been committed to the concept of green development. We strictly comply with *Environmental Protection Law* and related laws and regulations, uphold the spirit of government documents on ecological civilisation and environmental protection, and adhere to the requirements of the regions in which we operate. We are actively taking energy efficient measures, safeguarding natural environment and building a more beautiful China.

In 2022, no major incidents involving energy conservation or environmental protection violations occurred at CTG DUTY-FREE, and the company received no penalties or notifications from environmental protection authorities.

► Green Offices and Low Carbon Lifestyle

We focus on the implementation of the “carbon peaking and carbon neutrality” goals to promote our all-round energy-saving and environmental protection initiatives, and the advocacy of a green office philosophy to reduce resource consumption, lower office costs, and promote thrift practices. We also encourage recycling and sustainable development by creating a favourable atmosphere so “anyone can carry out thrift practices, in any scenario, anytime”.

Below are some actions taken by us to fulfil our green office initiative:

Implementing green awareness



Organise subsidiaries to learn and implement the spirit of President Xi Jinping’s important speeches and instructions and comments on carbon peaking and carbon neutrality, as part of our continuous efforts to further promote the transformation to green and low carbon development;

Release the “Green and Low Carbon Proposal” to encourage employees to take the lead in carrying out low carbon and energy saving practices and conveying green messages;

Post signs around offices to remind employees to turn off the lights and save water, and organise publicity campaigns and training sessions on energy conservation and environmental protection as planned;

Conduct Energy Efficiency Publicity Week and Low Carbon Day activities and organise a series of energy-saving and low-carbon films for employees to watch, with a total attendance of 8,530 people. In 2022, Sunrise China introduced energy-saving and low-carbon promotional films into restaurants, certification offices, and other public places in each district, for employees to watch and learn.

Taking green actions



Paperless office: Use the office automation (OA) platform to send and receive business documents and reduce the printing of paper documents;

Office supplies procurement management: In January 2021, the office supplies procurement system was put into operation to realise online integrated procurement. This system can help to centrally control procurement quantities and amounts, so as to improve procurement efficiency, cut expenses, and reduce waste;

Promote waste classification: All types of waste generated during business operations are disposed of by professional waste management companies to reduce environmental pollution;

Strictly implement the requirements of in the use of vehicles and fuel cards usage by linking each card to a certain vehicle and prohibiting use of company vehicles for private purposes other than business travels. We also require keeping record of each refuelling and the vehicle’s mileage and retaining of receipts of payment for refuelling to facilitate supervision. Misuse of company vehicles and excessive refuelling are resolutely prohibited.

Reducing resources consumption



Electricity efficiency management: Establish sound electricity conservation management systems and equipment operation procedures to reduce unnecessary office electricity equipment and non-office electricity consumption; promote energy-saving improvements to major energy-consuming equipment to gradually eliminate inefficient equipment; regularly clean air-conditioning systems to improve the energy efficiency of air-conditioners.

Fuel consumption reduction: We regulate the use of official vehicles, assign vehicle based on the headcounts of passengers, and strive to reduce vehicle fuel consumption. We also encourage online meetings and take measures to reduce energy consumption on business trips.

Reduce water consumption: Install induction water faucets in restrooms for water saving purposes.

Cut down the use of plastics: Plastic reduction actions were taken by the company and its subsidiaries, such as broadcasting relevant promotional films and distribution of relevant materials. In 2022, CDF International provided employees with ceramic and metal dinnerware as a replacement to one-use plastic ones, so as to reduce the consumption of one-off plastic products.

Our Employee Handbook clearly specifies that employees should go easy on the use of water, electricity, and other resources during their service and accommodation periods. Air-conditioners should be turned off and power should be off when leaving work or leaving the dormitories. No use of personal high-power electrical appliances is allowed, and waste of water and electricity is prohibited.

Conveying green messages



Actions have been taken by each store to reduce the use of plastic products, such as announcing plastic prohibitions and restrictions to customers, and guiding them on how to implement plastic reduction and waste classification, so as to enhance their green consumption awareness. In 2022, the company’s stores in Hainan replaced all plastics shopping bags with green ones made of environment friendly materials. A total of over 24,130,000 green shopping bags were provided in 2022.

► Energy and Emission Management

The company vigorously implements the *Measures for the Supervision and Administration of Energy Conservation and Ecological Environmental Protection at Chinese central State-Owned Enterprises* and other national regulations related to energy conservation and emissions reduction. We continued with our efforts to promote high quality sustainable growth and prepare for a new stage of development via a series of methods such as daily control enhancement, process optimisation, technology improvement, and resources integration.

The company makes continuous efforts to enhance the formation of the management structure for energy conservation and environmental protection. Subsidiaries are arranged to set up dedicated management functions and assign full-time and part-time personnel to manage energy conservation and environmental protection affairs, so as to ensure the fulfilment of their corresponding responsibilities.

The company also pays attention to enhancing responsibility awareness and implementing supervision and management measures. All subsidiaries signed the “Letter of Responsibilities for Environmental Protection Goals” with the company, to specify the major responsibilities, performance indicators, as well as reward and punishment standards for energy conservation and environmental protection management, in order to ensure the fulfilment of environmental responsibilities of each subsidiary, invest in environmental protection, control environmental risks, and prevent pollution.

As part of its publicity efforts, the company continues to organise all subsidiaries to learn about the guidelines and policies on carbon peaking and carbon neutrality, as well as the major take-aways, paths for implementation and relevant requirements, so as to master the emerging and leading ideas, philosophies and practices regarding the promotion of green and low carbon development, transformation of industrial structures, optimisation of energy structures, efficiency improvement in energy and resources consumption, and enhancement of the promotion and application of green and low carbon technologies, etc.

Energy Consumption and Greenhouse Gas Emission Overview

The company mainly consumes electricity, natural gas, diesel, gasoline, and water during its daily operations. Our energy consumption, resource usage, greenhouse gas emission and intensity⁵ in 2022 are shown in the table below:

⁵ In 2022, the natural gas consumption statistics are limited to the company’s headquarter building, and the electricity, diesel, gasoline and water consumption statistics are limited to the company’s headquarter building and Sanya International Duty-Free Shopping Complex. Before the grand opening of Haikou International Duty-Free Shopping Complex in October 2022, Sanya International Duty-Free Shopping Complex was the company’s largest operating location and contributes a high proportion of sales revenue and is sufficiently representative. We will gradually expand the scope of our statistics in the coming years.

Type	2022	Unit
Electricity	24,113.09	kWh
Natural Gas	14,835.24	m ³
Diesel	151,219.00	Litre
Gasoline	35,709.00	Litre
Comprehensive energy consumption	26,146.63	MWh
Comprehensive energy intensity	0.17	MWh/m ²
Direct greenhouse gas emissions (Scope 1 emissions) ⁶	524.25	tCO ₂ e
Indirect greenhouse gas emissions (Scope 2 emissions) ⁷	13,985.59	tCO ₂ e
Total greenhouse gas emissions	14,509.84	tCO ₂ e
Greenhouse gas emissions intensity	0.09	tCO ₂ e/m ²
Water consumption	156,564.16	m ³
Water consumption intensity	1.01	m ³ /m ²

Energy Efficiency Measures

The company adheres to a business philosophy that promotes energy conservation, emissions reduction, and green protection. While continuously expanding our business and pursuing development, we also use a variety of methods to emphasise and encourage energy conservation during our operations. In 2022, the company and its duty-free stores enhanced publicity regarding energy conservation and consumption reduction and took measures to raise energy conservation awareness of employees and visitors. In addition, during the year, we formulated targeted measures to reduce energy consumption and optimised the company's energy system by strengthening the monitoring of water and electricity use, and gasoline consumption in daily operations, and by arranging dedicated personnel for patrol inspections to turn off running equipment left unattended.

Case


Sanya Downtown Duty-Free Store actively implement energy conservation and consumption reduction

Electricity Saving

Increased investment in energy-efficient equipment and facilities and engaged in systematic and scientific management of greening and lighting by paving green irrigation channels and installing intelligent time-control equipment.

Reduced the number of lighting fixtures, decreased the area and time of lighting at night, and reduced large areas of night-time lighting as much as possible to reduce power consumption.

We renovated the lighting of logistics warehouses, unloading platforms, equipment rooms and other functional facilities. Existing lamps were replaced with LED lamps, and new stores are required to use LED lamps.



Water Saving

Adjusted the volumes of water equipment to reduce water stream volumes, spill, dripping and leakage.

Gasoline Saving

Regulated the use of vehicles by strictly complying with the "Vehicle Management Regulations". Private use of business vehicles is strictly prohibited. Each vehicle has a designated fuel card for refueling purposes.

⁶ Direct GHG emissions: The company's gasoline and natural gas consumption multiplied by the corresponding emission factors which are determined with reference to ① China Energy Statistical Yearbook ② IPCC 2006.

⁷ Indirect GHG emissions: The company's purchased electricity consumption multiplied by the corresponding emission factor which are determined with reference to the Ministry of Ecology and Environment's Notice on Key Work Related to the Management of Enterprise Greenhouse Gas Emissions Reporting in 2022.

Case

Initiatives for Energy Conservation and Consumption Reduction Issued by the company

Electricity saving

The temperature of air conditioners in offices and dormitories shall be no lower than 26 °c, shall be turned off 20 minutes before leaving, and shall be powered off if left unattended for a period of time.


Printers, computers, fans, water heaters, lighting and other power supplies shall be turned off before leaving the place of work (and be shifted to standby mode during non-office hours).

Before store opening for sales, no lights more than those required for work routines shall be switched on; electricity equipment to meet operating needs shall only be turned on 10 minutes before opening; all electricity equipment and lights shall be turned off after the closure.

Water saving

Develop good habits and turn off the faucet after water use to prevent water running to waste.

Report spills, drips and leaks to the Engineering and Property Management Department in a timely manner for repair.



Emissions Management

The company complies with the *Environmental Protection Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes* and other related regulations, and strictly managed wastewater discharge, exhaust gases emission and waste discharge. We adhere to the philosophy of "clear waters and lush mountains are invaluable assets" in our development to defend against pollution and facilitate ongoing environmental improvement.

The company is strongly against dumping, stacking, and discharge of waste without permission, and performs its duties in terms of source reduction and classification of solid waste as required by law. It has established compliant waste storage processes and works with qualified third parties for waste disposal under the laws and regulations to prevent environment contamination. As for pollutant emissions, it has established standardised pre-treatment facilities such as sedimentation tanks, septic tanks and oil separators, which are subject to regular inspection and maintenance to ensure the compliant emissions. The company also handles cartons and other recyclable waste on a regular basis.

► Addressing Climate Change with Energy Conservation and Emissions Reductions

Climate change is having a broad and far-reaching impact on the world. As a responsible company, we are acting quickly to analyse the potential challenges and opportunities that climate change may bring, and we are working to respond effectively to the impact of climate change on the company by continuously reducing the carbon footprint of our operations. This section describes our efforts and future plans for addressing climate change with reference to TCFD (Task Force on Climate-Related Financial Disclosures) recommendations.

Governance

As for governance on climate-related risks and opportunities, we have established an ESG governance structure, which covers the all-round governance on ESG related affairs, including the management of projects regarding addressing climate change.

a. Supervision on climate-related risks and opportunities by Board of Directors: The company's Board of Directors continues to promote the governance of climate-related risks and opportunities. As the top decision-making body responsible for addressing climate-related risks, the Board of Directors complies with the company's ESG governance structure, collaborates with its Strategy Committee to jointly manage the implementation of climate governance tasks and perform review and inspection on a regular basis.

We have made it clear that the Board of Directors has to incorporate climate considerations into its review and instructions on strategies, important action plans, risk management policies, annual budgets and business plans, its formulation of performance goals for organisations, its monitoring on implementation, and its supervision on significant capital expenditure, acquisitions and divestitures.





b. Management's responsibilities in assessing and managing climate-related risks and opportunities: We have established an ESG Leadership Group, led by Chairman of the company, and its members include heads of departments. The ESG Leadership Group, as an ESG management and coordination organisation of the company, uniformly leads all ESG affairs, including daily supervision and reporting on the implementation of governance tasks regarding climate-related risks and opportunities, and coordination of the daily management of climate-related risks and opportunities.

We steadily carry out the current status reviews, strategy formulation, risk management, and identification and management of indicators and targets for risks and opportunities arising from climate change that the company may be exposed to or can embrace.



Strategy

a&b. The short, medium and long-term climate-related risks and opportunities identified and their impact on the company's business, strategy and financial planning: We referred to the TCFD framework to identify risks related to CTG DUTY-FREE's operations and formulated responsive measures based on our analysis of their impact on the company's supply chain, business operation, operating costs, and operating income, etc.

Transition risks identified

Category	Description	Impact cycle	Actions
 Policy and legal risks	National and local climate-related polices may be tightened (such as the carbon price mechanism, stricter carbon emission compliance requirements and information disclosure requirements), which may increase the company's management inputs and costs, and may put the company under regulatory pressure without the timely improved compliance of management.	Medium and long-term	<p>The company is continuously monitoring the introduction and updating of relevant policies and regulations, and we study implementation requirements as they are released and formulate relevant measures on time.</p> <p>The company is developing the "Work Plan for Implementing the Spirit of President Xi Jinping's Important Speech on the Construction of an Ecological Civilisation and 'Carbon Peaking and Carbon Neutrality'". In addition, we are steadfastly promoting the construction of an ecological civilisation as we work to build a world-class green tourism retailer and pursue high-quality green development.</p>
 Technology risk	Given the synergistic effect of information technology and energy technology, during our transition towards lower carbon and greener operations, the green, innovative and intelligent management requirements in supply chain (including transportation and packaging links) and the operational maintenance requirements of online business will increase our technology costs.	Short, medium and long-term	We continued to optimise our digitalisation and informatisation, and actively built a green, low-carbon and digital smart logistics and supply chain
 Market risk	As consumers become increasingly aware of lower-carbon alternatives and environmental protection, they will opt for more environmentally friendly products, which will reduce the demand for traditional products and present related market risks for our partners and us.	Short, medium and long-term	We have established a smooth mechanism for communication with consumers to understand their demands and preferences in a timely manner and meet their needs for environmentally friendly products.
 Reputation risk	Customer preference to spend on a greener and stable platform.	Short, medium and long-term	We continued to convey a "Green CTG DUTY-FREE" message to the mass public through media channels to boost customer confidence.
	Stakeholders are increasingly concerned about climate-related issues, and we may suffer from reputation risk if we fail to meet stakeholder expectations or if we engage in any behaviour that violates relevant laws and regulations.	Short, medium and long-term	<p>We have established a smooth mechanism for communication with stakeholders and respond to their concerns in multiple ways.</p> <p>We have incorporated ESG considerations into our business operations via specific implementation tasks to continuously improve the quality of the company's ESG disclosure, while enhancing our communication with stakeholders via regular release of ESG reports and other methods to disclose our efforts and achievements.</p>

Physical risks identified

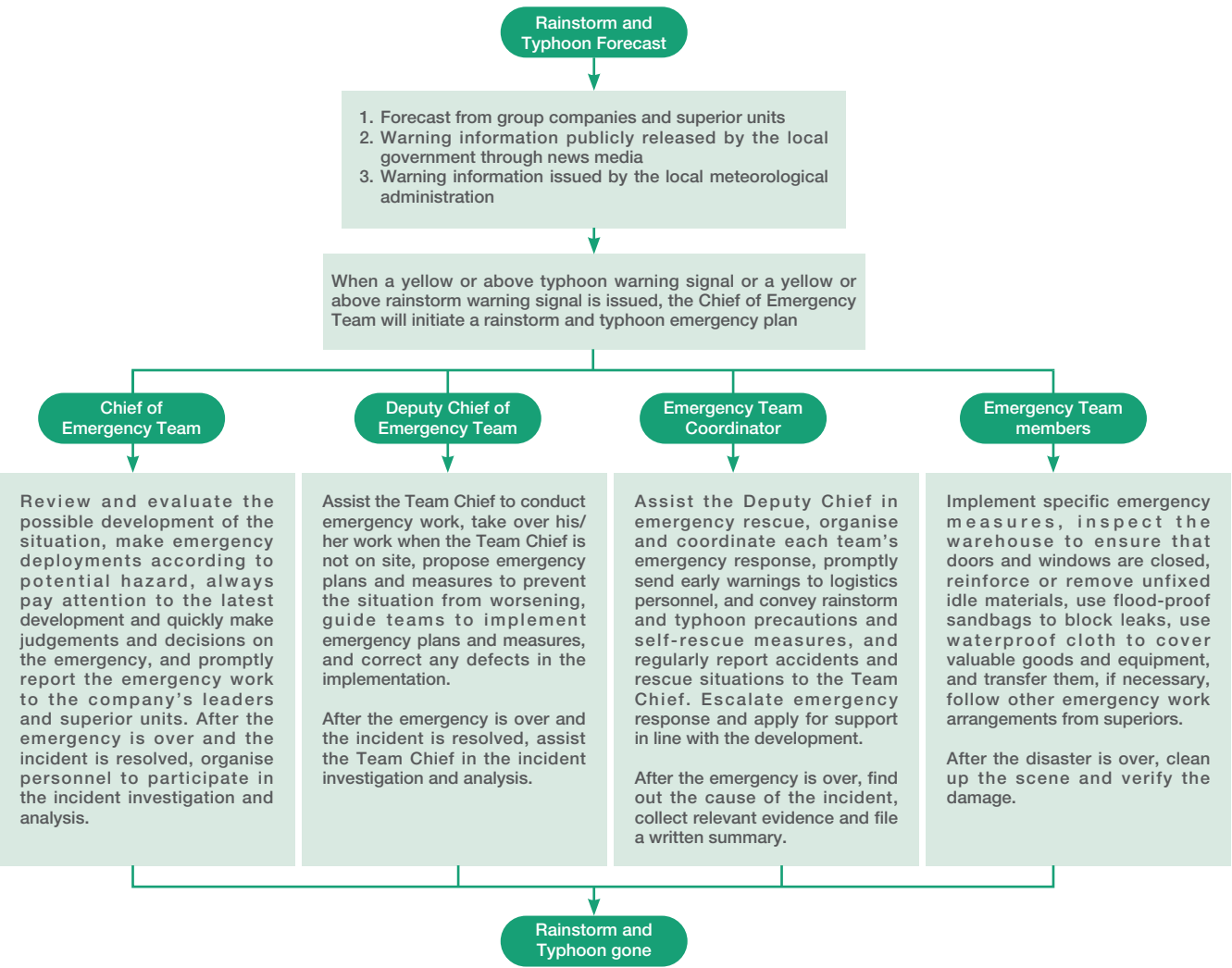
Category	Description	Impact cycle	Actions
 Acute	A series of risks arising from the sudden occurrence of extreme climate or weather events, such as typhoons and heavy precipitations, that will result in a decrease in tourists, product transportation disruptions, and closure of duty-free stores, ultimately causing business instability and cost increases.	Short, medium and long-term	We have formulated emergency response plans to improve the company's adaption to the acute physical risks, including: actively implementing the prevention and control measures against extreme weather risks, monitoring and following typhoon warnings and defence instructions issued by the government, formulating emergency plans, organising emergency training and drills, procuring emergency supplies in advance, keeping alert to safety prevention and emergency duty, building a meteorological information exchange mechanism with third-party logistics companies and closely collaborating with them to minimise losses caused by extreme weather.
	Extreme climate or weather events are likely to cause damage to the duty-free store equipment, employee absences and employee safety incidents, giving rise to additional adverse impacts.	Short, medium and long-term	
 Chronic	Increased probability of extreme precipitation and flood disasters caused by increased rainfall and sea levels rising.	Medium and long-term	We have fully considered the geographical factors in site selection for project development to prevent infrastructure from the material impact of disasters.
	Longer-term shifts in climate patterns may increase the company's operating costs. For example, sustained higher temperatures will raise the demand for water supplies and cooling in the summer, which will increase energy consumption and equipment maintenance and repairing costs.	Short, medium and long-term	<p>By promoting energy conservation and emissions reduction such as continuously promoting energy efficiency and consumption reduction projects during operations to reduce costs while saving energy, we have been able to enhance the company's resilience to chronic risks.</p> <p>We continuously promote the development of online business. The company integrated its online and offline businesses to minimise the negative impact that climate risks may have on offline business operations.</p>

Case

Meilan Store of Hainan DF Formulates an Emergency Response Plan to Defend Against Extreme Weather

The Sales Department of Meilan store of Hainan DF performs real-time monitoring on flight cancellations during typhoons based on weather broadcasts, and coordinates with the Airport Lounge and Administration Office to master partners' operations requirements. Once there are mass flight cancellations, the Operations Security Department will launch an emergency response plan, consisting of the below steps: (1.) Speed up the handling of depositary business, open interim handling sites and equip them with extra staff; and (2.) Obtain the next day's flight schedules during each shift and arrange store opening hours and on-duty staff accordingly. In order to protect the normal operations of the company and employee safety, the Sales Department shall follow the following practices: (1.) Give priority to employees staying at the airport and commuting by car when making shift schedules to ensure the normal opening and operation of stores, and take measures to facilitate employee commutes; and (2.) Put typhoon and flood prevention teams on duty to patrol and report their findings every hour, to ensure timely handling of flight emergencies. At the same time, the Operation Security Department pays attention to typhoon trends, issues typhoon warning, promptly arranges safety related personnel to investigate potential typhoon and flood prevention hazards on the site, properly stores typhoon prevention materials, and issues typhoon safety alerts to remind staff travel safety, and effectively conducts typhoon and flood control duty and emergency work on site.

Meanwhile, the Logistics Department will launch an emergency response plan as below:



Emergency Response Plan formulated by Meilan store of Hainan DF

Area	Strategic opportunities	Our transformation	Impact cycle
Business operations	Build infrastructure with climate resilience	<p>We have adopted a green design philosophy for the initial design of our Haikou International Duty-Free Shopping Complex and Sanya International Duty-Free Shopping Complex. For example, during the design process for the Sanya International Duty-Free Shopping Complex, we have adopted a number of green and energy-saving technologies to meet the standards for fabricated buildings and the standards for fully furnished delivery. The smart and effective technical measures taken include the shape optimisation of the building envelope system, integrated design of the daylighting and shading system in the atrium, and adoption of energy-efficient HVAC equipment, temperature, humidity and air quality monitoring systems, sponge cities, primary WSDs, irrigation with reclaimed municipal wastewater, soundproofing construction materials, and smart system integration management, etc.</p> <p>The construction of infrastructure with better climate resilience can help defend against climate disasters, make full use of natural resources and save energy and reduce emissions with efficiency.</p>	Short, medium and long-term

Area	Strategic opportunities	Our transformation	Impact cycle
Products and services	Launch co-brand green products	As consumers prefer environmentally friendly green products, we have launched co-brand sustainable green products to meet their consumption demands.	Short and medium-term
	Integrate on-line and off-line businesses	To better cater to consumer shopping habits, we have continued to enhance the integration of on-line and off-line business, to provide consumers with more convenient integrated services covering on-line and off-line channels.	Short, medium and long-term
Supply chain	Promote green logistics & packaging	<p>We have adhered to the use of recyclable and degradable green packaging, proactively promoted the automatic and intelligent upgrading of packaging, and have been committed to applying single-sheet receipts and slim tapes into the logistics chain.</p> <p>We have established a waste material recycling system to recycle packaging, cartons, wastepaper, and other materials, which helps extend the life cycle of packaging materials and improve the overall utilisation efficiency of resources.</p>	Short and medium-term
	Optimise freight transport	Compared with air transport, ocean transport is of lesser carbon emissions, and higher efficiency in energy conservation and emission reduction. Therefore, we have worked with brands to gradually increase the proportion of sea transportation during the procurement and transportation process.	Medium and long-term
	Promote the use of new energy tools	We have vigorously promoted the use of clean energy equipment and made full use of electric powered forklift trucks to replace traditional fuelled ones, so as to reduce carbon emission and environmental pollution.	Short, medium and long-term

c. Consider various climate-related scenarios for better strategic resilience: We plan to perform scenario analysis based on our business operations at the right time in the future, including exploring the potential impacts of climate-related risks and opportunities on the company's strategy under the scenario of a 2°C warming and other, more extreme scenarios, and how to change our strategies to better respond to these potential risks and opportunities.

Risk Management

We attach importance to, and have clearly defined, the identification, assessment and management processes for climate-related risks.

a. Identification and assessment process for the company's climate-related risks

We have identified the physical and transition risks related to climate change which exert substantial impact on our business, with reference to the possibility of risk occurrence and scope of impact as suggested by TCFD, and combined with the climate risks actually occurred in our business scenarios or those that can be predicted.

b. Management process for the company's climate-related risks

We manage climate-related risks according to the company's ESG governance structure. The Board of Directors, as the top decision-making body, cooperates with its Strategy Committee to jointly manage and monitor climate-related risks and opportunities. Management coordinates the daily work to assess and manage climate-related risks and opportunities. We determine the materiality of risks by referring to the impact of climate-related risks on the company's operations.

c. Integration of the company's identification, assessment and management process for climate-related risks with the overall risk management system

We incorporate climate-related risk management into our overall ESG management structure. Under the supervision and support of the Board of Directors and its Strategy Committee, the ESG Leadership Group is responsible for coordinating the implementation of climate-related risk management at the company and the subsidiary levels.

Indicators and Targets

To enable measurement of the climate change process and the effectiveness of the response actions, it is important to select appropriate parameters and indicators and formulate corresponding targets.

- **a. We assess the indicators used in measuring climate-related risks and opportunities by following the company's strategy and risk management process:** We have determined and disclosed the climate-related risk indicators for the management of both direct and indirect greenhouse gas (GHG) emissions according to the requirements of the ESG Reporting Guide of the HKEX, and based on our actual business situation, as an active response to the national call for "carbon peaking and carbon neutrality".
- **b. The company's scope 1 and scope 2 GHG emissions and the relevant risks:** we have implemented a series of energy-saving and consumption reduction measures to decrease GHG emissions. For details, please refer to Green and Low Carbon Operations. Meanwhile, the company actively promotes green buildings to reduce greenhouse gas emissions from its operations. For details, please refer to Green Building – Creating a Green Future.
- **c. Targets used by the company to manage climate-related risks and opportunities, and actions taken to achieve those targets:** To mitigate and adapt to climate risks, we have established qualitative targets for a green office: Continue to promote energy conservation and emissions reductions, and implement the company's "Green and Low Carbon Proposal" in detailed tasks; and for green buildings: Follow green standards for the construction of new buildings, continue the energy-saving transformation of existing facilities, actively explore the use of new energy, and cooperate with settled brands to obtain LEED gold certification.

We have taken actions to gradually achieve the above targets, such as releasing the "Green and Low Carbon proposal", enhancing the transformation of the existing energy-saving facilities.

In light of the evolving conditions of the company's operating location and the market dynamics, we will constantly review our practical activities and adjust our objectives and proposed measures in a timely manner. We will further improve our governance, strategy formulation, risk management, identification, and management of indicators and targets, and work with all sectors of society to cope with climate change and achieve common sustainable development.

► Saving Food to Reduce Food Waste

The company complies with the *Anti-Food Waste Law* and implements the spirit of President Xi Jinping's important instructions and comments on "firmly combating extravagancy on foods", as well as the important requirements of the 20th National Congress of the Chinese Communist Party on "advocating frugality and thrift in the whole society". We improve our employees' awareness of saving food by taking actions during daily meals in staff canteens.

Detailed actions taken by us to save food include:



Meals prepared by the Meals Supply and Management Department based on actual needs and served in batches. Advance preparation of extensive servings is not available; the utilisation rate of raw materials is improved, and sources of waste reduced.



Staff meals are served in the form of a buffet to encourage employees to only take the necessary amount of food.



The company and its subsidiaries put up posters advocating food saving such as "Clear Your Plate" in the eye-catching areas of their canteens to convey our traditional spirit of diligence and thrift.

Case

Sanya International Duty-Free Shopping Complex Refreshes Its Management on Staff Meal Servings with an Obvious Effect

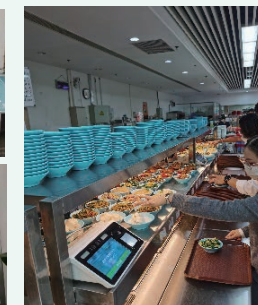
In 2022, the Sanya International Duty-Free Shopping Complex began its reform on staff meal management by introducing small-sized servings into its staff canteens, requiring employees to help themselves with staple food as needed, and installing monitoring equipment in the canteen to capture extravagant food behaviour. Those who go too far on wasting food are subject to financial penalties and announcement of their behaviour and punishment. With these two measures, the volume of food daily wasted in canteens was reduced to half of that under the previous serving mode.



Saving food posters in a canteen at Sunrise Shanghai



Saving food slogans in a canteen at the company's headquarter



Small-sized servings in the staff canteen of the Sanya International Duty-Free Shopping Complex



Saving food posters in the Sanya International Duty-Free Shopping Complex

Case

Sunrise Shanghai Establishes a Dedicated Team to Save Food and Combat Food Wasting Behaviour

Sunrise Shanghai has established a dedicated team to save food and combat food wasting behaviour, as a supplementary measure to enhance the relevant systems and implement the relevant requirements. The dedicated team put forward various rules and regulations from the Meals Supply and Management Department, before posting them on walls for publicity, improving and supplementing Sunrise Shanghai's internal regulations on anti-food wasting. The team also took actions to strictly control catering costs, standardise management of catering staff, and to eliminate extravagance and wasting of food. It also helped improve diners' food saving awareness by equipping canteens with dedicated staff to supervise behaviour and suggest them to "take no more than needed", "guard against wasting food", "cut down on food takeaways" and "go for leftover classification". With the team's efforts, employees have developed no food wasting habits, and the canteens operate in good order with a pleasant dining atmosphere.

Green Building – Creating a Green Future

CTG DUTY-FREE is committed to building a consumer space that integrates fashion and environmental protection. We are dedicated to acting as a role model for environmental protection in the travel retail industry. Based on industry-leading green concepts, we have formulated and implemented green solutions based on national and industry standards throughout the entire construction cycle of our buildings, and we have achieved impressive results in this regard.

► Green Building Management

Green Building Concepts

In the spirit of President Xi Jinping’s instructions on ecological civilisation, we are committed to the implementation of the Green Building Action Plan. CTG DUTY-FREE actively promotes the development of green buildings with a focus on the conservation of energy, land, water, and material, leading to environmental protection. We follow the national green building standard system in China, LEED certification system and other certification standards in our projects, while also considering local policies and the project’s specific characteristics. We aim to maximise resource conservation, environmental protection and pollution reduction throughout the building’s life cycle, provide the public with healthy and efficient spaces, and co-exist harmoniously with nature.

Green Building Regime

CTG DUTY-FREE has developed a comprehensive green construction process and system for building construction. For construction projects of the company, when organising the preparation of project budgets and bidding documents, management is subject to clear requirements to ensure that the construction of the project is undertaken in a green manner, including measures related to energy efficiency and consumption reduction, dust control, green transportation, occupational health and operation safety, assigned with scoring weights during the evaluation process. In addition, the builder is required to provide guarantees related to the site, the environment, the construction period and capital, among other areas. We require the construction company to compile a comprehensive particular green construction programme, and we also require the construction company to establish an effective support system. Furthermore, a supervisory party is responsible for reviewing the green construction programme and supervising the construction process to ensure that green measures are implemented strictly with the relevant national, provincial, and municipal regulations. The supervisory party is required to perform robust and timely inspections during the construction process to ensure that the green construction measures are fully implemented.

Green Building Overview

The company integrates the concept of sustainable development into all stages of design, construction, and operations to create quality buildings that adhere to green concepts and green building standards throughout their life cycle. At the end of 2022, the company is planning to build green buildings covering an area of about 1,455,900 square metres. The design of the Haikou International Duty-Free Shopping Complex Plot 4 Project and the Sanya International Duty-Free Shopping Complex Phase 1 Plot 2 Commercial Project and Phase 1 Plot 2 Hotel Project was started in 2022 under 2-star Green Building Label standards. The 2-star Green Building pre-certifications are expected to be acquired in 2023. Some of the key projects are as follows:

Project Name	Acquired Certification/Planning Criteria
Haikou International Duty-Free Shopping Complex (Block No.5)	Obtained LEED Gold pre-certification
Haikou International Duty-Free Shopping Complex (Block No.1)	Obtained 2-star Green Building pre-certification
Haikou International Duty-Free Shopping Complex (Block No.4 and No.6)	Plan to apply for 2-star Green Building certification
Sanya International Duty-Free Shopping Complex Phase 1 Plot 2 Commercial Project	Obtained LEED Gold pre-certification Plan to apply for 2-star Green Building certification
Sanya International Duty-Free Shopping Complex Phase 1 Plot 2 Hotel Project	Plan to apply for 2-star Green Building certification

► Embracing Green Buildings to Facilitate Sustainable Development

Sanya International Duty-Free Shopping Complex Project

Project Overview

Sanya International Duty-Free Shopping Complex Phase 1 was completed and commenced business operation in 2014, and Phase 2 was completed and commenced business operation in 2020. During the design stage, the project was reasonably planned and designed for effective energy conservation and emissions reduction by considering the local weather, the geographical and topographical environment and the surrounding transportation in Sanya.

The Sanya International Duty-Free Shopping Complex Project has won us many prizes and awards, including the “7th REARD Global Real Estate Design Awards (REARD) -Gold” and the “8th China Real Estate & Design Award (CREDAWARD) - Gold Award for Shopping Mall Landscape Design”. It also ranks among the “Top 10 Night-time Economy Landmarks in Sanya”.



The “8th China Real Estate & Design Award (CREDAWARD) – Gold Award for Shopping Mall Landscape Design”

Green Design Standards

The Sanya International Duty-Free Shopping Complex Phase 1 Plot 2 Commercial Project has adhered to the philosophy of resources conservation and environmental protection since its planning and design stage and has focused on constructing high-quality green buildings supporting sustainable development with reference to domestic and international green building standards, so as to provide people with healthy and comfortable living spaces. During the Project’s design stage, a number of green and energy-saving technologies were adopted to meet the standards for fabricated buildings and the standards for fully furnished delivery. The smart and effective technical measures taken include the shape optimisation of the building envelope system, integrated design of the daylighting and shading system in the atrium, and adoption of energy-efficient HVAC equipment, temperature, humidity and air quality monitoring systems, sponge cities, primary WSDs, irrigation with reclaimed municipal wastewater, soundproofed construction materials, and smart system integration management, etc. All these measures helped satisfy the 2-star green building standards in the five aspects of safety and durability, health and comfortableness, convenient life, resources conservation, and friendly living places. Through the application of these technologies, the Project has reached international standards related to sustainable site selection, indoor and outdoor water efficiency, energy consumption reduction, waste management, indoor environmental quality, and more. The Project has fulfilled the requirements of LEED Gold and is expected to acquire LEED Gold certification in 2024.

Green and Energy-Saving Measures

The Sanya International Duty-Free Shopping Complex Project adopted energy-efficient processes during the construction stage, and assembled construction techniques were used to reduce particulate matter and waste disposal at the construction site. During the construction process, new and high-quality building materials that save energy and protect the environment were used, including six types of light-transmitting insulating glass, expanded perlite concrete, environmentally friendly latex paint, low-loss transformers, frequency conversion fans, and water pump equipment.

Based on the operational data of Sanya International Duty-Free Shopping Complex Phase 1 and Phase 2, Phase 1 has reduced energy use by more than 15%, and Phase 2 has reduced energy use by more than 18%.



Sanya International Duty-Free Shopping Complex Phase 1 Plot 2 Commercial Project acquired the LEED Gold pre-certification

Aspect	Low Carbon & Environmental Protection Measures
Energy consumption	<p>The building's energy-efficient design complies with national standards. The design of the building's shape, orientation, the distance between buildings, and window-to-wall ratio, among other aspects, were optimised to reduce overall energy consumption.</p> <p>Double silver LOW-E coloured glazed hollow glass roofing was adopted in Phase 1, and some glass facades have been treated with reflective film. In Phase 2, the shading design covers about 70% of the entire site's metal decorative roof, which prevents temperature increases from indoor sun exposure and reduces the energy consumed by air conditioners.</p> <p>Intelligent elevator management: The escalators' intelligent speed monitoring capabilities and the elevator group control system reduce power consumption.</p> <p>Intelligent fresh air control system: Fresh air is circulated into the buildings during transition seasons. Minimum fresh air volumes are used to operate the system when the outdoor temperature is higher than the indoor temperature in summer.</p> <p>The building's intelligent lighting considers the time of the day and scenarios to reduce electricity and energy consumption. In 2022, we saved around 960,000 kWh of electricity compared with the previous year by means of renovation and the replacement of high energy consumption and low efficiency lighting fixtures, the installation of time switches, and the setting of running periods for lighting fixtures, etc.</p> <p>The building has been outfitted with a variety of intelligent control systems, including intelligent office capabilities, energy efficiency capabilities, intelligent lighting, intelligent monitoring, access control systems, and vehicle management systems.</p>
Water and soil resources	<p>Adopting rainwater storage system and permeable pavement in the building's "sponge city": We have set up rainwater storage tanks to collect rainwater for road flushing and green irrigation. The permeable pavement has been used to efficiently penetrate ground rainwater, which reduces pressure on the drainage system and maintain the urban soil's ecological balance.</p> <p>Sewage and wastewater classification treatment: Sewage is discharged into the municipal network after being treated by the outdoor septic tank, and kitchen sewage is discharged into the municipal network after being treated by oil separators twice.</p> <p>Phase 2 also equipped with a river revetment and plant maintenance capabilities, which enable the building to meet floodwater discharge requirements, thereby ensuring a stable riverside and preventing water and soil erosion.</p> <p>To save water consumed by fountains, we perform disinfection and algae-killing treatments on fountain water on a regular basis and remove and recycle sediment at the bottom of the pool by sewage suction pump to lower the frequency of water change, helping us save over 8,000 tonnes of water compared to that of 2021.</p>
Clean air	<p>The high-efficiency oil fume purifier has been designed to the highest emission standard of 1.0mg/m³, which is stricter than the national standard for environmental protection and emissions in China. These measures effectively improve the park's air quality.</p> <p>The building layout distance between buildings and ventilation placement have been optimised to improve on-site air circulation.</p> <p>Phase 2 is equipped with an intelligent garage ventilation system. The induced ventilation system in the underground garage automatically controls the operation of the garage fan according to the carbon monoxide concentration, which improves air quality in the garage.</p>
Noise management	<p>Noise and vibration control: Fans, pumps and other equipment emit low noise, and shock absorption devices have been deployed in relevant locations on the premises.</p>

Green Construction Management

We have formulated a green construction plan for the Sanya International Duty-Free Shopping Complex Phase 1 Plot 2 Commercial Project, which includes site environmental protection, comprehensive utilisation of materials and resources, energy conservation and comprehensive utilisation of energy, water conservation and comprehensive utilisation of water resources, land conservation and construction land protection, construction waste management and other measures. Multiple green technologies and measures have been adopted for the Project, such as the primary use of local and recycled building materials, advanced construction techniques, tool stereotyping, bare soil coverage for dust suppression, water-sprinkling devices on the site to control dust, recovery and comprehensive utilisation of construction waste, reducing resource consumption and environmental pollution throughout all stages of construction process, to protect the natural surroundings to the largest extent.



Green Operations Management

We have formulated a commissioning plan for the Sanya International Duty-Free Shopping Complex Phase 1 Plot 2 Commercial Project, under which, we reviewed the relevant documents submitted by contractors for the lighting system, HVAC system and fire-fighting system, etc., prepared an electromechanical equipment mobilisation schedule and an electromechanical commissioning schedule, and kept records of the installation, start-up, and commissioning of electromechanical equipment, to ensure that the electromechanical system reaches the performance target of green design and to realise the safe and efficient operation of electromechanical systems from design, construction, to operation.

Preserving Biodiversity

Sanya is located within a tropical marine and monsoon climate zone with high temperatures and a relatively high humidity all the year round. This makes it home to diversified biological species, and helps with the shaping of its healthy, benign and sustainable ecosystem. During the development and construction of the Sanya International Duty-Free Shopping Complex Phase 1 Plot 2 Commercial Project, we paid attention to the protection of the surrounding ecological environment and biodiversity, and adopted various green construction technical measures to minimise the impact of the Project on the ecological environment and biodiversity:

Enclosed construction	The construction site was physically divided and isolated from the surrounding areas;
Construction noise control	Measures were taken to avoid disturbance of biological habitat caused by construction noise (day and night);
Construction dust control	Technical measures, such as on-site watering and the cleaning of vehicles before leaving the site, were taken to reduce the impact of construction dust on the ecological environment;
Thermal comfort control at the construction site	Vegetation, sunshades and fog mist cooling systems were used to keep the temperature and humidity of the construction site in line with the surrounding environment and avoid the urban heat island effect;
Construction sewage and wastewater discharge	Sewage generated during the construction process was first sent to a septic tank, and then regularly transported out after biological fermentation and treatment to avoid polluting the land; wastewater from canteens was discharged into the municipal pipeline after entering the oil separator for purification treatment;
Earthwork balance and original soil filling	During the early stage of construction, we accurately calculated the volume of earthwork excavation, reasonably planned the volume of backfill and the amount of site landscaping to be used in the later stages and used backfill as much as possible to ensure the adaptability of ecosystem and biological community to the soil environment.

Haikou International Duty-Free Shopping Complex Project

Project Overview

Guided by the "carbon peaking and carbon neutrality" goals, CTG DUTY-FREE strictly follows the development goals of the 14th Five-Year Plan and sticks to a green growth path to boost Hainan's economy and carry out the common and green development of the "Belt and Road Initiative". The Haikou International Duty-Free Shopping Complex Project is built as a super-large, green and low carbon "international tourism consumption centre" with "port and city integration", helping realise the maximisation of social, economic and environmental benefits.



The Haikou International Duty-Free Shopping Complex has established an outstanding reputation. In 2022, it won the “7th REARD Global Real Estate Design Silver Award”, the Gold Award of International Design Awards (IDA), the Outstanding Property Award London (The OPAL Award) Winner, the Iconic Award 2022 (Iconic Design Award-Selection) of the German Design Council, the Architecture Master Prize (AMP) of the United States, and the Honourable Mention Award for Architectural Design.



Green and Low Carbon Planning

The Haikou International Duty-Free Shopping Complex Project adheres to regional ecological harmony, combines domestic and overseas green and low-carbon development concepts, combines overall regional planning, and realises the calculation and control of carbon emissions during the whole life cycle by incorporating new technologies into the sustainable development concept. For the Project, we focused on the five key areas of source reduction, energy saving and efficiency enhancement, energy substitution, smart management, and carbon fixation of landscapes. We have adopted multiple low carbon and energy-saving technologies, such as comprehensive application of prefabricated buildings, roof greening, reclaimed water system, sponge cities, charge piles for electric vehicles, passive energy saving and efficient cold source, and more.

For the 6 plots of the Project, the company prepared the “White Paper on Low-Carbon Planning of Haikou International Duty-Free Shopping Complex”. As calculated, the carbon emissions from Plot 1 and Plot 4 are approaching standards for low-carbon buildings. With the completion of all plots, the Project will rank as a pioneer among low carbon buildings.

We will continue to explore the Project’s potential for low carbon growth by forging it as the company’s low-carbon project benchmark. We will also expand the Project’s low carbon practices to other projects, as a means to convey our green philosophy and continuously explore new measures of low-carbon development.

Green Design Standards

Based on the international and domestic green standards, Haikou International Duty-Free Shopping Complex has integrated environmental protection, energy efficiency and green concepts into its planning and design; and the concept of sustainability will be conveyed by the complex both visually and practically. BIM⁷ has been adopted in the design and construction process, and the project will feature prefabricated buildings and fine decorations. Various intelligent, high-efficiency and energy-saving capabilities, such as building shape optimisation, building space utilisation, building insulation materials, natural lighting design, “sponge cities”, rainwater recycling, garbage classification, charging piles, solar energy, smart lighting, convenient automated payment, and smart parking will be adopted to reduce the buildings’ energy consumption and ensure compliance with low-carbon standards. Haikou International Duty-Free Shopping Complex will meet leading international standards related to energy consumption, indoor air quality, and ecosystem and environmental protection and has fulfilled the requirements of LEED Gold. Plot 1 of Haikou International Duty-Free Shopping Complex acquired 2-star Green Building pre-certification.



Green and Energy-Saving Measures

- **Reducing the heat island effect**
The project reduces ground parking spaces, uses light-coloured paving materials, and uses light-coloured materials or highly reflective coatings for roofing materials as much as possible.
- **High efficiency water-saving appliances**
The project uses all Grade I sanitary ware to achieve high-efficiency water savings, and the cooling tower’s water flow rate meets LEED requirements.
- **Rainwater recycling**
All on-site rainwater will be collected, treated, and reused for greening irrigation and road washing to save fresh water.
- **Energy efficiency optimisation**
A comprehensive energy consumption simulation has been conducted based on the design of the project envelope and the HVAC system, the equipment’s energy efficiency and the indoor lighting power density. According to the simulation’s calculations, the designed building will reduce costs by 16.5% annually compared to the ASHRAE benchmark building.
- **High efficiency air treatment**
The project adopts G4+F7 medium – and high-efficiency filtration devices to guarantee indoor air quality. In addition to basic ventilation, the volume of fresh air will be increased by 30% to avoid insufficient fresh air when there are many people in the building.
- **Enhanced commissioning**
In addition to basic commissioning, the project will also ensure that an efficient operational strategy is maintained for the energy consumption system and that timely support is provided for operations through functional testing and problem documentation of HVAC, the HVAC control system and the lighting system.
- **Full life cycle assessment**
The project has conducted a full life cycle assessment (LCA) of the new building to calculate the percentage reduction in various environmental impact indicators of the new building compared to the benchmark building.

Green Construction Management

A complete scheme for green building construction has been prepared for this project, including environmental protection, water treatment and recycling control, noise pollution control, light pollution control, indoor air quality management, chemicals and other toxic and hazardous waste treatment control, water and electricity conservation, resource and material conservation, green building materials construction and other measures. In this project, the developers are using various technologies to protect the surrounding environment, such as bare soil coverage for dust prevention, automatic spraying device for dusk reduction, washing construction vehicles with intelligent car wash tanks before leaving the site. We also equipped the construction site with a dust monitoring system to observe the dust level of the Project at any time to ensure that the dust removal meets relevant standards. Reusable protective facilities and building materials are widely used to reduce resource consumption and energy losses. Regarding disposal, waste generated during the construction process is classified and recycled as required and then shipped to enterprises with processing qualifications to be recast and used for producing new building materials to save natural resources.

Green Operations Management

When it commences operations, Haikou International Duty-Free Shopping Complex will be able to leverage preliminary and enhanced commissioning to comprehensively verify its performance, including its building data, HVAC system, lighting and natural lighting systems, internal domestic water and electricity system and renewable energy system. In this way, the complex will be able to ensure that its operations achieve their targets. In addition, the project will ensure safe and efficient operations at all times and meet green building operating standards through intelligent property service measures such as centralised control of building information, building equipment and regular maintenance.

⁷ BIM: Building Information Modelling

Case Haikou International Duty-Free Shopping Complex Launches an Innovative and Green Cross-Border E Store – cdf Global

The cdf Global, a cross-border E store at the Haikou International Duty-Free Shopping Complex, is innovative in terms of concept and business model. It leverages emerging shopping fashion and concepts such as “online and offline integration” and “self-serving selection by consumers” and enables direct communication between consumers and global brands through electronic media such as QR codes to minimise intermediate links and reduce energy consumption. Materials used in the store are all green, such as water-based paint, with no wooden boards on the floor. Prefabricated construction takes up more than 85% of the overall construction. All lamps in the store are energy-saving ones that meet the requirements of energy conservation and environmental protection.

Meanwhile, the novel interior design of the store focuses on the themes of “reducing intermediate link reduction” and “making customers at home” by equipping the store with large and comfortable lounge areas for customers and differently coloured collection areas to facilitate the consumer’s self-serving selection.



Photos of cdf Global at Haikou International Duty-Free Shopping Complex

Building a Low-carbon Eco-tourism Destination

The Haikou International Duty-Free Shopping Complex project follows the concepts of innovative, coordinated, green, open and inclusive development that was described in the 14th Five-Year Plan. To this end, the project aims to actively respond to national and global carbon-neutral targets, focuses on the four core functions of tourism, culture, social life and daily living, and emphasises low-carbon and ecological construction principles. By steadily engaging in scene innovation, technology innovation and content innovation, we aim to build a low-carbon ecological tourism destination that integrates intelligent experiences with technology-empowered living, designed scenarios, and cultural and tourist activities.

Innovative Green Marketing

As a world-renowned travel retail operator, the company has been unswervingly advancing down the path of sustainable development. It makes a due contribution to the construction of the prosperous future of China by taking the lead in supporting the realisation of carbon neutrality goals and committing to conveying the environmental protection message to upstream brands and downstream consumers.

► Creative Activities to Boost Consumption

We are continuously delivering a “Green CTG DUTY-FREE” message to the mass public by carrying out various green creative activities to further enhance consumer engagement and provide them with premium services and a superb duty-free shopping experience. We will try our best to promote the transformation to a better consumption ecosystem.

Case Public Welfare Activities on Coral Reef Conservation

In the Haikou International Duty-Free Shopping Complex, we carried out some activities themed on coral reef conservation. At the site, common marine litter and marine balls were used to build models of coral reefs. Combined with the selected screen background, it presented an extraordinary visual experience to customers, and enhanced customer awareness of protecting ocean life such as coral reefs. Meanwhile, customers also enjoyed themselves by joining the mini class on creating a DIY ocean picture frame with shells. This “Ocean-protection shell painting DIY” experience also helped enhance their awareness of protecting oceans.



Photo of public welfare activities on coral reef conservation



Photo of public welfare activities on coral reef conservation



Photo of “Ocean-protection shell painting DIY” activity



Picture frames made during the “Ocean-protection shell painting DIY” activity

► Cooperation with Brands for Common Development

As a leader in the travel retail industry, we actively respond to changes in the new era. In this context, we consider the construction of a national ecological civilisation to be a fundamental aspect of sustainable development. We are committed to the sustainable development of our operations. To this end, we actively take responsibility for environmental protection and collaborate with brand partners to protect the environment and conserve energy.

Green Counters to Promote “Green” Operations

Our company continuously deepens our “green” cooperation with brand partners. Also, we have introduced green designs and environmentally friendly materials in counters and booths to provide consumers with a comfortable shopping space and a high-quality consumer experience.

At the end of the reporting period, the new stores or counters of Armani Beauty, Balenciaga, Cartier, De Beers, Kiehl's, Lancôme, and YSL Beauté⁸ at Sanya International Duty-Free Shopping Complex, have all received LEED Gold certifications.



The Balenciaga store at Sanya International Duty-Free Shopping Complex.

In addition, the stores of Cartier, De Beers and Van Cleef & Arpels at Haikou International Duty-Free Shopping Complex are applying for LEED Gold certification.



The Cartier store at Haikou International Duty-Free Shopping Complex.



The De Beers store at Sanya International Duty-Free Shopping Complex has been certificated as LEED Gold.



The Van Cleef & Arpels store at Haikou International Duty-Free Shopping Complex is in an application for LEED Gold certification.

Case The Company and L'Occitane Launch the Brand's First Sustainable Concept Store at the Sanya International Duty-Free Shopping Complex

The company worked with L'OCCITANE Travel Retail Asia Pacific to launch its first sustainable concept store of L'Occitane at the Sanya International Duty-Free Shopping Complex. 84% of the construction materials used for this green boutique were eco-certified and consistent with the philosophy of "Rethink, Recycle, Reduce". The sustainability concept is well incorporated into the overall design of the store, running from the design concept to construction and even to scrap recycling, which marks a practical fulfilment of environmental protection. The store used environmentally friendly materials to replace plastics, and light, natural and renewable bamboo materials to replace pine wood. All the materials used were transported by electric trucks, and all these practices are aimed at reducing the boutique's carbon footprint.

The company also cooperated with TerraCycle to launch the first bottle recycling initiative at the Sanya International Duty-Free Shopping Complex, aimed at encouraging all customers to play their part in promoting a circular economy through recycling of product packaging materials.



L'Occitane launched its first sustainable concept store at Sanya International Duty-Free Shopping Complex



The chandeliers in the store are made of recycled glass bottles

Case Clarins Builds an Environmentally Friendly Store in the Haikou International Duty-Free Shopping Complex

Materials that are easy to disassemble and recycle were used to construct the Clarins store in the Haikou International Duty-Free Shopping Complex to maximise the use of locally purchased materials and reduce the carbon footprint. Material procurement was focused on sustainable materials such as wood, screens with environmental logos, and 100% LED lights.

The pop-up store of Clarins in the Haikou International Duty-Free Shopping Complex is made of recyclable wood and acrylic materials and is therefore easy to disassemble and convenient for delivery, helping reduce the carbon footprint.



Clarins's environmentally friendly boutique store



Clarins's environmentally friendly pop-up store

⁸ 按品牌英文名称首字母排序。

Case The Company Cooperates with Baume & Mercier to Advocate the Philosophy of “Environmental Protection, Regeneration, Innovation, and Sustainability”

Launching the MOA10680 watch using a sustainable concept

As one of the exhibition halls of the 3rd “Watches & Wonders” Hainan Luxury Watch Trade Show, the Haikou International Duty-Free Shopping Complex introduced and showcased Baume & Mercier’s MOA10680 watch exclusive 2.0 and joined with the brand to promote the philosophy of “environmental protection, regeneration, innovation, and sustainability”.

80% of the materials used for the casing of Baume & Mercier’s MOA10680 watch are recyclable materials refined from premium plastic materials selected from marine recyclables by WFO, a non-governmental organisation and Baume & Mercier’s long-term partner. Meanwhile, the quick-release strap is made of recyclable woven PET fabric and natural black cork. “WFO-Waste Free Ocean” is engraved on the back of the watch. For each sale, the Swiss Headquarters of Baume & Mercier will donate 2% of the sales amount to charity organisations.



Baume & Mercier’s MOA10680 watch

Case The Company Facilitates Baume & Mercier’s Launch of Seed Vending Machines to Appeal for Donations of Recyclable Plastic Bottles

To appeal for donations of recyclable plastic bottles by the mass public and reduce the possible flow of plastic pollutants into rivers and seas, we supported Baume & Mercier to launch seed vending machines in its stores in the Haikou International Duty-Free Shopping Complex and the Sanya International Duty-Free Shopping Complex during the period from 1 December 2022 to 28 February 2023. This promotes the philosophy of “green operations, low carbon, plastic reduction, and ocean protection”. These seed vending machines are located next to the brand’s new wristwatch Riviera to provide consumers with a unique harvesting experience.



We assisted Baume & Mercier’s with the launch of seed vending machines

Calling for donations of recyclable plastic bottles

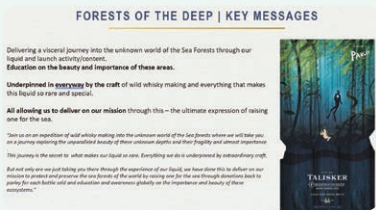
Case Introduction of Panerai Wristwatches to Support the Brand’s Philosophy of “Regeneration, Innovation, Carbon Reduction, and Environmental Protection”

As one of the exhibition halls of the 3rd “Watches & Wonders” Hainan Luxury Watch Trade Show, Haikou International Duty-Free Shopping Complex introduced and showcased 4 types of Panerai wristwatches on the fourth floor, as a move to recognise the brand’s relentless efforts to fulfil the philosophy of “regeneration, innovation, carbon reduction, and environmental protection”.

Panerai uses recyclable PET materials for its fabric bands and watch straps and makes watches casings with 97% recyclable materials. These practices are a part of Panerai’s efforts to reduce the demand for raw material extraction and adverse environmental impacts.

Case The Debut of Talisker, Diageo’s “Green” Whisky, in Our Retail Channel

1 November marks the debut of 44-Year-Old Talisker in our retail channel. According to Diageo, Talisker goes beyond experiential liquor with the mission to protect the global oceans and forests. For each bottle of Talisker sold, a bottle of water will be purchased for the oceans via donations. Talisker also conveys Diageo’s message to the world of the importance and beauty of ecosystems.



Optimising Freight Shipping

CTG DUTY-FREE focuses on achieving green, efficient and safe operations in each component of the supply chain. Ocean transportation results in fewer carbon emissions per unit than air transportation, effectively conserving energy and reducing emissions. Therefore, we work with our brand partners to optimise freight models and gradually increase the proportion of ocean transportation in the procurement process. Our company has also continued to strengthen communication and exchanges with suppliers and relevant authorities in Hainan province, to expand the number of categories and products shipped by sea to reduce carbon emissions further. Our efforts in this area have received massive attention and support from many brands supplier groups in the industry.



► Green Packaging to Deliver a Green Message

CTG DUTY-FREE has a large consumer base and understands that it is responsible for spreading green consumption among its customers. As a result, we are committed to deploying and expanding our influence to encourage more consumers to pay attention to ecological and environmental protection.

Managing “white waste” is a critical concern in China. In response to the national “plastic restriction” policies, CTG DUTY-FREE has implemented a series of alternative measures to reduce the use of plastic packaging materials and mitigate the threat posed by plastic waste to the environment. At the end of the reporting period, the company’s Haikou International Duty-Free Shopping Complex, Sanya International Duty-Free Shopping Complex, Sanya Phoenix Airport Duty-Free Shop, Haikou Duty-Free Shop, Haikou Meilan Airport Duty-Free Shop, Boao Duty-Free Shop and other major duty-free shops at airports all provide free paper bags. Other packaging bags are made of biodegradable materials as required by environmental protection regulations.

Based on the principle of responsible packaging, we insist on using recyclable and degradable environmentally friendly materials, promoting packaging automation and intelligent upgrades. We are committed to incorporating more green ideas such as single-sheet receipts and slim tapes into the logistics chain. The company has also established a system to recycle waste materials such as packaging materials, cartons, cardboard, and other materials, extend the life cycle of packaging materials and improve the utilisation of resources. For example, the company recycles cartons by size and material during the logistics stage and reuses them as containers on storage shelves, alternative turnover boxes during transportation, and packing boxes for transfer of outbound goods, with a view to reducing the quantity of newly purchased cartons. Packaging bags used by the company’s stores in Hainan are all made of biodegradable and environmentally friendly materials.



We actively explore the possibility of using environmentally friendly materials in all links of the supply chain, and packaging optimisation plans at various stages of the logistics chain in actual business scenarios. For example, cartons and gas columns used as filling materials for e-commerce operations by CDF International are all made from recyclable materials. To avoid unnecessary waste and packaging waste, we require that suppliers deliver their goods directly to each destination to skip unnecessary unpacking.

Considering that polyvinyl chloride, the primary material in traditional adhesive tape, takes nearly a hundred years to degrade in nature, we have decided to focus on exploring the use of tape-free cartons during the logistics chain. Tape-free cartons are sealed entirely physically, and they also allow consumers to feel that they are participating in environmental protection initiatives during the unpacking process. By making this change, we hope to spread green consumption among large numbers of consumers.

We will incorporate the sustainability and ESG performance indicators into our selection of suppliers. For example, one of our suppliers of tobacco and alcohol, Diageo, continues to increase the proportion of recyclable packaging materials to 100% from 60%, and has successfully reduced the weight of packaging materials by 10%. It is expected that the plastic packaging materials used by Diageo will be 100% recyclable by 2030.

Appendix

Glossary of Terms

Term		Definition
CTG DUTY-FREE, the company, our company, we	refers to	China Tourism Group Duty Free Corporation Limited together with its affiliated companies
ESG Report, the Report	refers to	The Environmental, Social and Governance Report
The reporting period, the current year	refers to	From 1 January 2022 to 31 December 2022
China Tourism Group	refers to	China Tourism Group Co., Ltd.
CTS Holdings	refers to	China Travel Service (Holdings) Hong Kong Limited
CDF Investment Development	refers to	CDF Investment Development Co., Ltd.
Sanya Downtown Duty-Free Store	refers to	China Duty Free Group Sanya Downtown Duty Free Store Co., Ltd.
Sunrise China	refers to	Sunrise Duty Free (China) Co., Ltd.
Sunrise Shanghai	refers to	Sunrise Duty Free (Shanghai) Co., Ltd.
Hainan DF	refers to	Hainan Provincial Duty Free Co., Ltd.
CDF International	refers to	China Duty Free International Limited
CDFG (Cambodia) Limited	refers to	China Duty Free Group (Cambodia) Co., Ltd.
Guangzhou Xinmian	refers to	Guangzhou Xinmian Duty Free Merchandise Co., Ltd.
CDFCS	refers to	China Duty Free Cruise Services Limited
Duty-free merchandise	refers to	Imported goods that are exempt from customs duties, value added tax (VAT) and consumption tax on imports and domestically produced goods that are subject to tax rebates (VAT and consumption tax) that are sold in duty-free shops
Duty-free store	refers to	With the approval of the General Administration of Customs, business units set up sales sites and supervised warehouses for storing duty-free commodities in places approved by the State Council of the people’s Republic of China or its authorised departments to sell duty-free commodities to specified sales targets
Offshore duty-free policy	refers to	The tax preference policy is to implement import duty-free shopping with limited value, limited quantity and limited variety for passengers leaving the island by plane, train, or ship (excluding departures), make payment in duty-free shops or approved online sales windows where the tax-free policy is implemented, and pick up goods from the island at designated areas of airports, railway stations and ports. The tax exemption policies for the island include customs duty, import VAT and consumption tax



Term		Definition
SASAC	refers to	The State-owned Assets Supervision and Administration Commission of the State Council
CSRC	refers to	China Securities Regulatory Commission
SSE	refers to	Shanghai Stock Exchange
HKEx	refers to	The Stock Exchange of Hong Kong Limited
Company Law	refers to	The Company Law of the People’s Republic of China
Securities Law	refers to	The Securities Law of the People’s Republic of China
Anti-money Laundering Law	refers to	The Anti-money Laundering Law of the People’s Republic of China
Anti-Unfair Competition Law	refers to	Anti-Unfair Competition Law of the People’s Republic of China
Advertising Law	refers to	The Advertising Law of the People’s Republic of China
Cybersecurity Law	refers to	The Cybersecurity Law of the People’s Republic of China
Personal Information Protection Law	refers to	The Personal Information Protection Law of the People’s Republic of China
Labour Law	refers to	The Labour Law of the People’s Republic of China
Labour Contract Law	refers to	The Labour Contract Law of the People’s Republic of China
Trade Union Law	refers to	The Trade Union Law of the People’s Republic of China
Work Safety Law	refers to	The Work Safety Law of the People’s Republic of China
Law on the Prevention & Control of Occupational Diseases	refers to	The Law of People’s Republic of China on the Prevention & Control of Occupational Diseases
Environmental Protection Law	refers to	The Environmental Protection Law of the People’s Republic of China
Anti-food Waste Law	refers to	Anti-food Waste Law of the People’s Republic of China
Product Quality Law	refers to	Product Quality Law of the People’s Republic of China



Environmental, Social and Governance Reporting Guidelines Content Index

Environmental, Social and Governance Reporting Guide		Report Content
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A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green and Low Carbon Operations
A1.1	The types of emissions and respective emissions data.	Green and Low Carbon Operations
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green and Low Carbon Operations
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green and Low Carbon Operations
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green and Low Carbon Operations
A1.5	Description of emission target(s) set and steps taken to achieve them.	Effective Management with a Clear Focus Green and Low Carbon Operations
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green and Low Carbon Operations
Aspect A2: Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Green and Low Carbon Operations
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green and Low Carbon Operations
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green and Low Carbon Operations
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Effective Management with a Clear Focus Green and Low Carbon Operations
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.	Effective Management with a Clear Focus Green and Low Carbon Operations
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Need further improvement.
A3: The Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	Green and Low Carbon Operations Green Building – Creating a Green Future
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green and Low Carbon Operations Green Building – Creating a Green Future
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Green and Low Carbon Operations
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Green and Low Carbon Operations

Environmental, Social and Governance Reporting Guide		Report Content
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B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Employment Compliance and Rights Protection
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment Compliance and Rights Protection
B1.2	Employee turnover rate by gender, age group and geographical region.	Need further improvement.
Aspect B2: Health and Safety		
B2	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.	Operations Safety and Health Protection
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Operations Safety and Health Protection
B2.2	Lost days due to work injury.	Operations Safety and Health Protection
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Operations Safety and Health Protection
Aspect B3: Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Growth and Retention
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Growth and Retention
B3.2	The average training hours completed per employee by gender and employee category.	Talent Growth and Retention
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B4	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	Employment Compliance and Rights Protection
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment Compliance and Rights Protection
B4.2	Description of steps taken to eliminate such practices when discovered.	

Environmental, Social and Governance Reporting Guide			Report Content
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B5.1	Number of suppliers by geographical region.		Supply Chain Management with Intelligence
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.		Comfortable Shopping and Quality Guarantee
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		Comfortable Shopping and Quality Guarantee
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.		Comfortable Shopping and Quality Guarantee Supply Chain Management with Intelligence Innovative Green Marketing
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B6	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.		Comfortable Shopping and Quality Guarantee
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		
B6.2	Number of products and service related complaints received and how they are dealt with.		Excellent Service, High Satisfaction
B6.3	Description of practices relating to observing and protecting intellectual property rights.		Trusted and Ethical Business Operations
B6.4	Description of quality assurance process and recall procedures.		Comfortable Shopping and Quality Guarantee
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.		Trusted and Ethical Business Operations
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B7	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.		Trusted and Ethical Business Operations
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.		Trusted and Ethical Business Operations
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.		Trusted and Ethical Business Operations
B7.3	Description of anti-corruption training provided to directors and staff.		Trusted and Ethical Business Operations
Community			
Aspect B8: Community Investment			
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Devotion to Charity and Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).		Devotion to Charity and Society
B8.2	Resources contributed (e.g. money or time) to the focus area.		Devotion to Charity and Society

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	102-4	Location of operations					About the Company
	102-5	Ownership and legal form					About the Company
	102-6	Markets served					About the Company
	102-7	Scale of the organization					About the Company
	102-8	Information on employees and other workers					Employment Compliance and Rights Protection
	102-9	Supply chain					Supply Chain Management with Intelligence
	102-10	Significant changes to the organization and its supply chain					No significant changes
	102-11	Precautionary Principle or approach					Trusted and Ethical Business Operations
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	102-56	External assurance					Continuous improvement
Anti-corruption	103-1	Explanation of the material topic and its Boundary	8.2	eight	principle10		Effective Management with a Clear Focus
	103-2	The management approach and its components					Trusted and Ethical Business Operations
	103-3	Evaluation of the management approach					Trusted and Ethical Business Operations
	205-3	Confirmed incidents of corruption and actions taken					Trusted and Ethical Business Operations
Anti-competitive Behavior	103-1	Explanation of the material topic and its Boundary					Effective Management with a Clear Focus
	103-2	The management approach and its components					Trusted and Ethical Business Operations
	103-3	Evaluation of the management approach					Trusted and Ethical Business Operations
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices					Trusted and Ethical Business Operations
Materials	103-1	Explanation of the material topic and its Boundary	8.3, 8.6, 8.8, 8.9, 8.10, 8.11, 8.12	(Eleven)	Principle 7 Principle 8 Principle 9		Effective Management with a Clear Focus
	103-2	The management approach and its components					Innovative Green Marketing
	103-3	Evaluation of the management approach					Innovative Green Marketing
	301-1	Materials used by weight or volume					Innovative Green Marketing
Energy	103-1	Explanation of the material topic and its Boundary				SDG 7	Effective Management with a Clear Focus
	103-2	The management approach and its components					Green and Low Carbon Operations
	103-3	Evaluation of the management approach					Green and Low Carbon Operations
	302-1	Energy consumption within the organization					Green and Low Carbon Operations
Water and Effluents	302-4	Reduction of energy consumption					Green and Low Carbon Operations
	103-1	Explanation of the material topic and its Boundary					Effective Management with a Clear Focus
	103-2	The management approach and its components					Green and Low Carbon Operations
	103-3	Evaluation of the management approach					Green and Low Carbon Operations
	303-2	Management of water discharge-related impacts					Green and Low Carbon Operations
	303-5	Water consumption					Green and Low Carbon Operations

Issues	GRI Stan- dards	Disclosures	Guidelines of SSE	Guidance of the State Council	The Ten Principles of the UN Global Compact	UN SDGs	Relevant section/ paragraph
Emissions	103-1	Explanation of the material topic and its Boundary	8.3, 8.6, 8.8, 8.9, 8.10, 8.11, 8.12	(Eleven)	Principle 7 Principle 8 Principle 9	SDG 13	Green and Low Carbon Operations
	103-2	The management approach and its components					Green and Low Carbon Operations
	103-3	Evaluation of the management approach					Green and Low Carbon Operations
	305-1	Direct (Scope 1) GHG emissions					Green and Low Carbon Operations
	305-2	Energy indirect (Scope 2) GHG emissions					Green and Low Carbon Operations
	305-4	GHG emissions intensity					Green and Low Carbon Operations
Waste	305-5	Reduction of GHG emissions					Green and Low Carbon Operations
	103-1	Explanation of the material topic and its Boundary					Effective Management with a Clear Focus
	103-2	The management approach and its components					Green and Low Carbon Operations
	103-3	Evaluation of the management approach					Green and Low Carbon Operations
	306-1	Waste generation and significant waste-related impacts					Green and Low Carbon Operations
Environmental Compliance	306-2	Management of significant waste-related impacts					Green and Low Carbon Operations
	103-1	Explanation of the material topic and its Boundary					Effective Management with a Clear Focus
	103-2	The management approach and its components					Green and Low Carbon Operations
	103-3	Evaluation of the management approach					Green and Low Carbon Operations
	307-1	Non-compliance with environmental laws and regulations					Green and Low Carbon Operations
Supplier Environmental Assessment	103-1	Explanation of the material topic and its Boundary				SDG 17	Effective Management with a Clear Focus
	103-2	The management approach and its components					Comfortable Shopping and Quality Guarantee Supply Chain Management with Intelligence
	103-3	Evaluation of the management approach					Comfortable Shopping and Quality Guarantee Supply Chain Management with Intelligence
	308-1	New suppliers that were screened using environmental criteria					Comfortable Shopping and Quality Guarantee Supply Chain Management with Intelligence

Issues	GRI Stan- dards	Disclosures	Guidelines of SSE	Guidance of the State Council	The Ten Principles of the UN Global Compact	UN SDGs	Relevant section/ paragraph
Employment	103-1	Explanation of the material topic and its Boundary		(Fourteen)		SDG 8	Effective Management with a Clear Focus
	103-2	The management approach and its components					Employment Compliance and Rights Protection
	103-3	Evaluation of the management approach					Employment Compliance and Rights Protection
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees					Employment Compliance and Rights Protection
Occupational Health and Safety	103-1	Explanation of the material topic and its Boundary	8.3, 8.6, 8.13, 8.14, 8.15			SDG 3	Effective Management with a Clear Focus
	103-2	The management approach and its components					Operation Safety and Health Protection
	103-3	Evaluation of the management approach					Operation Safety and Health Protection
	403-1	Occupational health and safety management system					Operation Safety and Health Protection
	403-2	Hazard identification, risk assessment, and incident investigation					Operation Safety and Health Protection
	403-5	Worker training on occupational health and safety					Operation Safety and Health Protection
	403-6	Promotion of worker health					Operation Safety and Health Protection
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships					Operation Safety and Health Protection
	403-9	Work-related injuries					Operation Safety and Health Protection
	403-10	Work-related ill health					Operation Safety and Health Protection
Training and Education	103-1	Explanation of the material topic and its Boundary				SDG 4	Effective Management with a Clear Focus
	103-2	The management approach and its components					Talent Growth and Retention
	103-3	Evaluation of the management approach					Talent Growth and Retention
	404-1	Average hours of training per year per employee					Talent Growth and Retention
Diversity and Equal Opportunity	103-1	Explanation of the material topic and its Boundary			Principle 1 Principle 2 Principle 6	SDG 5 SDG 10 SDG 16	Effective Management with a Clear Focus
	103-2	The management approach and its components					Employment Compliance and Rights Protection
	103-3	Evaluation of the management approach					Employment Compliance and Rights Protection
	405-1	Diversity of governance bodies and employees					Employment Compliance and Rights Protection
Child Labour	103-1	Explanation of the material topic and its Boundary					Effective Management with a Clear Focus
	103-2	The management approach and its components					Employment Compliance and Rights Protection
	103-3	Evaluation of the management approach					Employment Compliance and Rights Protection
	408-1	operations and suppliers at significant risk for incidents of child labour					Employment Compliance and Rights Protection
Forced or Compulsory Labour	103-1	Explanation of the material topic and its Boundary					Effective Management with a Clear Focus
	103-2	The management approach and its components					Employment Compliance and Rights Protection
	103-3	Evaluation of the management approach					Employment Compliance and Rights Protection
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour					Employment Compliance and Rights Protection

Issues	GRI Stan- dards	Disclosures	Guidelines of SSE	Guidance of the State Council	The Ten Principles of the UN Global Compact	UN SDGs	Relevant section/ paragraph
Local Communities	103-1	Explanation of the material topic and its Boundary	8.4			SDG 1 SDG 2 SDG 11	Effective Management with a Clear Focus
	103-2	The management approach and its components					Devotion to Charity and Society
	103-3	Evaluation of the management approach					Devotion to Charity and Society
	413-1	Operations with local community engagement, impact assessments, and development programs					Devotion to Charity and Society
Supplier Social Assessment	103-1	Explanation of the material topic and its Boundary				SDG 17	Effective Management with a Clear Focus
	103-2	The management approach and its components					Comfortable Shopping and Quality Guarantee
	103-3	Evaluation of the management approach					Comfortable Shopping and Quality Guarantee
	414-1	New suppliers that were screened using social criteria					Comfortable Shopping and Quality Guarantee
Customer Health and Safety	103-1	Explanation of the material topic and its Boundary				SDG 12	Effective Management with a Clear Focus
	103-2	The management approach and its components					Excellent Service, High Satisfaction Outstanding Achievements in Service Innovation Comfortable Shopping and Quality Guarantee
	103-3	Evaluation of the management approach		(Ten)			Excellent Service, High Satisfaction Outstanding Achievements in Service Innovation Comfortable Shopping and Quality Guarantee
	416-1	Assessment of the health and safety impacts of product and service categories					Excellent Service, High Satisfaction Outstanding Achievements in Service Innovation Comfortable Shopping and Quality Guarantee
	103-1	Explanation of the material topic and its Boundary					Effective Management with a Clear Focus
	103-2	The management approach and its components					Trusted and Ethical Business Operations Comfortable Shopping and Quality Guarantee
Marketing and Labeling	103-3	Evaluation of the management approach					Trusted and Ethical Business Operations Comfortable Shopping and Quality Guarantee
	417-1	Requirements for product and service information and labeling					Trusted and Ethical Business Operations Comfortable Shopping and Quality Guarantee
Customer Privacy	103-1	Explanation of the material topic and its Boundary					Effective Management with a Clear Focus
	103-2	The management approach and its components					Trusted and Ethical Business Operations
	103-3	Evaluation of the management approach					Trusted and Ethical Business Operations
Socioeconomic Compliance	103-1	Explanation of the material topic and its Boundary					Effective Management with a Clear Focus
	103-2	The management approach and its components					Trusted and Ethical Business Operations
	103-3	Evaluation of the management approach					Trusted and Ethical Business Operations

Feedback from Readers

To our readers:

Thank you very much for taking the time to read this Report. To improve the company's sustainable development management and social responsibility information disclosure, we particularly hope to hear your valuable comments and suggestions. Please fill out the feedback form below. You may send us your feedback using any of the following methods.

Address: Building A, Zhengdong International Mansion, No. A 2-1, Dongzhimenwai Xiaojie Road, Dongcheng District, Beijing

1. Which stakeholder category of CTG DUTY-FREE do you belong to?

- ☐ Government and regulators ☐ Investors ☐ Communities
- ☐ Employees ☐ Consumers ☐ Business partners
- ☐ Industry associations ☐ Others

2. What is your overall evaluation of this Report?

- ☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

3. What do you think about the quality of ESG information disclosed in this Report?

- ☐ Very High ☐ High ☐ Average ☐ Low ☐ Very Low

4. What do you think about the structure of this Report?

- ☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

5. What do you think about the readability of this Report?

- ☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

6. Which part of this Report are you most interested in?

- ☐ Principles of Governance ☐ Prosperity ☐ People ☐ Planet
- ☐ Topic 1 The Grand Opening of Haikou International Duty-Free Shopping Complex Marks a New Milestone in the Development of Hainan's Offshore Duty-Free Industry
- ☐ Topic 2 Adapting to Changes and Demonstrating Our Operational Resilience

7. Your comments and suggestions on the company's ESG performance:

8. Your comments and suggestions on the company's ESG report preparation:

If convenient, please leave your contact details:

Name: _____ Occupation: _____ Company: _____

Postal code: _____ E-mail: _____ Contact number: _____

Contact address: _____

We will fully consider your comments and suggestions, and are committed to keeping your information safe.