

# 2022/2023

## Environmental, Social and Governance Report

Sun Art Retail Group Limited



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# About the Report

## Introduction to the Report

The Report, as the sixth Environmental, Social and Governance (hereinafter referred to as "ESG") Report issued by Sun Art Retail Group Limited ("Sun Art", "Sun Art Retail", "the Group" or "we"), primarily discloses Sun Art's ESG performance over the period from 1 April 2022 to 31 March 2023 (the "Reporting Period"), the amounts shown in the report are in RMB.

## Basis of Report

The Report is compiled in accordance with the *Environmental, Social and Governance Reporting Guide* in Appendix 27 of the Listing Rules issued by the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Report is drafted on the basis of identifying and sorting key stakeholders and major ESG-related issues, delineating the boundaries of the ESG Report, collecting related materials and data, preparing the Report based on related information, and reviewing the information in the Report, so as to ensure the integrity, materiality, authenticity, and balance of the content contained in the Report.

## Scope of Report

The policies, statements, information and related data in the Report are collected from all operation premises possessed by Sun Art Retail during the 12-month reporting period.

## Data Sources and Reliability Statement

The data and cases disclosed in the Report are mainly sourced from statistical reports and related documents of the Group. We hereby affirm that the contents of this Report contain no false records or misleading statements, and take full responsibility for the authenticity, accuracy and integrity of the contents thereof. The data sources used in the Report include public data, Sun Art's internal statistical statements, third-party questionnaires and interviews. The economic data covered in the Report are of the same data range as in Sun Art Retail's 2022/2023 Annual Report.

## Access of and Response to the Report

The Report is available in both Chinese and English versions for reference and can be accessed in the column of the "Financial Sheets/ Environmental, Social and Governance Information" under Sun Art Retail on the website of the Stock Exchange of Hong Kong or the website of the Group.

# Board Statement

In active response to the call of the state to realize the strategic goal of "carbon peaking and carbon neutrality"<sup>1</sup> and implement the 14<sup>th</sup> Five-Year Plan for National Economic and Social Development, Sun Art Retail endeavors to drive corporate development with an excellent performance in ESG. The Group has established a three-level ESG governance structure consisting of the Board of Directors, the ESG Management Committee, and the ESG Working Group. On this basis, the Group has engaged in ESG related work in an orderly manner, constantly exploring a sustainability model that links ESG with the business of Sun Art.

As the top decision-making body for ESG, the Board of Directors takes full responsibility for overseeing the implementation of ESG strategies and goals of Sun Art, reviewing the results of the identification of risks and opportunities, and approving the disclosure of significant issues and material information of ESG. Furthermore, the Board of Directors provides professional and diversified guidance services to the ESG Management Committee and ESG Working Group, while the ESG Management Committee mainly leverages a role of "bridging", specifically by overseeing the work of Sun Art in handling ESG matters in a real-time manner, and regularly reporting the progress of Sun Art in this regard to the Board of Directors.

At least on a yearly basis, the Board of Directors reviews the ESG goals set by Sun Art, the progress thereof, as well as the annual ESG report based on Sun Art's overall ESG strategy and identified ESG risks and opportunities, and provides guidance and approval if necessary.

During the reporting period, the Board of Directors has received debriefings on the progress in realizing the four environmental targets, reviewed the results of the identification of climate change risks and opportunities, countermeasures thereof and financial impacts arising therefrom, and approved the disclosure of the Report. Sun Art Retail has always been maintaining close ties with its stakeholders. According to the feedback of the stakeholders, development trends of the capital market, conditions of business operations, as well as excellent practices of the peers, Sun Art Retail has screened out some key issues in this regard. By reasonably allocating resources based on a matrix of key issues, and optimizing its ESG strategy and related policies in a targeted manner, Sun Art Retail has effectively identified and controlled risks, and maintained a favorable trend of ESG practices. As of the end of the reporting period, the Board of Directors had cumulatively determined 11 extremely significant ESG issues, 15 highly significant ESG issues, and 3 significant ESG issues.

In the future, the Board of Directors will continue the efforts in ESG governance, drive the realization of the four environmental targets, and pursue further deepened ESG achievements, so as to contribute more to sustainable development of Sun Art Retail.

### The Board of Directors had cumulatively determined

# 11

extremely significant ESG issues

# 15

highly significant ESG issues

# 3

significant ESG issues

<sup>1</sup> In September 2020, China officially announced that "China will strive for peaking carbon emission by 2030 and reaching carbon neutrality by 2060".



## Message from the CEO

Over the past fiscal year, Sun Art Retail has further promoted its sustainable development, and steadily improved its ESG performance, creating more ESG values for internal and external stakeholders, with an aim of consolidating the foundation of the Group for ESG.

To push forward the ESG work in a standardized manner, Sun Art Retail has established an ESG governance structure consisting of the ESG Management Committee and the ESG Working Group with the Board of Directors as the supreme body responsible for ESG work. During the reporting period, various departments and organizations of Sun Art have comprehensively performed their own duties, and comprehensively improved the level of ESG governance, management, and execution.

To honor our commitment to offering high-quality products and services to our clients, we have given top priority to assuring food quality and safety in daily management. During the reporting period, we have formulated a set of internal rules for quality control of fresh products, and further clarified quality control requirements for product acceptance, storage, transportation, etc. Meanwhile, we fixed eyes on the normalization of our stores as well as warehousing and logistics centers in terms of quality control, so as to ensure food quality and safety to the greatest extent. During the reporting period, the Group has had no recalls on any products due to safety and health reasons. Attaching importance to nutrition and health conditions of the general public, we have further enriched a diverse matrix of health and nutrition products, and introduced products satisfying the nutritional demands of different groups. Adhering to the concept of sustainable procurement, Sun Art Retail has extended the scope and degree of product traceability. In particular, we are committed to building a sustainable supply chain. While supplying high-quality products, we have also paid equal attention to the performance of our suppliers in multiple aspects such as compliance in business ethics, safeguarding of employees' human rights, and environmental protection.

Sun Art Retail is devoted to becoming a green benchmarking enterprise in the retail industry. In previous fiscal year, we have established four important environmental targets for effective environmental management within the Group. During the

reporting period, we have further explored more feasible and environment-friendly action plans based on existing green initiatives. For example, we have purchased approximately 84 million kilowatt hours of green power and nuclear power from three provinces, thereby realizing a carbon reduction of more than 50,000 tonnes. Furthermore, we have laid a solid foundation for enhancing our climate resilience by further identifying the risks and opportunities of climate change, proposing countermeasures, and performing impact assessments.

We regard our employees as a vital force for driving our sustainable development. Adhering to the employment philosophy of "people-oriented", we hold steadfast in creating and maintaining a healthy, safe, equal, respectful, diverse, and inclusive office environment and atmosphere. Following the basic principle of "equal pay for equal work", we have developed short-term and long-term incentive plans for our employees, and initiated extensive welfare programs for them, so as to inspire them to fully leverage their potentials and to enhance their sense of belonging. Furthermore, we have further improved the employee training system and the employee promotion management mechanism, and helped employees to comprehensively enhance their soft and hard skills and realize their own values.

We are actively engaged in philanthropy. On the basis of pooling our own advantageous resources and the strengths of various parties, we have made long-term contributions to public welfare undertakings in various forms including improvement of health conditions of the public, as well as assistance to the elderly and farmers. During the reporting period, Sun Art Retail has donated a total of RMB25.175 million for better community building, response to public health emergencies, etc.

With the aid and support of all sectors of society and internal and external stakeholders, Sun Art has made remarkable achievements in sustainability. In the future, we will continue to progressively carry out the ESG work for the established ESG goals, so as to create long-term values for all sectors of society. Finally, on behalf of the management team of Sun Art Retail, I would like to extend my sincere gratitude to our clients, all employees and partners, as well as our friends from all walks of life for their care and help on us.



**Mr. Xiao Hai LIN**

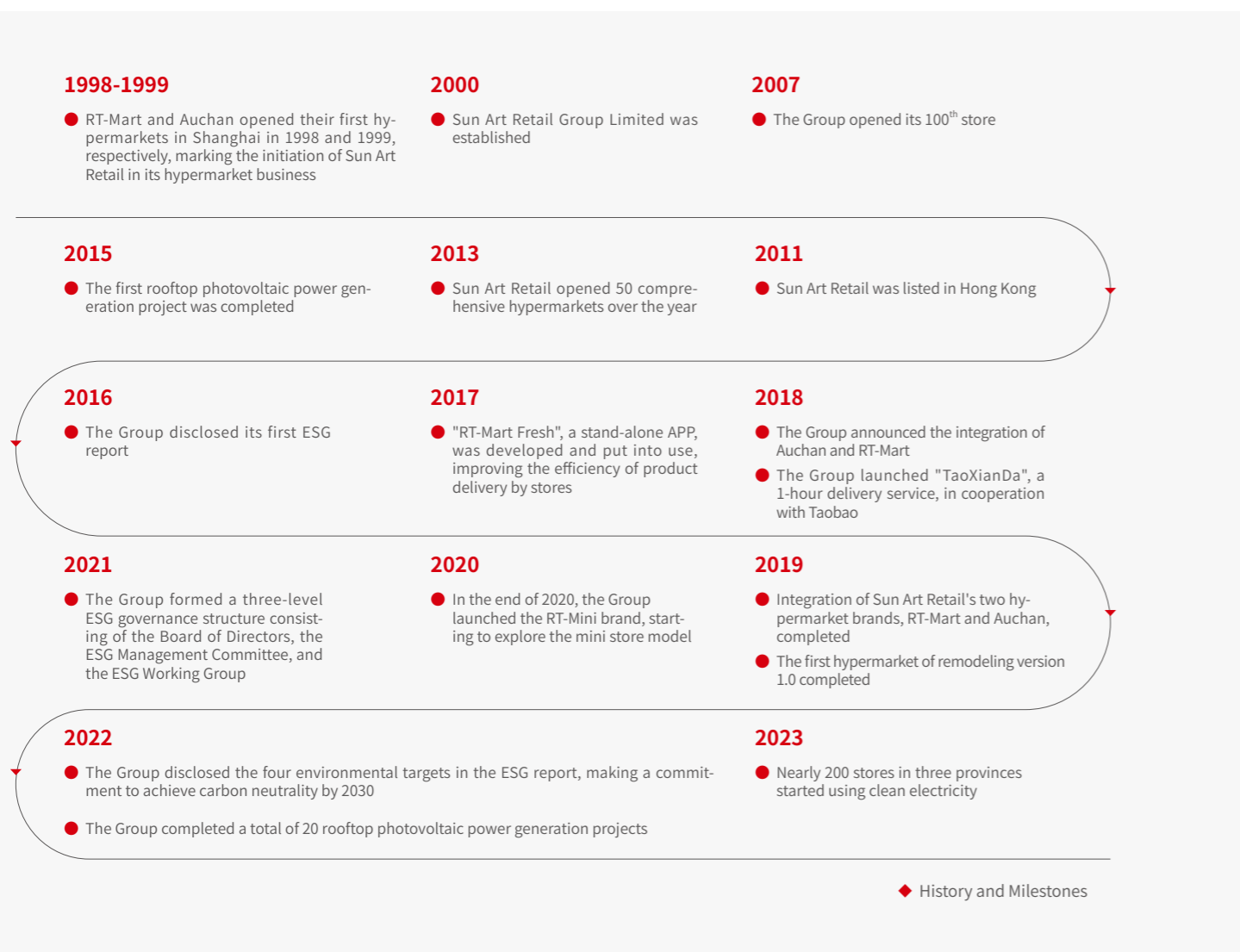
CEO of Sun Art Retail  
June 2023



# Introduction to Sun Art Retail

Established in 2000 and listed on the main board of Hong Kong Exchanges and Clearing Limited (hereafter referred to as "HKEX") on July 27, 2011, Sun Art Retail is a leading retailer with supermarkets and omni-channel e-commerce businesses in China. As one of the largest comprehensive supermarkets in China, the Group, since its incorporation, has been deeply rooted in the retail industry, focusing on supermarkets, small- and medium-sized supermarkets, and e-commerce business, and implementing the development strategy of "synchronizing supermarkets, superstores and mini-stores, integrating online and offline operations, and developing multi-formats and omni-channels". Meanwhile, we are dedicated to improving our merchandise, building a supply chain of fresh products, and promoting digital transformation. Furthermore, we endeavor to bring a healthy and happy shopping experience with cost-effective products and services.

Upholding the excellent corporate values, and shouldering the mission of "Let People Eat Better, Live Better, Every Day", we are committed to improving the living standards of our clients with high-quality, personalized, and innovative products and services, promoting the healthy development of the retail industry with excellent expertise and skills, and ultimately becoming a leader in the supermarket field in China.



**Values**

Customer First, Trust, Integrity, Excellence, Team Work, and Openness

**Mission**

Let People Eat Better, Live Better, Every Day

**Vision**

Together, we will set the tone for New Retail.

We are a loyal supporter of tasty, healthy and local products.

We are an example to others, through the quality of our exclusive products, our selected offer, our discount prices and the excellence of our customer experience.

Our ever-more personalised innovation and services simplify the everyday and change the lives of our customers, whose numbers grow by the day.

We put people, their well-being and passion for service back at the core of all our actions.

Together, let's reinvent Retail !

◆ Corporate culture of Sun Art Retail

In the future, Sun Art Retail will further implement its innovation-driven development strategy, and optimize the digital capabilities and supply chain of fresh products. While expanding stable online sales channels, we will achieve constant upgrade and iteration of our supply chain for fresh products, so as to reinforce our competitive edges. Furthermore, we will leverage the supply chain advantages of hypermarkets (RT-Mart) to the greatest extent, continue to expand the layout of superstores (RT-Super), and optimize the store business model of mini-stores (RT-Mini) in a cost-effective manner. While maintaining a favorable development momentum, we are always ready to face challenges with an open and inclusive attitude.

# Highlights of the Fiscal Year

**01 Responsible and Sustainable Operations**

Identified **11** extremely material topics and **3** material topics in ESG

Identified **15** significantly material topics

**No** concluded corruption lawsuit

**100%** The coverage rate of business ethics training for directors reaches

Cumulative possession of **856** valid trademarks

**02 Quality Assurance and Dedicated Services**

The Group has organized a total of **1,787,244** hours of safety and quality training for **449,774** personnel

**No** recalls associated with safety and quality issues in products of Sun Art Retail's own brands.

Average customer satisfaction score for stores nationwide increased by **2.29** points from the previous fiscal year.

**04 Responsible Procurement, Mutual Benefit, and Win-win Result**

**357** organic SKUs (Stock Keeping Units) on sale.

The total performance of the country reached **RMB 484,537,898**

The complaint handling rate of products and services is **100%**

**100%** coverage of data security and privacy protection system.

**03 Environmental-friendly operation and Green Development**

Purchased approximately **84** million kilowatt hours<sup>2</sup> of clean electricity.

A carbon reduction of more than **50,000<sup>2</sup>** tonnes

Photovoltaic constructions in **22** stores have been completed.

Started the construction of photovoltaic power generation facilities for the first proprietary logistics center warehouse. the Phase I project with a photovoltaic power generation area of **15,000** square meters.

Has put into use outsourced **new energy trucks** for transportation.

A new food loss and waste target has been set to achieve a **3%** reduction in food waste in fiscal year 2023/2024 compared to level in fiscal year 2022/2023.

**05 Making Progress Together While Putting People First**

**100%** of employees have signed collective agreements.

More than **50** universities have established close cooperative relations between universities and enterprises.

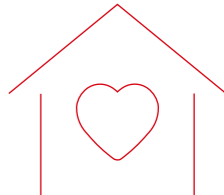
Special groups and people with disabilities account for **1.31%** of the employees.

Ethnic minorities account for **1.87%**

**100%** Strengthen the management of training teachers, and maintain the percentage of staff participation in training at

**06 Giving Back to the Communities to Create a Better Future Together**

RMB **25.175** million Welfare projects has reached



<sup>2</sup> Starting in January 2023, Sun Art Retail began using clean electricity in nearly 200 stores in Zhejiang Province, Jiangsu Province and Guangdong Province.



# 01 Responsible and Sustainable Operations

Bearing in mind the corporate responsibilities and missions, Sun Art Retail has further optimized its governance structure and mechanism based on the suggestions of its internal and external stakeholders, and taken effective measures in risk management, business ethics compliance, intellectual property protection, etc. While steadily promoting the integration of sustainability with corporate development in the process of daily operations, we have constantly created sustainability values for all stakeholders.



- 1.1 ESG Governance
- 1.2 Stakeholder Communication
- 1.3 Materiality Assessment
- 1.4 Corporate Governance



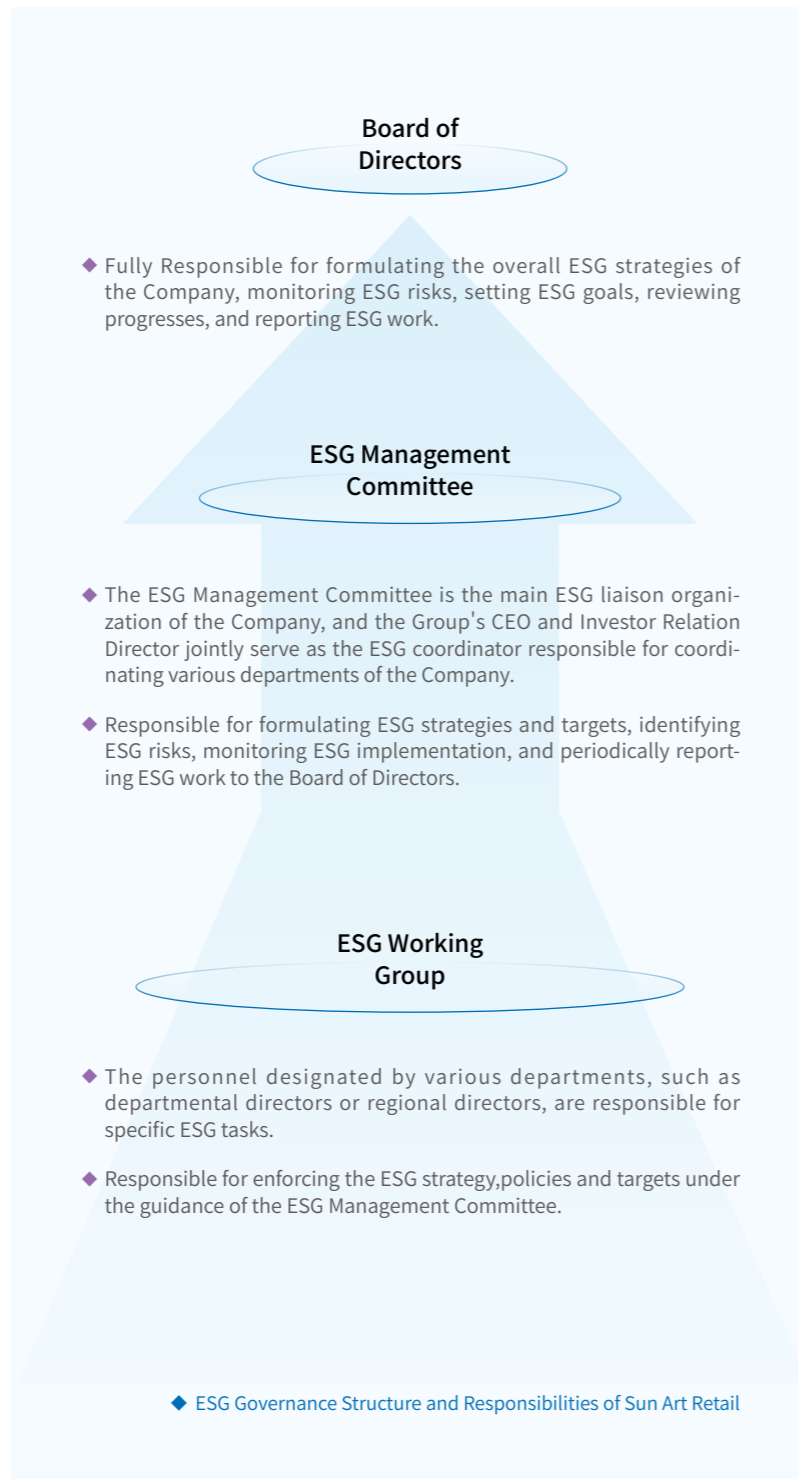
No concluded corruption lawsuit

The coverage rate of business ethics training for directors reaches **100%**



# ESG Governance

Strictly abiding by the *Environmental, Social and Governance Reporting Guide* (环境、社会及管治报告指引) issued by the Stock Exchange as well as other laws and regulations related to ESG information disclosure, the Group has established and improved a three-level ESG governance structure composed of the Board of Directors, the ESG Management Committee, and the ESG Working Group for efficient and compliant ESG performance.



# Stakeholder Communication

Sun Art Retail always attaches great importance on communication with stakeholders to improve its ESG management level. Through an efficient and diverse communication mechanism, we are capable of acquiring an excellent understanding of and actively respond to the sustainability expectations and appeals of our stakeholders in a timely manner. We have established intimate and friendly partnership with all stakeholders, thereby laying a solid foundation for the sustainable development of the Company.

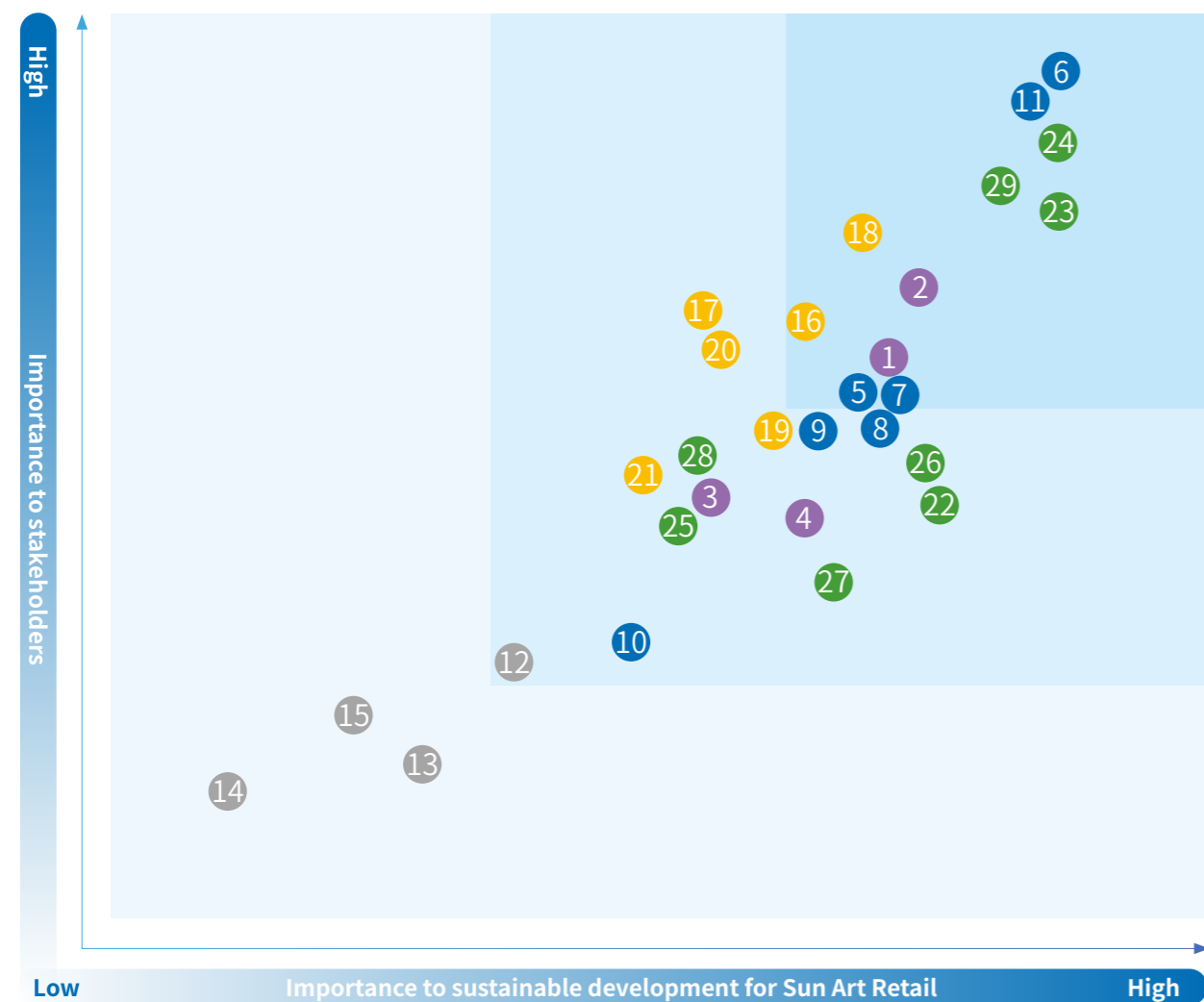
Stakeholders	Communication Expectation	Communication Methods and Channels	Communication Frequency
Government and regulatory authorities	Operate and pay taxes in accordance with the law Increase employment Guarantee supply Ensure food safety	Communicate with officials Cooperate with supervision and inspection Attend related meetings Consult on regulations and policies	Communicate with the government and regulatory authorities if necessary
Industry associations	Promote healthy development of the industry Promote industry guidelines Establish an industry model	Industry seminars and forums Peer inspection and research	From time to time
Shareholders and investors	Guarantee investment income Protect the rights and interests of shareholders	General meeting of shareholders Board of Directors Investor visits and research	Once a year, extraordinary general meeting of shareholders is required for special issue Quarterly From time to time (no external communication during the "silent period")
Consumers	Guarantee quality and price Continually optimize service and shopping experience Meet needs of all kinds	Online and offline communication channels After-sales service Store service centers	Daily
Suppliers	Fair trade Information sharing Ensuring the pace of sales Ensuring timely payment	Communication with relevant officials Information management system	From time to time
Employees	Improve remuneration and benefits for employees Provide various career development opportunities and trainings Enhance interactions and bonds between employees and the Company	Staff meetings Employee activities Annual meeting	From time to time Once a year
News media	Release new developments of the Group Monitor public opinions	Press conference Media campaigns	From time to time
Local community residents	Care for and deliver welfares to the community	Community tours Community talks Voluntary service	From time to time



# Materiality Assessment

The materiality assessment of ESG issues takes insights of stakeholders on ESG issues into account based on communication with them. Furthermore, according to the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange, MSCI-ESG ratings, CSA questionnaires, and the ESG concerns from external markets and the society, we have fully analyzed and sorted out significant ESG issues, and compiled the matrix of significant issues shown as below.

Major ESG issues of Sun Art Retail in 2022/2023



◆ Matrix of significant issues of Sun Art Retail

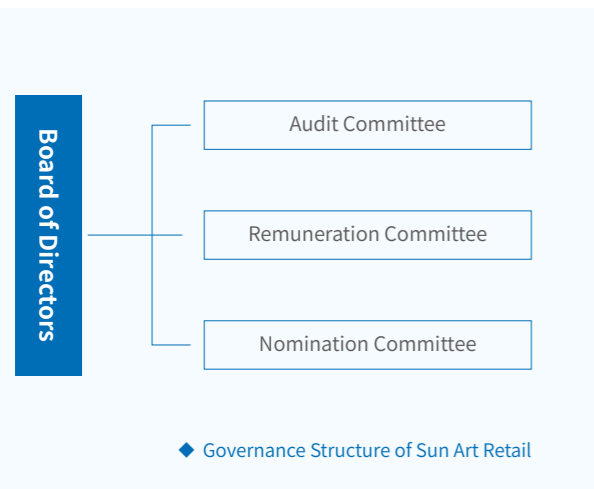
- Labor responsibility
- Operational responsibility
- Community responsibility
- Governance responsibility
- Environmental responsibility

Materiality	No.	Issue	Area	
Extremely significant	1	Employment and labor rights and interests	Labor responsibility	
	2	Occupational health and safety	Labor responsibility	
	5	Customer relation management	Operational responsibility	
	6	Product quality and safety	Operational responsibility	
	7	Responsible supply chain	Operational responsibility	
	11	Food safety	Operational responsibility	
	16	Anti-corruption	Governance responsibility	
	18	Compliance operation	Governance responsibility	
	23	Energy management	Environmental responsibility	
	24	Greenhouse gas emission	Environmental responsibility	
29	Climate change	Environmental responsibility		
Very significant	3	Development and training	Labor responsibility	
	4	Employee care	Labor responsibility	
	8	Consumer privacy protection	Operational responsibility	
	9	Compliance publicity	Operational responsibility	
	10	Nutrition and health opportunities	Operational responsibility	
	12	Local procurement	Community responsibility	
	17	Intellectual property protection	Governance responsibility	
	19	Economic performance	Governance responsibility	
	20	Risk management	Governance responsibility	
	21	Stakeholder engagement	Governance responsibility	
	22	Water resources management	Environmental responsibility	
	25	Pollutant emission	Environmental responsibility	
	26	Waste management	Environmental responsibility	
	27	Packaging material management	Environmental responsibility	
	28	Supply chain environmental management	Environmental responsibility	
	Significant	13	Industry development promotion	Community responsibility
		14	Participation in charity activities	Community responsibility
		15	Community contribution	Community responsibility

# Corporate Governance

Sun Art Retail firmly regards sound governance as the foundation and guarantee for the sustainable development. Adhering to business ethics and relying on a sound corporate governance system, an effective risk control mechanism, as well as a clean and honest atmosphere, the Group has maintained a high level of governance, so as to consolidate the foundation for its sustainable and healthy development.

## Governance System



Sun Art Retail attaches great importance to governance. In strict accordance with related laws and regulations such as the *Company Law of the People's Republic of China* (《中华人民共和国公司法》) and the *Securities Law of the People's Republic of China* (《中华人民共和国证券法》), as well as other regulations having jurisdiction over the business, we have formulated and improved a *Corporate Governance and Compliance Manual* (《企业管治守则》) as well as other internal rules to ensure the long-term and compliant corporate governance.

We have established Board of Directors being the supreme organization responsible for governance and consisting of three specialized committees, i.e., the Audit Committee, the Remuneration Committee, and the Nomination Committee. In particular, we have regularly evaluated the effectiveness of the structure, standardizing the handling of related corporate governance matters in a top-down manner. We have specified the duties and rights of each committee in hardcopy format and disclose such information on the official website of the Group<sup>3</sup>.

In this process, to continuously improve the level of corporate governance, we have been adhered to the principle of diversity and independence of the Board of Directors. Based on actual conditions of the Company, a wealth of members featuring differentiated skills, expertise, and regional and industry experience have been included into the Board of Directors, so as to better promote corporate governance from a diversified perspective. Furthermore, we have regularly evaluated the independence of independent non-executive directors, requiring the members of Board of Directors to assist the Company in preventing daily operation risks by fully leveraging their leadership and supervisory functions in strict accordance with related laws, regulations, and internal policies of the Company.

Through manners such as general meeting of shareholders, we have actively responded to the issues of corporate auditing, accounting policies, auditor independence, related transactions, etc. in a timely, open and transparent manner. In the process of steadily advancing ESG information disclosure, and safeguarding the legitimate rights and interests of our investors, we have enhanced their recognition of corporate strategies, concepts, values, etc., and realized mutually beneficial and win-win cooperation with them.

During the reporting period, the Group had a total of seven directors, including one female director, and specifically one executive director, three non-executive directors, and three independent non-executive directors.



<sup>3</sup> Sun Art Retail Group Limited- About Art Retail>Corporate Governance (sunartretail.com)

## Risk Management

Sun Art Retail attaches great importance on risk management and content system improvement. We have established a sound risk management system for early management and control of potential risks, as well as an internal control mechanism for a sound and stable internal control. While assessing the operational efficiency of the system and the mechanism on a regular basis, we actively identify, evaluate, oversee, and address various risks arising from corporate operations.



◆ Risk Management System and Architecture of Sun Art Retail



## Anti-Corruption

Sun Art Retail remains steadfast in upholding business integrity. In strict accordance with the *Labor Law of the People's Republic of China* (《中华人民共和国劳动法》), the *Anti-Unfair Competition Law of the People's Republic of China* (《中华人民共和国反不正当竞争法》), as well as other laws and regulations having jurisdiction over the business, we have formulated a set of internal management rules such as the *Employee Handbook* (《员工手册》), the *Code of Practice for Anti-Corruption* (《反贪、腐作业规范》), the *Clean Governance and Integrity Agreement Letters* (《廉洁诚信约定函》), and the *Gift Handling Regulations* (《大润发礼品处理条例》), to strictly prevent unlawful acts such as corruption, bribery, malpractices, extortion, fraud, and money laundering.

To ensure the effective implementation of internal policies, we have established an anti-corruption management framework, in which an Internal Control Department and Clean Governance Team serve as the main executing and accepting agency. The Team also joins hands with a Loss Prevention Team under the Operation Department and directly reports to the CEO. Furthermore, we have further improved the anti-corruption investigation process, and added a joint investigation link for key positions, so as to fully leverage the coordinating role of various departments, thereby ensuring the anti-corruption investigation in an efficient and compliant manner. As of the end of the reporting period, Sun Art Retail has concluded 0 embezzlement proceedings.

### Complaint receiving



Internal employees and external investors may file complaints and reports on any improper behaviors occurring during the operation of the Company via the following channels: the anti-corruption whistle-blowing section in RT-Mart's official website, hotline, email, and anti-corruption reporting system.



### Complaint acceptance



The Internal Control and Clean Governance Team is responsible for accepting complaints, classifying them by the nature of content, and encrypting sensitive information, such as the private information of the whistleblower. It also follows up with the progress and result of cases on a weekly basis, and presents a monthly summary to the Management for review.



### Complaint investigation

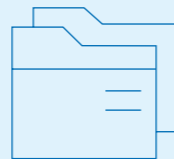


Complaints above the level of store manager or director (inclusive) shall be investigated by the Clean Governance Team;

Complaints below the level of store manager or director (exclusive) shall be investigated by a Loss Prevention Team under headquarters and respective district managers.

### Closing and archiving

Upon verification, the Loss Prevention Team will issue an investigation report, which will be submitted to the CEO, the CHO and the Director of the Internal Control Department for reviewing and signing, and a copy will be submitted to the CFO. The Internal Control and Clean Governance Team will handle the personnel involved according to their job levels. Investigation results will be achieved within no more than three months. Investigation reports will be archived to the official website and follow-ups will be terminated at this point.



◆ Workflow of Anti-Corruption Investigation

In the process of handling related complaints, the inspectors from the Internal Control and Clean Governance Team must strictly comply with internal rules and requirements such as the *Code of Practice for Anti-Corruption* (《反贪、腐作业规范》). Controlling the system permissions related to anti-corruption layer by layer, we have signed confidentiality agreements with related inspectors, and encrypted the information of whistleblowers during the investigation. In particular, we strictly prohibit any form of retaliation against whistleblowers, to safeguard their privacy and personal safety to the greatest extent.



#### ● System permission restrictions

The access of the anti-corruption system is authorized only with the authorizer being the top administrator, i.e., a high-level expert in internal control and compliance.

#### ● Information encryption

Complaint cases are encrypted by the internal control administrator, and details are only accessible with the passcode.

#### ● Signing a non-disclosure agreement

The investigator-in-charge will sign a non-disclosure agreement to ensure that he/she will keep confidential the whistleblower's information strictly.

◆ Whistleblower protection measures

The Group is also committed to creating a clean and upright atmosphere of integrity. By signing a letter of commitment with all employees, regularly organizing business ethics trainings and cultural publicity, and conveying the *Code of Ethical Business Conduct* 《承诺书》 and the regulations on punishment for violations, we have further regulated behaviors of our employees, improved their business ethics literacy, and realized true integrity. As of the end of the reporting period, all employees of Sun Art Retail had signed a letter of commitment. During the reporting period, Sun Art Retail organized 4 business ethics trainings (a total of 1,537,716 hours) for 512,572 employees. In particular, all the directors (100%) of Sun Art Retail received the business ethics training, with an average training duration of 3 hours.

## Intellectual Property Protection

Abiding by the laws and regulations such as the *Patent Law of the People's Republic of China* (《中华人民共和国专利法》) and the *Trademark Law of the People's Republic of China* (《中华人民共和国商标法》), Sun Art Retail has established a sound intellectual property protection management system. While deepening the transformation and application of innovative achievements, we endeavor to prevent unlawful acts such as trademark infringement and false advertising. Meanwhile, we have increasingly raised the awareness of our employees of the importance of intellectual property protection by means of diversified intellectual property trainings and promotions. During the reporting period, Sun Art Retail has possessed a total of 2 valid patents, 856 valid trademarks, as well as 46 valid copyrights.

Sun Art Retail has possessed

2

valid patents

856

valid trademarks

46

valid copyrights



## 02 Quality Assurance and Dedicated Services

Food is the paramount necessity for people, and safety is the priority for food. To satisfy the demands and expectations of safe, high-quality, and nutritional food from customers, Sun Art Retail has committed to the philosophy of "Assurance, Safety, Integrity, and High-quality", continuously improving product quality. We provide our consumers with nutritional and healthy products for the long run. In the meantime, we strive to create a better life for our consumers by optimizing the customer service experience and engaging in responsible marketing.



- 2.1 Strict Control of Food Quality and Safety
- 2.2 Selection of High-quality Nutritional Products
- 2.3 Creating a Favorable Shopping Experience



Within the reporting period, safety and quality-related training totaled:

**1,787,244** hours

Covering **449,774** personnel

Over **85** organic vegetable SKUs on sale in East China,

With sales reaching RMB **12** million

With national sales of organic fruits and seafood produce exceeding RMB **5.55** million



# Strict Control of Food Quality and Safety

Ensuring food quality and safety is not only the baseline for an enterprise, it is also the commitment Sun Art Retail honors towards its consumers. The organization strictly complies with laws and regulations such as the *Food Safety Law of the People's Republic of China* (《中华人民共和国食品安全法》) and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* (《中华人民共和国消费者权益保护法》), and with an established quality management system, actively implemented the national food safety policy, extended the requirements for product safety and quality across the supply chain, and integrated safety and quality control into every aspect of work.

## Quality and Safety Management System

To standardize and guide food safety, the organization has established a scientific and standardized quality management system. During the reporting period, we formulated a set of internal management rules such as the *Incoming Raw Materials of Fresh Products Acceptance Standards* (《生鲜产品原料到货验收标准》), the *Storage Temperatures and Inventory Ages of Vegetables and Fruits Standards* (《蔬果存储温度和留库库龄标准》), and the *Fresh Produce Warehouse Quality and Warehousing Management Standards* (《生鲜仓商品质量和仓储作业管理规范》), which clarified the quality management, supervision requirements, and mechanisms

for the entire value chain covering procurement, production and processing, logistics warehousing and transportation, product supply by stores, as well as after-sales services.

We regularly seek third-party quality system certifications to ensure the accuracy of our internal quality assurance system. As of the end of the reporting period, the headquarters of Sun Art Retail has passed the ISO 9001 quality management system certification and ISO 22000 food safety management system certification.

## Quality and Safety Risk Control

Focusing on food safety management at each link across the value chain, Sun Art Retail has ensured food safety comprehensively by assuming overall responsibility for food safety, engaging in automated system management, and intensifying quality and safety testing throughout the production process.



## Entity Responsibility for Food Safety

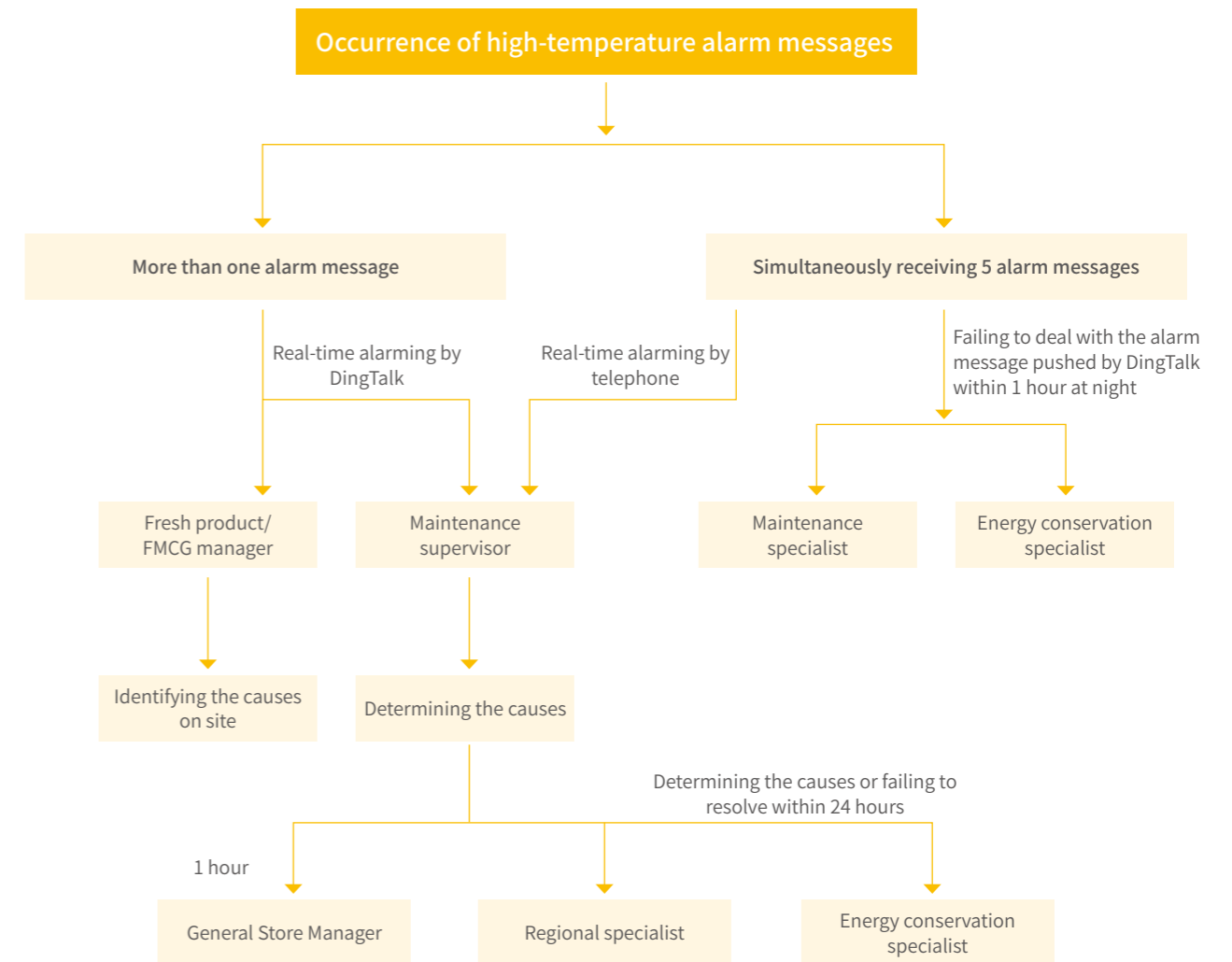
To encourage the performance of personnel responsible for food safety, to hold key personnel accountable for food safety, and to regulate the behavior of food safety management personnel, we have formed the *Management Rules on Fulfillment of Entity Responsibility for Food Safety* (《企业食品安全主体责任管理制度》), which outlines that at least one food safety supervisor shall be designated for each store to audit and supervise in-store food safety practices and prevent food quality and safety risks. Furthermore, we seek to enhance the literacy of food safety supervisors through regular online assessments and implementing a three-level promotion mechanism based on the assessment results.



◆ Food Safety Supervisors Assigned by Sun Art Retail

## Automated Management System

With the WEB management system, we can measure temperatures in various freezers and refrigerators in our stores in a real-time manner. During the reporting period, we have launched a new alarm system through DingTalk. In detail, if the actual temperature is higher than the threshold temperature established for display and storage of a certain category of food, an alarm message will be sent to the corresponding responsible supervisor through DingTalk in real-time. If the responsible supervisor fails to dispose of within the specified time, messages will be sent to the supervising personnel by four levels through DingTalk, thus greatly improving the timeliness of information transmission and tracking efficiency.



◆ Process of Alarm Message Push through DingTalk (New)

\*Note: Every time an alarm message is pushed to the subordinate, all superior associated personnel will receive the related alarm message.





### Overall Process Quality Inspection

Strictly implementing the product quality and safety inspection mechanisms, Sun Art Retail has further refined quality control procedures and quality inspection norms and standards, ensuring standard and transparent quality and safety inspections for all categories of products. We require 100% rapid laboratory inspections of all incoming products and inspections of each batch of key products with high hazards. Simultaneously, we have invited professional third-party organizations to inspect our product quality on a regularly basis and issue corresponding inspection reports.

#### Case | Standard Card for Fresh Products

During the reporting period, in order to further standardize the procurement, storage, and operation related to fresh products, we have established the "Standard Card for Fresh Products" on the basis fresh product management rules and regulations such as the *Incoming Raw Materials of Fresh Products Acceptance Standards* (《生鲜产品原料到货验收标准》) and the *Operation Standards on Warehousing and Refrigeration of Fresh Products* (《生鲜仓冷链作业规范》). We have clarified the requirements for purchase, warehousing, and store acceptance of fresh products, and performed spot checks at a fixed ratio.

Furthermore, we have established a food shelf-life inspection mechanism, which requires related responsible personnel to inspect food expiry, spoilage, and other problems daily. In detail, we have established a ledger management system featuring "daily control, weekly inspection, and monthly scheduling", with a focus on discovering potential food safety risks and making rectifications in time. To standardize the scrapping of fresh products in various stores, we have drafted the *Standards on Scrapping of Fresh Products* (《生鲜商品报废作业规范》), in which the scrapping areas, requirements, and disposal procedures are clarified. In addition, we have established a follow-up tracking system for expired food to prevent the resales of expired food or circulation thereof in other regions.

### Supplier Quality Management

The high quality of Sun Art's products comes from the elaborate selection of raw materials and products. To provide our consumers with high-quality and nutritional products, we require our suppliers to deliver qualified products and raw materials. Furthermore, we require a supplier to provide corresponding qualifications and documents for any new product, including the manufacturer information, product inspection report, and inspection and quarantine certificates for review. New products can be introduced only upon being proven to be qualified after the inspection, reducing food quality and safety risks from the source.

## Quality and Safety Assurance and Optimization

Effective quality management is inseparable from sufficient control over all links of production and operation. We are committed to optimizing quality management across the value chain and steadily improving product quality through consolidating internal quality assurance. During the reporting period, we have improved our quality management level by optimizing the connections of product warehousing, transportation, packaging, and delivery.

#### Case | Overall Process Monitoring of Warehousing and Transportation

Strictly following the internal management standards on temperature control of products, we have achieved effective temperature control during the loading, transportation, and unloading processes. Stricter temperature control is required for fresh products. For example, we turn on the pre-cooling device in advance and set an appropriate temperature before loading of fresh products and monitor the cabin temperatures in a real-time during transportation. Furthermore, during unloading, when various departments involved need to collaborate, we utilize a timer to facilitate temperature measurement, sorting of goods based on different temperatures, and warehousing. We have achieved 100% compliance in temperature control for the overall process product distribution and storage after receiving delivery.



#### Case | Upgrading Product Packaging

We have upgraded our packaging for frozen and refrigerated food. Specifically, we use different packaging forms for different categories of food, such as dry ice plus tin foil bags, insulated bags plus Bingli film plus insulated cabinets, and Bingli film plus insulated cabinets, ensuring that product quality is not affected in the transportation process. On the other hand, any hot food is packaged with a black packing box dedicated for fried food and wrapped with an insulated tin foil bag, ensuring that the food can be delivered to the buyer in a timely and with its original temperature maintained as much as possible.



◆ Packaging of Frozen and Refrigerated Foods



◆ Packaging of Hot Food



Case | Improving Delivery Efficiency

During the reporting period, we have optimized the quick-sorting warehouses and conveyor belt systems of stores for half-day delivery and one-hour delivery, resulting in an increase of average product-sorting productivity and front-line product-sorting productivity of quick-sorting warehouses by 43% and 57%, respectively. Meanwhile, we improved the half-day delivery efficiency, ensured product quality, and saved labor costs on our stores. As of the end of the reporting period, a total of 196 stores utilize quick-sorting warehouses for half-day delivery and one-hour delivery, and 60 stores utilize the conveyor belt systems.



◆ Quick-Sorting Warehouses and Conveyor Belt Systems

## Quality and Safety Training

Strong quality control awareness among our employees lays a solid foundation for Sun Art Retail to ensure product safety and quality. We regularly organize quality training for all employees, in hopes of improving their product quality and safety understanding and skills.

We have improved our food safety management level by popularizing a culture of quality and safety among employees including store employees, food operation personnel, and procurement personnel, organizing targeted trainings as well as quality and safety trainings for different positions like external expert training, food safety training, etc. During the reporting period, the organization has held a safety and quality training for 449,774 employees, totalling 1,787,244 hours, reached training times of 4.4 times per employee, and a cumulative training time of about 17.4 hours per employee.

During the reporting period, the Group organized safety and quality training for

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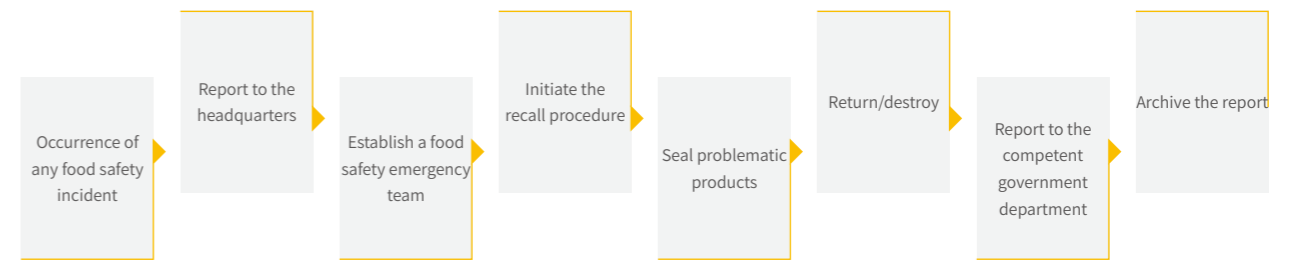
Position	Training mechanism	Main training courses
In-Store	Induction training, primary in-store training, and mid-level in-store training	Food and safety related laws and regulations, regulations related to food labels, etc.
Procurement	Trainings for management trainees, procurement trainings for membership stores	The process of introducing new manufacturers and new products, food safety training, etc.
Operations	Primary-, medium- and advanced-level training at the executive level	National food safety standards, food production permission management measures, food safety hazard sorting and risk analysis, and practical operation trainings.

Furthermore, we have actively organized the supplier training to enhance their awareness of food quality and safety.

## Product Traceability and Recall

Placing great priority to the core interests of our customers and consumers, Sun Art Retail has established a complete product traceability mechanism and a "centralized food safety platform". Relying on digital management, we have built an efficient information traceability chain from procurement, production, warehousing, and transportation to sales. Furthermore, our consumers can have access to the information of transportation, processing, inspection, and arrival regarding vegetables, meat, fish, and other fresh products by checking brand labels or scanning traceability QR codes posted on the shelves in stores.

In strict accordance with related laws and regulations such as the *Measures for the Administration of Food Recall* (《食品召回管理办法》) and the *Interim Regulations for the Administration of Consumer Product Recalls* (《消费品召回管理暂行规定》), we published the *RT-Mart Material Abnormality Handling Process (Recalls)* (《商品重大异常处理流程召回》) as well as other internal management policies. We have clarified the steps and procedures required for product recalls, promptly recalled, and disposed of defective products, and taken specific improvement measures to avoid the re-occurrence of similar incidents.



◆ Product Recall Process

Furthermore, we host regular product recall trainings and drills for all our stores nationwide every year, we comprehensively review, summarize, and generate reports to more effectively prevent and control recall risks. During the reporting period, the organization has had no recalls on any products due to safety and health reasons.

**模拟召回追溯演练报告**

演练时间：2022年12月6日  
演练单位：金都店  
审核：赵春兰

时间	人员	情节设定	相关记录/照片
14:30 时间	李鹰	①-② 接到通知门店管理到当地市监局通知,发现该批次商品库存数量超标,涉及食品安全问题,认为事情比较严重,立即上报值班经理。	
14:35 时间	曹晖 周佩	③ 上报门店值班经理到报告,并查阅相关不合格资料,判定为食品安全问题,上报总店。	
14:45 时间	王家琦	④ 订单追溯立即系统统计进货数量及销售数量,需出现有排面-库存数量。	

◆ Simulated Recall and Traceability Drill Report

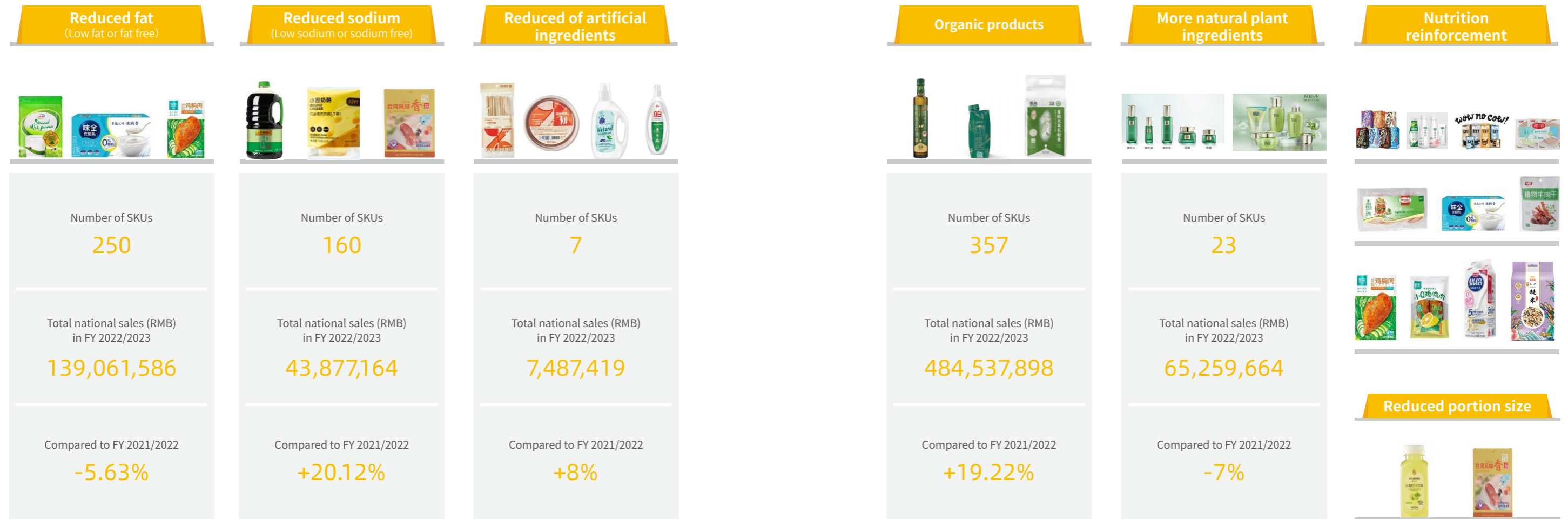


# Selection of High-quality Nutritional Products

Sun Art Retail has consistently been taking actions for the improvement of nutrition and health levels for the Chinese public. The State has successively released several nutrition and health plans and guidelines such as the *National Nutrition Program of China (2017-2030)* (《国民营养计划(2017-2030年)》), the *Medium-to-Long Term Plan of China for the Prevention and Treatment of Chronic Diseases (2017-2025)* (《中国防治慢性病中长期规划(2017-2025年)》), the *Healthy China Action Plan (2019-2030) (HCAP)* (《健康中国行动(2019-2030年)》), and the *Dietary Guidelines for Chinese Residents (2022)* (《中国居民膳食指南(2022)》). To affirm such plans and guidelines, the organization has developed a "3H" (healthier, more harmonious, and happier) health and nutrition strategy. We are committed to providing consumers with diverse nutritional products by developing different categories of organic products featuring low contents of sugar, fat, and sodium, as well as more nutritional ingredients than artificial ingredients.

During the reporting period, we have provided our consumers with a variety of choices by further enriching the matrix of healthy and nutritional products, including fast-moving consumer goods (FMCG) such as daily food, wines and drinks, dry cargoes, household cleaning products, personal cleaning products, and baby care products. Furthermore, we strive to satisfy the nutritional demands of different demographics, including the children and the elderly, contributing to the improvement of physical fitness and the health of Chinese people.

## Highlights of Healthy and Nutritional Products







Daily food

Actively implementing the "3H" health and nutrition strategy, Sun Art Retail has spared no efforts in providing consumers with processed meat foods with reduced fat and sugar yet high protein according to health elements and market demands, ensuring some meat products do not contain any hormones. Prioritizing the health and growth of children, Sun Art Retail RT-Mart has independently developed a Taiwanese style sausage specially for the children and introduced upgraded advanced formulas for cheese products to meet the demand for cheese sticks with high calcium and protein content and for cheese slices with less salt and fat. We also provide our consumers with fresh milk and yogurt with richer milk protein and less fat for daily consumption.

Case | Taiwanese Style Sausages with Less Salt and Sugar

Sun Art Retail RT-Mart has developed a Taiwanese flavored sausage with less salt and sugar specially for children. This sausage is made of traceable fresh pork and pickled meat particles that are more delicate and easier to chew. Furthermore, our small packaging makes consumption for children easy and simple. The thoughtful and delicate design demonstrates RT-Mart's pursuit of quality over the past 20 years. In only 3 months since its launch, 11,332 boxes have been sold, with sales amount up to RMB400,000.



◆ Promotional poster for Taiwanese sausage with reduced salt and sugar



Dry foods

Dry foods constitute an important portion of the daily consumption of consumers. Devoted to creating a one-stop in-store "world granary", we have chosen to showcase coarse grains (such as millet, quinoa, and black rice) together with rice and flour, and promote the healthy dietary initiative, in hopes of helping people to achieve a balance in nutrition intake. Furthermore, Sun Art Retail RT-Mart's own brand "Hui Shang" has launched organic Heilongjiang rice and organic camellia seed oil that have been certified.



◆ One-stop "World Granary"

Case | Organic Heilongjiang Rice and Organic Camellia Seed Oil of Hui Shang Brand

- SINCE 2015 -  
**荟尚**  
HUI SHANG

The organic Heilongjiang long-grain rice independently developed by Sun Art Retail RT-Mart's brand "Hui Shang" has passed the Chinese organic product certification. Furthermore, the organic camellia seed oil from Youxi, the town of Chinese camellia seed, features monounsaturated fatty acid content greater than or equaling to 80% and developed through a delicate 13 process.



◆ Organic rice and organic camellia seed oil

In addition, we have also imported high-quality milk powder, reduced salt soy sauce, and zero calorie sweeteners (i.e., sugar substitutes) from New Zealand and achieved upgrades and iterations of existing products for the purpose of better nutrition and health.

Skimmed milk powder with high contents of iron and calcium

The skimmed milk powder with original packaging imported from New Zealand is rich in calcium and protein, which can satisfy the user's daily demands for required nutrients and energy. In addition, the high-iron and high-calcium milk powder specially customized for female consumers can not only reduce fat accumulation, but also can timely supplement calcium, iron, vitamins, and folic acid necessary for human body.



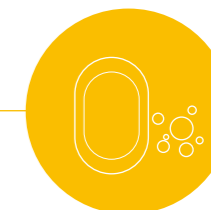
Reduced salt soy sauce

Through salt reducing technology, the amount of salt is reduced by more than 25% compared with the reference soy sauce<sup>4</sup>, and it is a liquid condiment with color, fragrance and taste. These products are designed to lead a new low salt lifestyle. Through the gradual reduction of the salinity of one meal and one meal, they can help people easily adjust their taste preferences and cultivate light salt eating habits.



Zero calorie sweeteners

Zero calorie sweeteners do not participate in metabolism or generate any calories in the human body, so they can help the people with blood glucose levels, obesity, and preferences for sweets to control fat accumulation and excessive sugar intake.



<sup>4</sup> Reference Soy Sauce: This product meets the requirements of GB2717 National Food Safety Standard Soy Sauce (GB2717《食品安全国家标准 酱油》), and the reference value of salt content in the product is 19.0g/100ml.

Snacks & Beverages

During the reporting period, Sun Art Retail's exclusive launch team of FreshOla has developed a low-sugar whole-wheat soda biscuits and zero-fat lime juice, which has quickly become a customer favorite.

Case | Zero-Fat Lime Juice



After multiple rounds of optimization and testing by the R&D team of FreshOla, as well as pilot tasting by one hundred people, the FreshOla lime juice was exclusively unveiled at RT-Mart on January 1, 2023. Maintaining the flavor of the small lime, this kind of juice is free from fat, and appropriately sour and sweet. In the first week of the Spring Festival, it outshone other drinks with 100,000 bottles sold. Currently, it has been put on shelves in all RT-Mart stores nationwide. As of the end of the reporting period, nearly 1.15 million bottles of FreshOla lime juice have been sold within three months.



Organic lime juice, 100% imported from Vietnam  
Palate-cleansing and goes with anything  
Safe ingredients

◆ 0 fat mini lime juice

Fresh Produce

Operating six organic vegetables plantations certified by OFDC, Sun Art Retail sold over 85 SKUs of organic vegetables in Eastern China throughout the fiscal year, with sales amounting to approximately RMB12 million. Through vigorous promotion, the sales volume of organic fruits (such as Zespri Organic Gold kiwifruit from New Zealand) and organic seafood products such as seaweed, kelp and turtle across the state has exceeded RMB5.55 million.

Sun Art Retail sold organic vegetables in Eastern China throughout the fiscal year over **85 SKUs** with a sales amount of approximately **RMB 12 million**

Household Products and Personal Care Products

Preferring natural ingredients, Sun Art Retail has been committed to reducing the addition of preservatives, pigments, aspartame, and other artificial ingredients, and rather selects household products and personal care/cosmetics products made of natural ingredients. Furthermore, Sun Art Retail advocates and promotes green household products. Specifically, we have developed proprietary disposable unbleached paper bowls and bamboo chopsticks and substituting laundry detergents made from petroleum processing with the liquid soap made of natural plants such as coconut oil, shea butter, and avocado.

During the reporting period, a total of 7 SKUs of household products featuring "less artificial and controversial ingredients" have been sold, with the sales increasing about 8% of the same period. We have also provided our female consumers with healthy, comfortable, and sanitary personal care/cosmetics products, including more natural, breathable, and skin-friendly pure cotton menstrual pads, and skincare products containing rich natural plant extracts. During the reporting period, a total of 23 SKUs of personal care/cosmetics products made of natural plant ingredients have been sold, with a total sales volume of RMB65,259,664.

During the reporting period, personal care/cosmetics products made of natural plant ingredients have been sold a total of **23 SKUs** with a total sales volume of **RMB 65,259,664**

Case | Disposable Unbleached Paper Bowls and Bamboo Chopsticks

润发有质

The proprietary disposable unbleached paper bowls and bamboo chopsticks developed by Sun Art Retail are made of environment-friendly materials. Specifically, the paper bowls are made from sugarcane pulp and bamboo pulp and are oil resistant. The bamboo chopsticks are made of carefully selected moso bamboo, smooth, burr free, and not easily broken.



◆ Disposable, natural color paper bowl and bamboo chopsticks

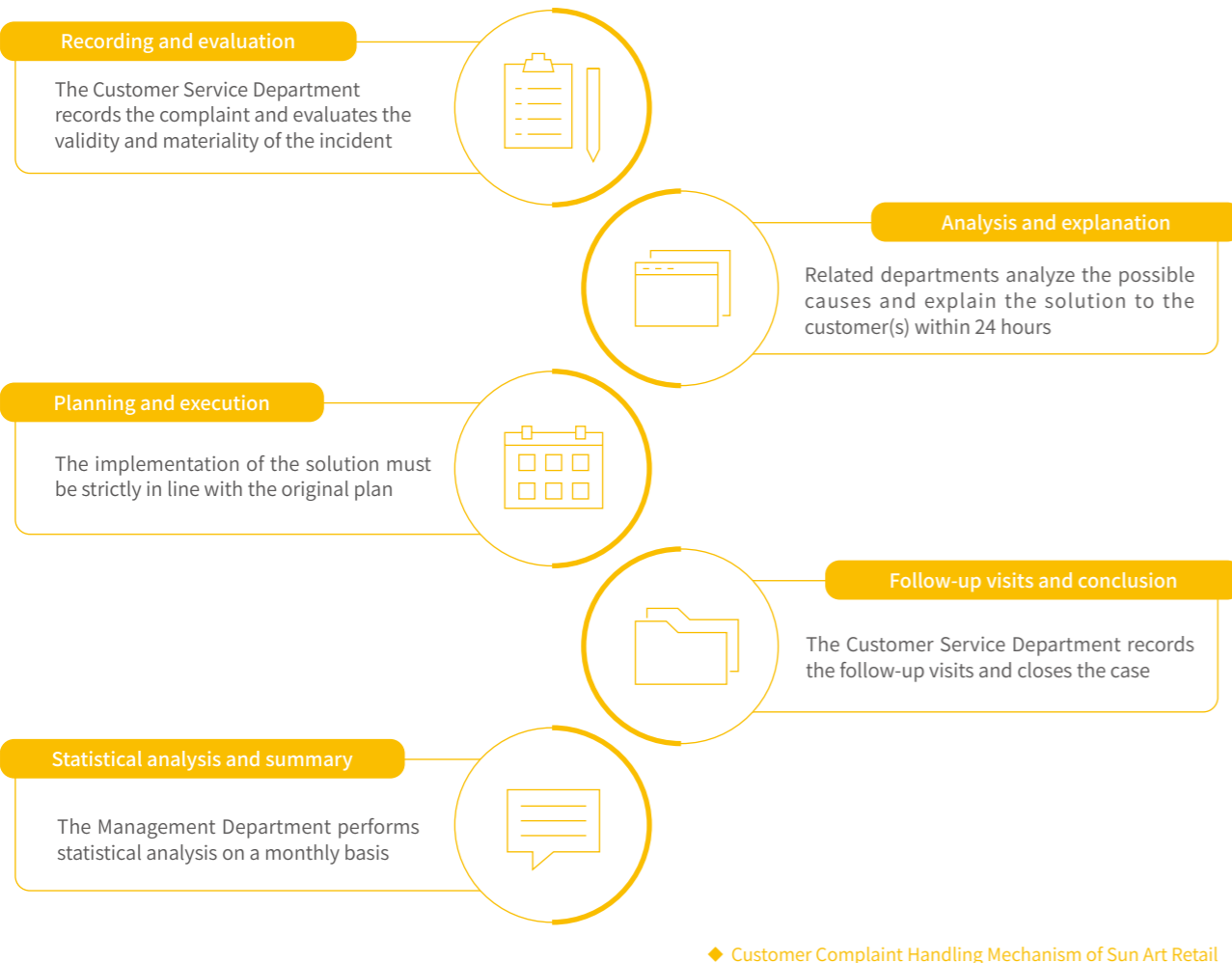


# Creating Favorable Shopping Experience

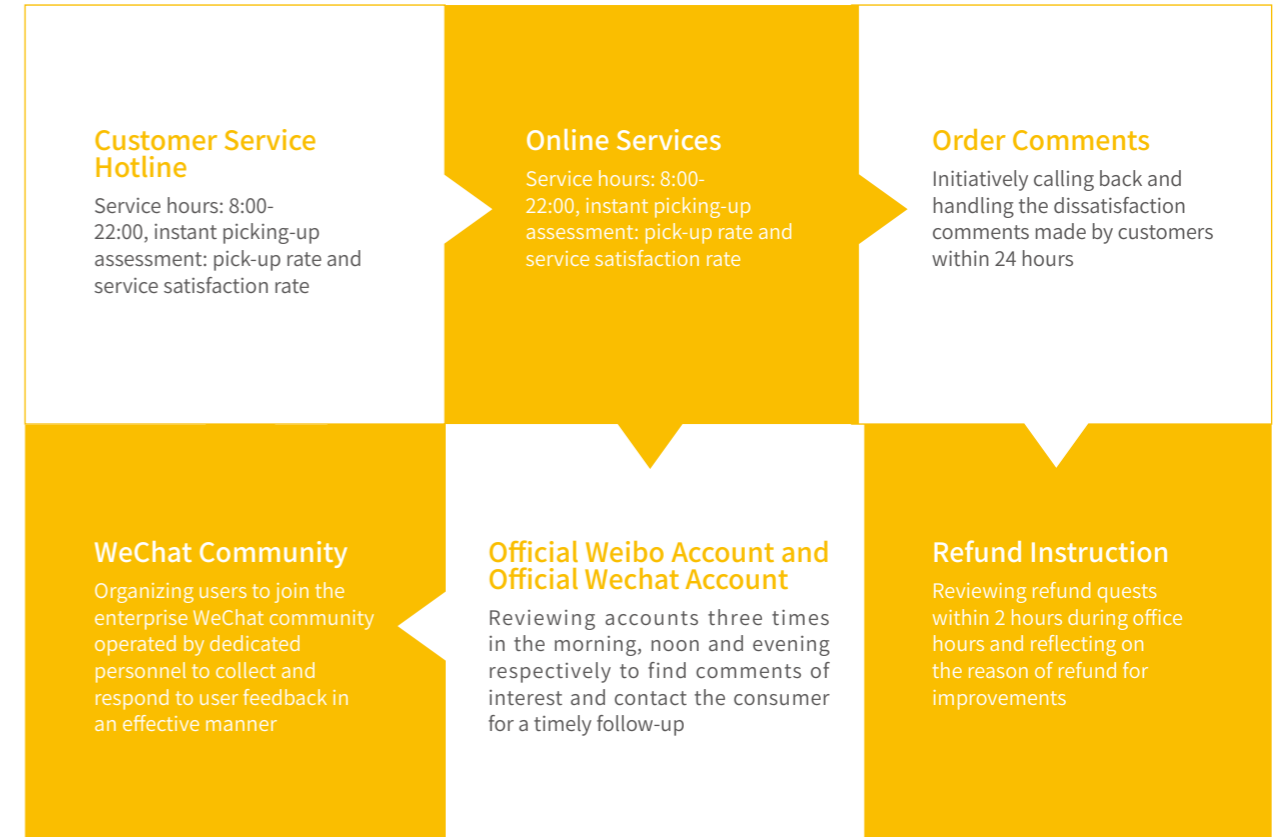
Upholding the vision of "Bringing convenience and innovation to daily life of our consumers with ever-more personalized innovations and services, improving living standards", Sun Art Retail is dedicated to improving the service levels, creating an excellent shopping experience for consumers, and reinforcing a positive brand image. We attach great importance to data security and privacy protection of users.

## Improving Service Levels

We regard an excellent customer service as the cornerstone for our longevity. Strictly abiding by the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* (《中华人民共和国消费者权益保护法》) and other related laws and regulations, we have further improved our internal customer complaint handling system and unblocked customer communication channels, so as to respond to and deal with customer demands in a steady and professional manner.



In the FY 2022/2023, we have developed an company WeChat community based on our original customer complaint feedback channels, enriching and facilitating the channels of communication with our customers.



Sun Art Retail sincerely accepts the valuable opinions and suggestions for improvement from all customers to better safeguard our customers' rights and interests. During the reporting period, Sun Art Retail has invited mystery shoppers for on-site investigations of plaza parking, restrooms, shopping facilities, environment, services of all kinds, goods, comments, as well as other real shopping scenarios. The stores record all the opinions and suggestions from customers and upload them to the consumer compliant system of the headquarters. The Store General Managers and departments at the headquarters classify and solve related problems. In FY 2022/2023, the average consumer satisfaction score of stores nationwide was 83.36, up by 2.29 points from the previous fiscal year. During the reporting period, Sun Art Retail has received over 619,000 complaints (accounting for 0.3% of the total orders) about products and services, with a complaint handling rate up to 100%.

During the reporting period, complaint handling rate up to **100%**



## Improving the Shopping Experience

In operation and management, retail businesses try their utmost to bring customers a good shopping experience and regard this as the key to longevity and development. This is no exception to us. We remain committed to serving our customers wholeheartedly for sustainable development. Specifically, while fully protecting rights and interests of our customers, we endeavor to create a better shopping environment and

atmosphere for our customers both offline and online.

To further boost ties with customers and improve their offline shopping experience, we have cancelled coin-operated trolleys and implemented the "service bell" service in all our stores nationwide.

### Case | Cancelling coin-operated trolleys



During the reporting period, we have enabled direct use of our in-store customers original coin-operated trolleys in demand for free, thereby improving the operational efficiency of our stores, and greatly facilitating their offline shopping.

### Case | Promoting the "service bell" service in all our stores nationwide



During the reporting period, we have extended the "service bell" service initiated in stores in East China to all stores nationwide. Featuring the unique layout and call button, the "service bell" enables customers to access corresponding services as soon as possible.

In addition, we have launched an offline multi-platform product trial campaign, which enables customers to taste products, enriching their in-store shopping experience.

### Case | Offline Experience: RMB1 for Experiencing New Products

During the reporting period, Sun Art Retail has rolled out a multi-platform product experience campaign. Specifically, in conjunction with Alipay, Sun Art launched the Tasting Invitation of RMB1 for High-quality 4.0g Pure Milk, attracting 105,144 participants in total and bringing 67.8% of new customers. With such efforts, we have delivered unique offline shopping and interaction experience to in-store consumers.



◆ RMB1 for Experiencing New Products

To encourage online shopping among customers, we have continued to improve the functions of our mobile App and optimized the human-digital interaction experience.

### Case | Online Experience: Page Interaction Improvements

#### (1) Improving the timeliness of hiding picture of sold-out products

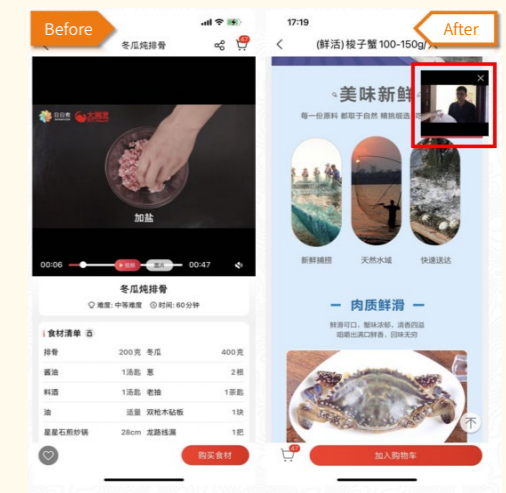
During the COVID-19 pandemic, the demands of customers for products soared, but a great number of product pictures with a sold-out status were still displayed on the homepage of the App, giving our customers a feeling of product shortage. To resolve this, we redesigned our App interface to always show available products to our consumers.



◆ Before and After of a Page of RT Fresh App

#### (2) Windowed video play

Videos for cooking instructions used to be pinned to the product homepage, making App users unable to view the video whilst sliding down the App page. Now we have optimized the video configuration by enabling users to view the video through a small window in the upper right corner when sliding down the page.



◆ Inner page of RT Fresh App

#### (3) Adding the "Search similar products" option in the details section of sold-out item

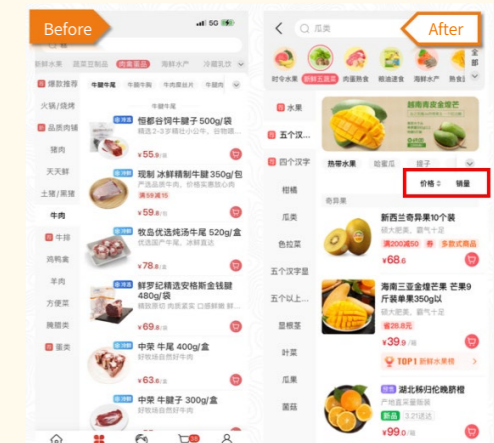
Previously, the description section of a sold-out item would only inform the user of the sold-out item. Now, we have added a "Recommendation of Similar Products" option, so that alternative choices will be presented to the user through pop-up windows.



◆ Inner page of RT Fresh App

#### (4) Adding product sorting function of third-level categories

By pressing the screening button on the category page, customers can sort (by sales, volume, or price) the products based on their actual demands.



◆ Inner page of RT Fresh App



## Brand Publicity

Sun Art Retail is committed to providing customers with an one-stop shopping experience featuring freshness, affordability, comfort, and convenience, with the hope of being an excellent community neighbor and a trustworthy shopping destination. We strictly abide by the *Food Safety Law of the People's Republic of China* (《中华人民共和国食品安全法》), the *Rules for the Implementation of Food Safety Law of the People's Republic of China* (《中华人民共和国食品安全法实施条例》), the *General Standard for the Labeling of Prepackaged Foods* (《预包装食品标签通则》), the *General Standard for the Nutrition Labeling of Prepackaged Foods* (《预包装食品营养标签通则》), the *Provisions for the Administration of Food Labeling* (《食品标识管理规定》), as well as other related regulations and standards. To this regard, we have ensured the compliance in labeling and ingredient information of our products sold. Furthermore, on the premise of marketing in accordance with related regulatory requirements and actual conditions of products, we have launched a variety of brand promotion activities.

### Case | Membership Rewards Points

During the 618 Shopping Festival in FY 2022/2023, we launched the service of membership rewards points through RT-Mart for the first time. Specifically, after consumption, a member can obtain corresponding rewards points, which can be exchanged for designated super-point vouchers for purchasing. The member may query and exchange their reward points through RT-Mart's mobile App. This initiative mainly aims to guide customers in registering as our digital members. During the reporting period, a total of 1.28 million members have used the rewards points service, with sales associated with redeemed coupons amounting to over RMB30 million.

During the reporting period, members of ours have used the rewards points service a total of

**1.28 million**

the sales amount involving the exchange of rewards points for coupons exceeded

**RMB 30 million**

Furthermore, during the reporting period, Sun Art Retail independently or in conjunction with other enterprises, has launched extensive brand publicity and market expansion activities, further enhancing brand image and reputation.

### RT-Mart Joined Hands with Procter & Gamble (P&G) to Launch a Recycling-plastic-bottle Initiative

On June 27, RT-Mart joined hands with Procter & Gamble (P&G) to launch a recycling-plastic-bottle initiative. Environmental recycling facilities have been installed in 97 RT-Mart stores in 10 cities nationwide. The recycled plastic bottles and waste plastics are finally processed into table tennis tables and sent to various communities across China. This initiative was viewed over 30 million times nationwide, attracting a total of 18,437 participants, promoting the image of RT-Mart as an excellent community neighbor and deepening communication with the communities.



◆ Promotion poster for the recycling-plastic-bottle initiative

### Hot Headlines

In June 2022, RT-Mart designed a set of simple yet attractive taglines for foods on supermarket shelves that had an almost personified manner, dividing the foods into two categories, namely "Cold Palace Vegetables" and "Super Supermarket Idol." This set of posters greatly sparked emotional resonance among netizens, becoming a trending topic. The posters were accumulated over than 500 million views and was covered by more than 100 media outlets. In the meantime, articles with more than 100,000 and even more than 1 million views rose to popularity. Netizens immediately began sharing the unique posters, pushing them focus of the public in only 36 hours, hitting record time.



◆ Hot Headlines

### Relatable Taglines for Vegetable Market

To make up time for the long National Day holiday in 2022, people had to work for 7 consecutive days, which triggered anxiety amongst many workers. To relieve their anxiety, RT-Mart specially designed the personified "Relatable Taglines for Vegetable Market," enabling a wealth of fish, shrimps and crabs, fruits and vegetables to speak for themselves. These catchy and human taglines quickly resonated with everyday workers, entering the media spotlight. Specifically, they accumulated over 300 million views and were covered by more than 100 media outlets. Meanwhile, articles with more than 100,000 and even more than 1 million views rose to popularity.



◆ Slogan in the vegetable market

### Northeast Chattering Literature

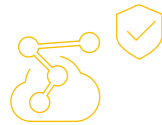
In January 2023, at the transition into new year, RT-Mart joined hands with Youku and Benshan Media to launch Northeast Chattering Literature for the hit drama "Country Love 15", which is also the first attempt of cross-border co-branding for RT-Mart Smoke and Fire Literature IP. One symbolizing a supermarket that carries rice, oil, salt, soy sauce, vinegar and tea, and the other as a TV series about parents and their shortcomings: the two brands with such a compatible tone join forces to interpret the human interactions and bring a sense of belonging to the supermarkets for the New Year.



◆ Northeast chattering literature

## Data Security and Privacy Protection

Sun Art Retail places high value in data security and client privacy protection. In strict accordance with the *Cybersecurity Law of the Peoples Republic of China* (《中华人民共和国网络安全法》), the *Data Security Law of the People's Republic of China* (《中华人民共和国数据安全法》) the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* (《中华人民共和国消费者权益保护法》), *GB/T 35273-2017 Information security technology — Personal information (PI) security specification* (GB/T 35273-2017 《信息安全技术个人信息安全规范》), as well as other related laws and regulations, we have published several internal policies and rules, to standardize the work of information security. Our policies and rules have covered all RT-Mart and its subsidiaries, such as the physical stores operated by RT-Mart's affiliated companies, the RT Fresh App as well as other online platforms. During the reporting period, no incidents of data leakage or cybersecurity have occurred within the organization.



Placing great importance on the management and standardization of cybersecurity behaviors of employees, we have established punishment rules as follows to prevent and deal with violations of data security and privacy protection policies and rules:

In case of any Category I violations, the violator will be imposed with the punishment for minor violations specified in the *Employee Handbook*, as well as a written warning

In case of any Category II violations, the violator will be imposed with the punishment for serious violations stipulated in the *Employee Handbook*, as well as a serious warning, demotion or pay cut

In case of any Category III violations, the violator will be imposed with the punishment for serious violations specified in the *Employee Handbook*, namely dismissal

If the violator truthfully and completely states or takes the initiative to disclose any violation that the Company has not yet known upon receipt the investigation, the Company, upon confirming the authenticity of his/her disclosure, may reduce the punishment or even exempt him/her from punishment as the case may be



Data security and privacy protection constitutes one of the important ESG issues of concern by the organization. Guided by the Board of Directors as the supervising entity, the ESG Management Committee and various related departments of the organization coordinate and carry out specific review work of privacy protection and data security.

### Currently available internal policies and rules regarding data security and privacy protection (partial)

- The Product Security Checklist of Concord Investment (China) Co., Ltd (《康成投资 (中国) 有限公司产品安全 checklist》): Some inapplicable content has been deleted based on actual conditions of the Company
- Data Security Specification (Trial) of Concord Investment (China) Co., Ltd (《康成投资 (中国) 有限公司数据安全规范 (试行)》): The review process for sensitive data has been adjusted and application permissions for all stores nationwide have been added
- The Code of Practice for Account Management of Concord Investment (China) Co., Ltd. (《康成投资 (中国) 有限公司账号管理规范》)
- The Code of Practice for Password Management of Concord Investment (China) Co., Ltd. (《康成投资 (中国) 有限公司密码管理规范》)
- The IT Incident Management Procedure of Concord Investment (China) Co., Ltd. (《康成投资 (中国) 有限公司 IT 事故管理流程》)
- The LINUX Operating System Security Baseline of Concord Investment (China) Co., Ltd. (《康成投资 (中国) 有限公司 LINUX 操作系统安全基线》)

## Data Security

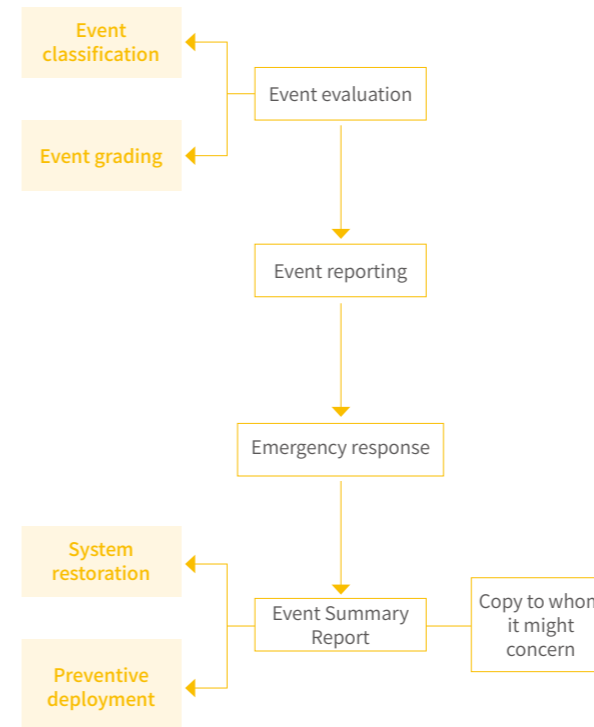
In FY 2022/2023, the organization has formulated the *Personal Information Security Incident Plan* (《个人信息安全事件预案》), established an Information Security Leading Group and an Information Security Emergency Response Group as the main organizations responsible for handling emergencies and developed emergency plans to minimize the impact of cybersecurity incidents.

### Information Security Leading Group

Responsible for approving and initiating the emergency plan for personal information security incidents

### Information Security Emergency Response Group

Responsible for developing and improving the emergency response plan for personal information security incidents



◆ Emergency response process of Sun Art Retail for data security incidents





During the reporting period, we have taken a series of data security improvement measures, consolidated and optimized existing data security protection facilities and specifications and organized simulated drills in conjunction with the district-level cybersecurity detachments, significantly improving the capabilities of the organization in responding to and handling data security risks.

- We have uploaded IDS and IPS security devices onto IDS, through which malicious traffic can be identified and prevented from entering attack networks. Office network ICG equipment has been upgraded to optimize the review process of the network access system, allowing only external equipment after certification to access the intranet. The fortress system equipment has been upgraded and its log audit function optimized, reducing the risk of data security and privacy leakage.**
- We have updated the data security specifications, combed and classified the fields for data classification on this basis, and clarified sensitive data applications at L3 and L4 levels.**
- We have drawn up a list of personnel responsible for data security from all departments of the Company, adjusted the review process for sensitive data applications, and supported all our stores nationwide in terms of sensitive data applications, meeting the application needs of all our employees.**
- In cooperation with the Jing'an District Cybersecurity Detachment, we have organized the cybersecurity drills for network protection.**

**Privacy Protection**

Sun Art Retail is committed to systemization and standardization of personal information management and minimizing the collection of personal information of customers. We promise not to share such information with any other companies, organizations, or individuals. We have also taken security measures in line with industry standards, including the development of appropriate rules and security technologies to avoid unauthorized access and modification to personal information and to prevent data damage or loss. Furthermore, users are entitled to consult, correct, and delete personal data through the settings or functional controls.

We invite iJiami (Beijing Technology Company) to issue an audit report on personal privacy functions and compliance policies of our mobile apps at least twice a year. Under the guidance of iJiami, we have appropriately handled our privacy issues and performed retest confirmation. Furthermore, our ongoing SOX<sup>5</sup> audit covers the separation and recycling system optimization and system permission management. At present, our major three applications, RT Fresh App and RT-Mart E-lufa App have passed Level-3 certification for cybersecurity protection.

<sup>5</sup> SOX refers to the Sarbanes-Oxley Act (《萨班斯法案》)

**New customer privacy protection measures**

The privacy protection policy has been updated synchronously based on the adjustments in business and product functions

We have updated the SDK security and privacy protection policy, revised the rules for protecting personal information of minors, and refined App functions, etc.

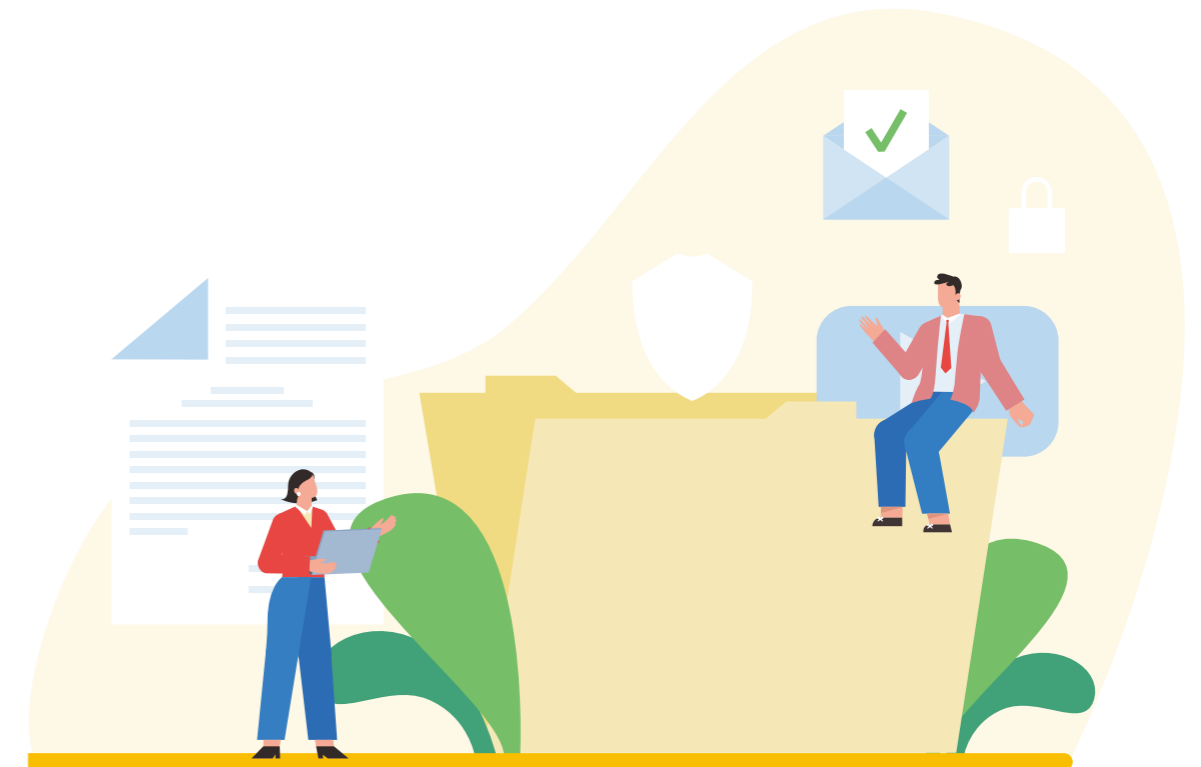
We have completed the functions of personal information collection and third-party sharing of personal information list

**Information Security Training**

To further raise information security awareness of employees and ensure network security and stability, the organization organizes internal information security trainings for all employees 1-2 times per quarter. The training contents mainly involve email security, mobile office security, ransomware, data security, account security, privacy protection, social security, third-party vendor security, and software security. Furthermore, all employees are required to learn training courses in video form released by DingTalk Cloud Classroom and pass the final examination.

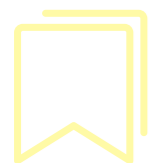


◆ Conduct training through courses in video form released by DingTalk Cloud Classroom



# 03 Environmental-friendly operation and Green Development

Green and low-carbon transformation has been an important strategy among enterprises for sustainable development. Actively engaging in environmental protection, Sun Art Retail has improved the existing environmental management system, and keep exploring new environmental protection technologies and methods to socially promote environmental protection. During the reporting period, Sun Art Retail has followed the path towards four environmental goals, identified and mitigated the risks and leveraged opportunities of climate change.



- 3.1 Environmental Goal Tracking
- 3.2 Addressing Climate Change
- 3.3 Maintaining Environmental-Friendly Operation
- 3.4 Biodiversity and Animal Welfare



Purchased clean electricity and achieving more than **50,000** tonnes in carbon reduction

A total of **59** stores using a more environmentally friendly R448A refrigerant



# Environmental Goal Tracking

Sun Art Retail has set four environmental goals on GHG emission reduction, energy utilization, water conservation, and waste discharge, respectively. The ESG Working Group is responsible for executing the goal implementation, while the ESG Management Committee is responsible for overseeing the implementation progress and reporting to the Board of Directors, which is responsible for reviewing goals and progress on a regular basis.

## Environmental goal - GHG emission reduction

To achieve carbon neutrality in operations of Scopes 1 and 2 by 2030

### Implementation path

- Taking energy-saving measures
- Consuming renewable sources such as solar energy on a larger scale
- Replacing traditional refrigerants with green alternatives to reduce GHG emissions
- Adopting the carbon removal approach for carbon neutrality in operation

### Work done in the reporting year

- As of the end of the reporting period, induction lamps have been installed in stairwells in 70% of all our stores, which is expected to reduce electricity consumption by approximately 2 million kWh throughout the fiscal year.
- We have conducted field inspections on the compliance in electricity consumption of stores before opening and after closing the stores, to detect and stop unnecessary electricity consumption behaviors in a timely manner.
- The phase I photovoltaic construction project of Suzhou Warehouse has been completed, with a photovoltaic power generation area of up to 15,000 square meters.
- A total of 59 stores have employed R448A refrigerants.

## Environmental goal - energy utilization

To realize 100% carbon neutrality in the power required for our own operation, and in gasoline and diesel consumption of Sun Art Retail's own fleet by 2030

### Implementation path

- Taking energy-saving measures for stores
- Increasing the proportion of photovoltaic power generation
- Purchasing green electricity or green certificates
- Gradually reducing the use of gasoline and diesel used in vehicles by replacing traditional fuel vehicles with new energy vehicles

### Work done in the reporting year

- We applied energy-saving systems and devices to a wider range, including automatic control of lights, air conditioners, range hoods and ventilators has been in all our stores.
- By improving vegetable and egg cabinets in all our stores, and detailed settings based on the product storage temperatures, we saved approximately 1 million kilowatt hours of electricity throughout the fiscal year.
- As of the end of the reporting period, photovoltaic constructions in 22 stores have been completed.
- During the reporting period, we have purchased approximately 84 million kilowatt hours of green power and nuclear power from three provinces, achieving a carbon reduction of more than 50,000 tonnes.
- The outsourced fleets in some cities have started using new energy trucks, and gradually increase the number of new energy trucks and transportation areas.

## Environmental goal - water conservation

To cut water consumption of each store by 3% to 2025 (with 2021 as the base year)

### Implementation path

- Strengthening intelligent monitoring on water utilization
- Carrying out technological innovations in sanitary ware, washing equipment and air conditioning to reduce water consumption during operation

### Work done in the reporting year

- We have continued with standardized management of water consumption and adopted multiple water-saving initiatives

## Environmental goal - waste management

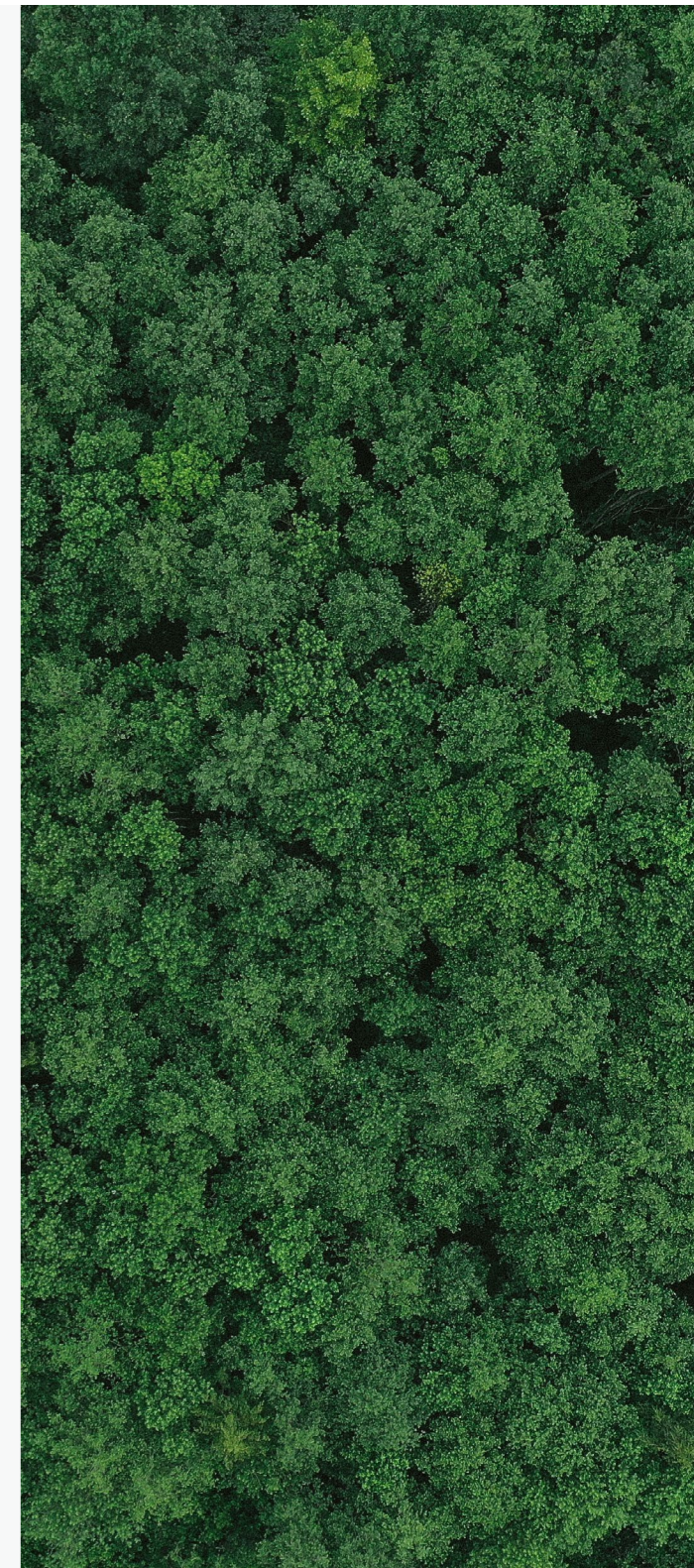
To realize waste sorting in all the stores, 100% recycling of cardboard boxes, and 100% food waste reutilization by 2030

### Implementation path

- To promote the resourceful treatment of food waste through the food donation program and food waste recycling program
- Promoting waste sorting measures in our stores
- Realizing 100% of cardboard box recycling through reselling

### Work done in the reporting year

- We have achieved waste sorting in 156 stores distributed in 35 cities.
- We have achieved 100% recycling of cardboard boxes.





# Addressing Climate Change



Climate change has resulted in a significant impact on the whole world. In this context, all sectors of society have given increasing attention to the risks and opportunities brought by climate change. We have incorporated climate change risks into the ESG risk management scope, and engaged in identifying, evaluating, and controlling the risks and opportunities of climate change with reference to the guidelines by the Task Force on Climate Related Financial Disclosures (TCFD).

## Governance and Risk Management



The Group has incorporated related responsibilities and functions of climate change into the ESG governance structure. The ESG Management Committee identifies climate change risks and opportunities based on the TCFD guidelines, internal operational conditions, and external factors, and reports the identification results to the Board of Directors. The Board of Directors is responsible for evaluating the identified results and action plans and overseeing and reviewing the plan implementation progress.

## Strategy

Sun Art Retail classifies climate change risks into physical risks and transition risks and develops countermeasures to deal with the identified risks.

Transition risks		
Risks	Risk description and impacts	Countermeasures
 Policies and laws	<ul style="list-style-type: none"> <li>Stricter reporting obligations and compliance requirements for emissions have imposed more demanding requirements on the information disclosure of the Company. If the <i>Guidance on Climate Disclosures</i> released by the Hong Kong Stock Exchange takes effective in 2025, the Company will be required to disclose related climate information in accordance with the TCFD recommendations; and release consulting documents according to new requirements for the Company to disclose climate change information.</li> <li>The cost of information disclosure by the Company has been increased. Meanwhile, a series of energy-saving and emission reduction measures are required be taken to satisfy the compliance requirements, thereby resulting in an increase in the operating cost.</li> </ul>	<ul style="list-style-type: none"> <li>Keeping abreast of newly formulated laws and regulations, adjust the Company's related operating standards to satisfy compliance requirements.</li> <li>Strengthening digital management of environmental indicators, continually optimize internal data management systems, such as the energy (maintenance) management system. The Company should improve the data management ability and information disclosure quality to satisfy more demanding requirements for information disclosure.</li> </ul>
 Technology	<ul style="list-style-type: none"> <li>The Company needs investment in use of low carbon emission technologies.</li> <li>The Company needs to apply more efficient energy-saving and emission-reduction technologies to improve the outcome of energy saving and emission reduction, so as to contribute to the goal of achieving carbon neutrality in operations of Scopes 1 and 2 by 2030. When applying new technologies, the Company needs more operating costs, even facing the risk of failure in application thereof.</li> </ul>	<ul style="list-style-type: none"> <li>Paying close attention to new technologies, and predicting the development trend of new technologies.</li> <li>Prior to investment in any new technologies, the Company would optimize pre-investment risk assessment, so as to ensure that the introduction of new technologies can guarantee environmental protection effect as expected.</li> </ul>

Transition risks		
 Market	<ul style="list-style-type: none"> <li>Consumers show a growing preference to green and environmental products.</li> <li>The Company is required to make swift procurement plan adjustment, focus on purchasing green products, and increase the proportion of green products on shelves. With such efforts, the procurement cost may rise, which will impose a certain impact on the profits of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>The Company needs to pay close attention to market dynamics and capture consumer behavior habits in a timely manner.</li> <li>The Company needs to maintain close contact with related suppliers and integrate each other's resources, so as to effectively control the risk of cost rise.</li> <li>The Company can develop proprietary green products, so as to control the cost to a certain extent.</li> </ul>
 Reputation	<ul style="list-style-type: none"> <li>Stakeholders pay more attention to negative news.</li> <li>Negative news will affect the confidence and expectation of internal and external stakeholders on the Company, and harm the reputation of the Company, thereby adversely affecting the revenue of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>Paying more attention to the disclosure requirements related to climate change, optimizing the social publicity on compliance.</li> <li>Actively engage in environmental activities within and beyond the industry, so as to improve corporate participation.</li> </ul>

Physical risks		
Risks	Risk description and impacts	Countermeasures
 Acute risks	<ul style="list-style-type: none"> <li>Extreme weather events, such as typhoons, floods, droughts, extreme heat and extreme coldness, may disrupt the operation of stores and supply chain, thereby resulting in revenue decrease and cost increase.</li> </ul>	<ul style="list-style-type: none"> <li>Paying close attention to weather forecasts and extreme weather early warnings, formulating the contingency plan for unexpected weather events, to ensure the safety of staff and consumers in the stores.</li> </ul>
 Chronic risks	<ul style="list-style-type: none"> <li>Average temperatures rise and sea level rise.</li> <li>Energy costs increase due to temperature rise.</li> </ul>	<ul style="list-style-type: none"> <li>Identifying and assessing chronic climate risks in a forward-looking manner.</li> </ul>

Also, Sun Art Retail has identified the opportunities arising from climate change.

Opportunity type	Climate-related opportunities	Potential financial impacts
Resource efficiency	<ul style="list-style-type: none"> <li>Recycling and reusing cargo containers: The Dry Cargo Logistics Center Warehouse has been implementing over 40% recycling plastic turnover box; while Fresh Produce Processing Centers (FPPCs) of Sun Art Retail have realized 100% recycling of plastic turnover boxes for transporting bulk goods. In cooperation with some brand suppliers, we have launched the program of recyclable boxes (for full container load (FCL) to reduce the generation of discarded cardboard boxes and improve the resource utilization efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Cut operating costs and expenses incurred from disposal of discarded cardboard boxes.</li> </ul>
Energy sources	<ul style="list-style-type: none"> <li>Using clean energy (such as photovoltaic power): Sun Art Retail has been gradually installing photovoltaic power generation facilities for conditional stores and logistics center warehouses.</li> </ul>	<ul style="list-style-type: none"> <li>It is possible to reduce the risks of GHG emissions, and to further reduce the sensitivity to changes in carbon emission trading prices.</li> </ul>





During the reporting period, we have developed a contingency plan for extreme cold weather events, and taken indoor and outdoor cold protection measures for our stores to reduce the risks and impacts of extreme weather.

● **Emergency organization**



Taking the general manager of each store as the team leader, departmental managers as the sub-leaders, and divisional supervisors as team members, we ensure that each cadre masters emergency skills.

● **Key precautions**



To make an appropriate contingency plan for protection against cold and freezing conditions, the loss prevention supervisor of a store needs to identify potential hazards and risks fully according to the actual architectural structure and area of the store. On this basis, major precautions need to be taken for protection of the squares, outdoor motor vehicle parking lots, receiving areas, warehousing areas, etc.

Thermal protective gears are installed for the indoor fire pipes near outdoor areas and the outdoor fire pipes, to avoid pipe breakage caused by freezing.

Any sundries (if any) in outdoor sewage wells and drainage ditches are removed promptly to ensure they are unobstructed during rainy and snowy days.

### Indicators and Objectives

For the purpose of achieving the established goals of GHG emissions reduction and energy utilization, Sun Art Retail launched a series of initiatives during the reporting period, such as purchase of green electricity, expansion of photovoltaic power generation facilities, etc. For more details, please refer to the sections of "Environmental Goal Tracking", "GHG Emission Management", and "Energy Management" of the Report.

## GHG Emission Management

GHG emissions of Sun Art Retail are sourced from the combustion of gasoline, diesel, and natural gas, the use of refrigerants, as well as the consumption of purchased electricity. On the basis of comprehensively analyzing carbon emissions generated from various sources, including the proportion of total carbon emissions and carbon reduction benefits, we have developed appropriate carbon reduction action plans and clarified the focuses of carbon reduction. During the reporting period, we have taken new measures to reduce carbon emissions on top of existing carbon reduction actions.



As of the end of the reporting period, a total of **59** stores of Sun Art Retail have used more environment-friendly R448A refrigerants.

Sun Art Retail's GHG emissions (Scope 1) are mainly sourced from the use of refrigerants, and emission reduction in this regard continues to be a focus. Since 2011, to reduce the damage to the ozone layer, we stopped using R22 refrigerant in our new and reconstructed stores and replaced them by R404A refrigerant. With the development of technology, we have introduced R448A refrigerants to new stores since 2018. Compared to R22 or R404A refrigerants, the R448A refrigerant features a lower Global Warming Potential (GWP), with a 70% reduction than that of the R404A refrigerant, which further reduces GHG emission effectively.



During the reporting period, Sun Art Retail started the construction of the first proprietary logistics center warehouse with photovoltaic power generation facilities. Up to present, the Phase I project has been completed, with a photovoltaic power generation area of **15,000** square meters.

As use of purchased electricity is the only source of GHG emissions (Scope 2), use of clean electricity is a major approach to reduce emissions. Sun Art Retail has achieved photovoltaic power generation in all stores over years, gradually exploring in the field of solar power generation. During the reporting period, we have initiated the construction of photovoltaic power generation facilities in our proprietary logistics center warehouse, the first phase of photovoltaic project in Suzhou warehouse has been successfully completed. In fiscal year 2023/2024, Sun Art Retail will have 3-4 more logistics center warehouses to use photovoltaic power.



As of the end of the reporting period, induction lamps have been installed in stairwells in **70%** of all our stores, which is expected to reduce electricity consumption by approximately **2** million kWh throughout the fiscal year. We have started field inspections on the compliance of stores in electricity consumption.

Sun Art Retail has installed induction lamps for the stairwell fire passages to achieve energy conservation and consumption reduction. Currently, induction lamps have been installed in 70% of all our stores, which is expected to reduce electricity consumption by approximately 2 million kWh throughout the fiscal year as estimated.

During the reporting period, we started field inspections on the compliance of stores in electricity consumption. Specifically, we mainly inspected the running states of electric equipment before opening and after closing the stores, to promptly find out any non-standard or unnecessary electricity consumption behaviors.



During the reporting period, Sun Art Retail has put into use **6** outsourced new energy trucks for transportation in Suzhou. In the future, we will achieve new energy truck transportation for all our short-distance stores.

During the reporting period, we, in cooperation with outsourced fleets, started transportation between our 7 stores in Suzhou and our logistics center warehouse there using new energy trucks for the first time. In the future, we will extend the service to all our stores in Suzhou. Meanwhile, we will gradually increase the use of new energy trucks in other regions, so as to further reduce carbon emissions while ensuring normal transportation. To sum up, we are preparing to comprehensively use new energy trucks.



During the reporting period, our GHG emissions were as follows:

Indicators	Units	FY 2021/2022	FY 2022/2023
GHG (Scope 1)			
Refrigerant <sup>6</sup>	Tonne of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	344,097.16	308,353.97
Mobile sources <sup>7</sup>	Tonne of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	18,202.01	15,597.74
Stationary source - gasoline and diesel <sup>7</sup>	Tonne of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	93.53	34.94
Stationary source - natural gas <sup>7</sup>	Tonne of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	3,522.60	2,261.88
Fire extinguisher <sup>8</sup>	Tonne of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	10,051.08	12,509.6
GHG (Scope 2)			
Outsourced electricity <sup>9</sup>	Tonne of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	1,779,374.56	1,581,266.97
Total GHG emissions (Scope 1 & Scope 2)	Tonne of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	2,155,340.94	1,920,025.11
GHG emissions intensity	Tonne of CO <sub>2</sub> equivalent/million RMB revenue	24.46	22.95



<sup>6</sup> The GWP values are sourced from the "IPCC Fifth Assessment Report AR5", and the leakage rates are sourced from Volume 3 of the "2006 IPCC National Greenhouse Gas Inventory Guidelines" revised edition from 2019, Chapter 7.9 (Refrigerant) of the IPCC Seventh Chapter on Ozone-Depleting Substances and Fluorinated Replacement Substances.

<sup>7</sup> The emission factors for mobile sources and stationary sources are derived from the "2006 IPCC National Greenhouse Gas Inventory Guidelines" and the "IPCC Fifth Assessment Report".

<sup>8</sup> The GWP values are sourced from the "IPCC Fifth Assessment Report AR5", and the leakage rates are sourced from Volume 3 of the "2006 IPCC National Greenhouse Gas Inventory Guidelines" revised edition from 2019, Chapter 7.6.2.2 (Fire Extinguishers) of the IPCC Seventh Chapter on Ozone-Depleting Substances and Fluorinated Replacement Substances.


<sup>9</sup> The average carbon dioxide emission factors for China's regional and provincial power grids in 2012 are based on data published by the National Development and Reform Commission (NDRC) of China.

## Energy Management

Sun Art Retail spares no efforts in maximizing energy efficiency while reducing unnecessary energy consumption. We have actively identified energy consumption scenarios while taking energy-saving measures.

Energy-saving measures taken in the stores:

- Conducting automated energy-saving control of electrical equipment
- Adjusting the freezer temperatures, through which 1 million kilowatt hours of electricity can be saved throughout the fiscal year
- Regularly checking the energy use of stores to avoid unnecessary waste



Sun Art Retail has realized automated control of multiple electrical devices in the stores. For example, the switches of lights in different store areas are controlled with PLC. A 5% energy consumption can be saved through automatic control of lighting. Furthermore, we have realized automated control of air conditioners, range hoods, and ventilators, and also independent regulation of equipment, thereby ensuring the operational efficiency. At present, we have completed the automated control transformation of air conditioners in all stores, and also automated control transformation of range hoods and ventilators in 390 stores. In addition, we are conducting automated control testing of elevators in our stores to achieve the energy-saving purpose.

During the reporting period, through adjusting vegetable and egg cabinets in all our stores, and detailed settings based on the product storage temperatures, we have saved approximately 1 million kilowatt hours of electricity throughout the fiscal year.

Sun Art regularly inspects the energy utilization situations of each store, including the compliance in switching on/off of electrical equipment such as lights, fresh product processing equipment, air conditioners, and freezing and refrigeration systems, as well as the timeliness in energy consumption data upload. The problems identified through inspections during the reporting period have been promptly addressed and reviewed.

saved approximately electricity throughout the fiscal year

1

million kilowatt hours


automated control transformation of range hoods and ventilators in

390

stores

Energy-saving measures taken for warehouses:

- Using energy-saving equipment
- Performing zoned temperature control for effective thermal insulation



The warehouses at the logistics center are equipped with daytime lighting belts to fully utilize natural lighting.

To satisfy the temperature control demands of FPPCs, we have set a physical temperature insulation layer and sealed the entrances and exits, so as to effectively maintain temperatures and reduce internal temperature regulation under extreme temperature conditions. Zoned temperature control has been realized for refrigerated and frozen storage areas, thereby greatly saving energy consumption compared to the traditional single-zone refrigeration.

By keeping partial lighting during non-working hours, we have enhanced the employees' awareness of environmental protection and energy conservation. In addition, we require our employees to turn off the lights when leaving the storage area and turn off the majority of warehouse lighting facilities after loading at night.





Sun Art Retail has further promoted the application of clean energy in all the stores, and completed the construction of photovoltaic power generation facilities in five stores (including the headquarters building) during the reporting period. Due to unforeseen reasons such as the COVID-19 pandemic, the progress of achieving the set photovoltaic power generation goals target has been delayed to a certain extent. During the reporting period, the number of projects available to be completed was less than expected. Now Sun Art Retail is fully allocating resources to expedite the implementation of the original plan. As estimated, we will complete the construction of photovoltaic power generation facilities in 10-15 stores in FY 2023/2024. Furthermore, we have purchased clean energy for the first time during the reporting period, to meet the store electricity needs of nearly 200 stores in three provinces with a total of 840 million kilowatt hours of green electricity and nuclear power, which is expected to reduce carbon emissions by over 50,000 tonnes. In the future, we will gradually increase the use of clean energy in our stores, so as to achieve environmental goals.



The Group's energy consumption<sup>10</sup> during the reporting period is as follows:

Indicators	Units	FY 2021/2022	FY 2022/2023
Direct energy consumption	MWh	84,853.85	67,974.48
Direct energy consumption intensity	MWh/million RMB revenue	0.96	0.81
Indirect energy consumption	MWh	2,632,499.63	2,309,641.49
Indirect energy consumption intensity	MWh/million RMB revenue	29.87	27.61
Consumption of renewable energy from photovoltaic power generation	MWh	11,098.12	13,048.71
Procurement of green electricity renewable energy consumption	MWh	/	38,074.88
Procurement of nuclear electricity renewable energy consumption	MWh	/	45,566.69
Comprehensive energy consumption	MWh	2,728,451.60	2,474,306.25
Comprehensive energy consumption intensity	MWh/million RMB revenue	30.96	29.58

<sup>10</sup> The energy consumption is converted into megawatt-hours (MWh) according to the "GB/T 2589-2020 General Rules for Comprehensive Energy Consumption Calculation".

## Maintaining Environmental-Friendly Operation

Sun Art Retail has established an environmentally-friendly operational management system, which includes the implementation of internal environmental management regulations. The company has also established environmental management organizational structures at the corporate, organizational, and store levels. Additionally, they have developed energy (maintenance) management systems and emission management systems to support the company in carrying out environmental work efficiently. These initiatives aim to strengthen the management level of environmental information and enhance the overall environmental management capabilities.

### Environmental Management System

#### Environmental Policy

The Group strictly complies with related laws and regulations of the state as well as its business locations, including the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, as well as the *SB/T 10814-2012 Guide for Supermarket Waste Management*. On this basis, we have formulated a set of internal rules and regulations to clarify the requirements for environmental protection and the duties of related departments, thereby establishing a standardized environmental management process, and enhancing the awareness of environmental protection within the Company.

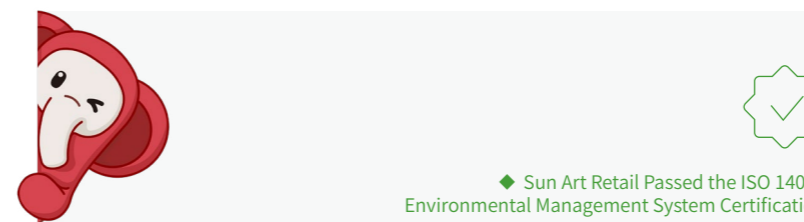
During the reporting period, the Group has revised its Environmental Protection Charter, which includes adding the 2030 carbon neutrality target, modifying the energy management organizational structure, and adding the environmental protection organizational structure and departmental responsibilities of the Company.

#### Management Structure

We have established related management structures at the company, organization, and store levels, to ensure the effective implementation of related work in practical operation process. Each management structure features a top-down management model, which enables the hierarchical and specialized management.

#### Management System

Sun Art Retail has gained the ISO 14001 Environmental Management System Certification.



The energy (maintenance) system features functions of data collection, report analysis, system alarm, and electricity consumption audit, which can assist stores in achieving digital control in energy consumption. The system mainly monitors energy consumption data of air conditioning system, refrigeration and freezing systems, as well as lighting facilities and electricity meters. As for the collection and reporting of data, Sun Art Retail has established an error reminder system to inform stores of their operational errors in uploading data and bills to the WEB management system, so as to ensure data integrity and accuracy. During the reporting period, the energy (maintenance) system has added a new feature for comparing the electricity consumption across different zones. In comparison to the previous method of comparing electricity consumption among stores in different regions, factors such as geographical location may result in significant energy variations. Therefore, Sun Art has introduced zone-based comparisons to facilitate electricity consumption comparisons among stores within the same zone and to analyze energy consumption within each zone.

Regional monitoring centers and the headquarter monitoring center jointly implement the energy (maintenance) management system.

Each regional Monitoring center	Headquarters Monitoring Center
<ul style="list-style-type: none"> <li>Monitoring and analyzing the energy consumption data of stores within the region.</li> <li>Assisting the stores in repairing, to handle abnormalities, and to contact corresponding automatic control manufacturers.</li> <li>Processing alerts from the energy management system of the stores within the region.</li> </ul>	<ul style="list-style-type: none"> <li>Spot checking the upper PC and energy data of stores in each region to ensure conformance of settings for air conditioners, refrigeration and freezing systems. Following up the information of repair and alerts, and informing related monitoring centers upon identification of any problems.</li> </ul>

The emission management system mainly aims to achieve systematic monitoring and control of various types of emissions (including solid waste, wastewater and GHG) generated during the operation of Sun Art Retail.

Solid waste	Wastewater	GHG
<ul style="list-style-type: none"> <li>The waste generation data of stores are recorded into the emission management system on a daily basis for auditing purposes. Every month, a dedicated person is assigned to audit data entered by each store, analyzes the reasons for any abnormality, and puts forth improvement plans.</li> </ul>	<ul style="list-style-type: none"> <li>Water consumption is the focus of wastewater monitoring and management. Stores are required to read meters on a daily basis to record water consumption data. The energy conservation team of the Company tracks water consumption data of all stores on a monthly basis to identify abnormal fluctuations, and promptly investigate the causes to eliminate abnormalities.</li> </ul>	<ul style="list-style-type: none"> <li>For GHG monitoring, we focus on the sources of GHG, i.e., energy consumption and refrigerant utilization. Sun Art has established a management and analysis system covering refrigerant purchase, sale and storage, through which the consumption and inventory of stores can be updated in a real-time manner, thereby enabling accurate analysis of safe inventory and the equipment operation status. For the stores with high consumption, we will understand their equipment operation situation, confirm the reasons, and address problems in a timely manner.</li> </ul>

◆ Sun Art Retail's Emission Management System

## Emissions Management

The emissions generated by the Group during the operation include greenhouse gases, other air pollutants, wastewater, and waste materials. Strictly complying with related laws and regulations, Sun Art is committed to reducing emissions from the source on the principle of compliant disposal, and realizing the recycling for environmental protection.

### Gas Emissions

The air pollutants generated during the operation of Sun Art Retail are sourced from the combustion of gasoline and diesel used for proprietary fleets. As planned, Sun Art will gradually replace such vehicles with new energy vehicles to reduce emissions of air pollutants.

The gas emissions<sup>11</sup> (other than GHG) by Sun Art Retail during the reporting period are as follows:

Indicators	Units	FY 2021/2022	FY 2022/2023
Air pollutants generated from vehicle operation			
Sulfur dioxide	Tonne	0.10	0.10
Nitrogen oxide	Tonne	137.84	123.91
Particulate matter	Tonne	9.98	9.10
Carbon monoxide	Tonne	55.86	58.69

### Wastewater Management

Wastewater discharge by Sun Art Retail is mainly sourced from the water consumption in the operation process. Wastewater is disposed of through the municipal sewage pipe network in strict compliance with related requirements. Through water-saving measures, we have reduced wastewater generation from the source and achieved recycling of wastewater.

**490,000** tonnes

of water can be saved annually through recycling of wastewater

Through wastewater storage and recycling systems equipped for the pure water equipment, wastewater is transferred to designated cleaning water points for reuse and recycling.

During the reporting period, the group discharged a total of 14,592,342.71 tonnes of wastewater<sup>12</sup> through the municipal sewage network. The wastewater discharge density was 174.42 tonnes per million RMB of revenue.

<sup>11</sup> The calculation of gas emissions data follows the reporting guidelines provided by the Stock Exchange's "Environmental Key Performance Indicators Reporting Guide".

<sup>12</sup> The wastewater discharge from stores is estimated based on 85% of the total water consumption, while the wastewater discharge from fresh food warehouses and logistics centers is estimated based on 80% of their total water consumption.



### Waste Management

The solid waste generated by Sun Art Retail mainly includes paper and plastic products, cardboards, foamed plastic, kitchen waste, waste oil, metals, as well as a small amount of hazardous waste. To achieve standardized waste management, we have proposed the "Five Areas" sorting principle, and set up special trash bins for sorting the wastes from the outdoor area, shopping area, office area, operation rooms, and the warehousing area, respectively.

Based on their characteristics, we have properly collected, classified and weighed all wastes. Furthermore, we have taken corresponding measures for recycling of any recyclable waste.



#### Recycling cardboard boxes

Cardboard boxes are the main recyclable, harmless wastes generated by Sun Art Retail. To standardize the recycling process, we have formulated and released the *Store Waste Cardboard Recycling Regulations*, in which the code of practice for recycling waste cardboards is explicitly stipulated. After the stores place waste cardboards satisfying the recycling requirements at the recycling points, the loss prevention auditors will notify the recycling vendors for three-party weighing and packing. To ensure the integrity and reliability of recycling data of waste cardboards, we have clarified the recording process in *Regulations* above, and engaged in monthly data verification and analysis to identify abnormalities, figure out the causes and address problems in a timely manner. During the reporting period, 124,200 tonnes of waste cardboards were recycled by Sun Art Retail.



#### Waste sorting

Following the urban management regulations of business locations, Sun Art Retail has initiated the waste sorting initiative in the stores, and set up sorting trash bins to guide customers to form waste sorting habits.

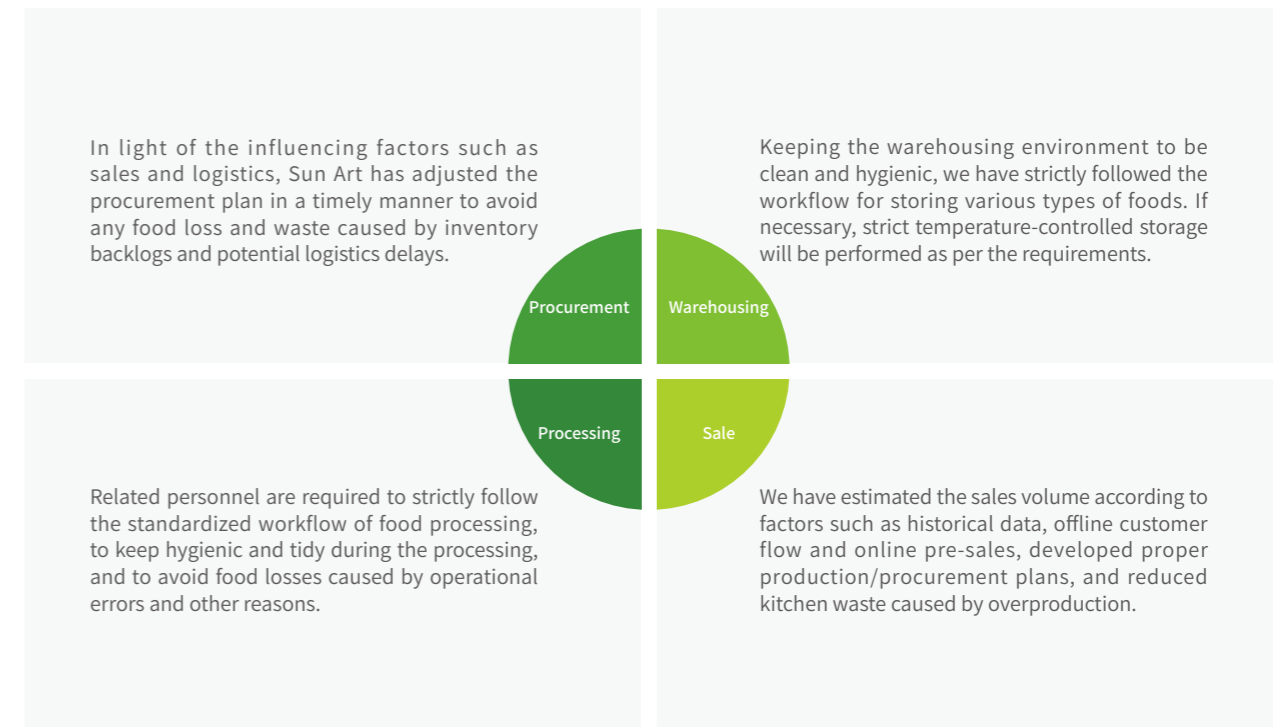
Sun Art has initiated waste sorting in

in **35** cities

covering **156** stores

### Food Loss and Waste

For kitchen waste, Sun Art has developed an internal waste sorting process to ensure the separation of dry and wet waste, and designated personnel to inspect the work. Scrap food has clear disposal requirements and standard operating procedures, which are strictly monitored by the system to ensure that it does not leak or go beyond control. We collaborate with qualified third-party companies to establish a closed-loop disposal mechanism. To reduce the food loss and waste, Sun Art has continued the loss prevention and control across the industry chain including food procurement, warehousing, processing, and sales. We have established the goal of food loss and waste, i.e., reducing kitchen waste by 3% in FY 2023/2024 compared to level in FY 2022/2023.



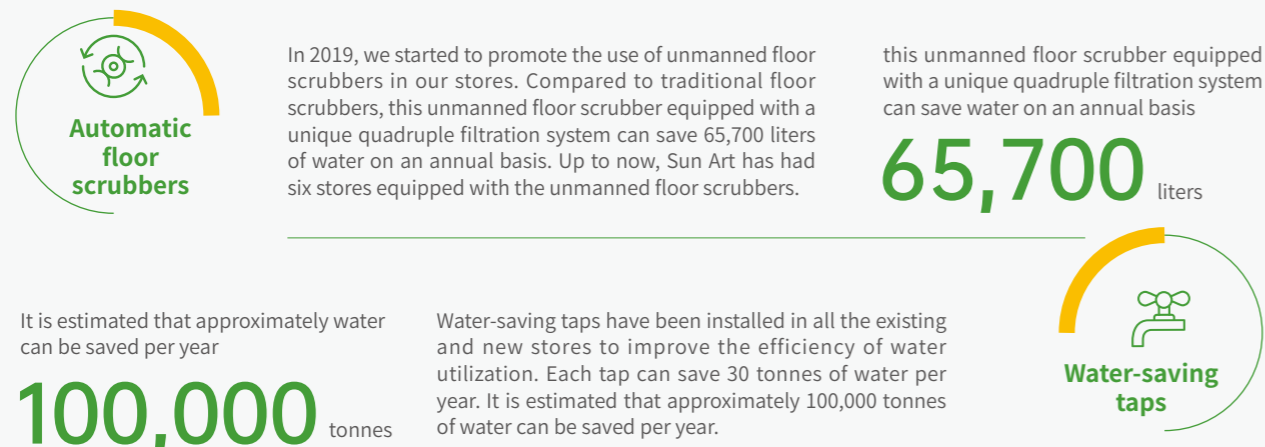
◆ Part of Sun Art Retail's Food Loss and Waste Control across the Industry Chain

The wastes generated by the Group during the reporting period are listed as follows:

Indicators	Units	FY 2021/2022	FY 2022/2023
Amount of non-hazardous waste generated	Tonne	212,838.68	194,256.84
Intensity of non-hazardous waste generation	Tonne/million RMB revenue	2.41	2.32
Amount of recyclable waste generated	Tonne	136,575.79	124,169.45
Amount of non-recyclable waste generated	Tonne	76,262.88	70,087.39
Amount of hazardous waste generated	Tonne	197.64	150.55
Intensity of hazardous waste generation	Kg/million RMB revenue	2.24	1.80

## Use of Water Resources

Sun Art Retail cherishes the water resources, and had reduced water consumption by adopting water-saving equipment and posting water-saving slogans.



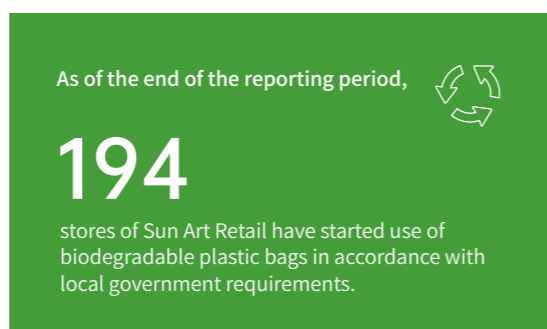
Any water consumed by Sun Art Retail during the reporting period has been sourced from the municipal pipeline network, with details as follows:

Indicators	Units	FY 2021/2022	FY 2022/2023
Water consumption	Tonne	19,639,266.72	17,176,380.67
Water consumption intensity	Tonne/million RMB revenue	222.83	205.31

## Plastics Reduction and Packaging Materials

### Plastics Reduction

Sun Art Retail is committed to reducing the application of plastic products in the operation process, so as to minimize the negative impact on the environment. We have formulated the *Code of Practice for the Use of Trash Bags*, which specified corresponding trash bags for trash bins of different specifications, to reduce unnecessary use of plastic products. Meanwhile, we have listed the scenarios and safety precautions for reusing trash bags. To track the use of trash bags, every month, the headquarters specialist conducts an audit analysis of the cost of garbage bags at the stores. Meanwhile, commissioners from the headquarters will audit the use of trash bags through tour inspections and make timely corrections.



## Packaging Material Management

We have evaluated and analyzed the application scenarios of packaging materials, reduced the use of packaging materials, and improved the use efficiency of packaging materials, through requisitioning management of packaging materials, use of packaging material equipment and transportation vehicles, and planned management of commodity lightering.

Requisitioning management of packaging materials	Use management of packaging equipment and vehicles	Planned management of commodity lightering
<ul style="list-style-type: none"> <li>Stores can collect the stretch film after submitting a written application and making records each time, and can exchange the old cores for new ones. The stores are required to use them reasonably to prevent waste.</li> <li>Suppliers are responsible for reinforcing the packaging of vulnerable goods from the source to avoid wasting consumables for secondary packaging.</li> <li>More reusable rubber bands have been applied for product fixation.</li> </ul>	<ul style="list-style-type: none"> <li>Packaging workers can use an automatic packaging machine to package fresh products. The automatic packaging machine equipped with intelligent recognition kits can minimize the waste of packaging materials. Compared to traditional manual packaging, the new packaging method can improve the efficiency by about one time.</li> <li>At present, commodity transportation carriers in all logistics center warehouses are reusable. In addition to the quality of picking and distributing goods, the capacity load, turnover and utilization ratio of the carriers are ensured.</li> </ul>	<ul style="list-style-type: none"> <li>We have enhanced the planned management of goods in both internal and external warehouses, and reduced the frequency of lighterage, thereby strictly prohibiting the lighterage of the same goods in internal and external warehouses within three days.</li> </ul>

The packaging materials used by Sun Art Retail during the reporting period are listed as follows:

Indicators	Units	FY 2021/2022	FY 2022/2023
Packaging material consumption	Tonne	19,268.94	33,559.07
Packaging material consumption intensity	Tonne/million RMB revenue	0.22	0.40
Total consumption of wood/paper fiber packaging	Tonne	610.61	3,634.69
Total consumption of plastic packaging	Tonne	18,658.33	21,722.81
Recyclable packaging material consumption	Tonne	318.33	105.77
Weight of recyclable plastic packaging	Tonne	0.036	12



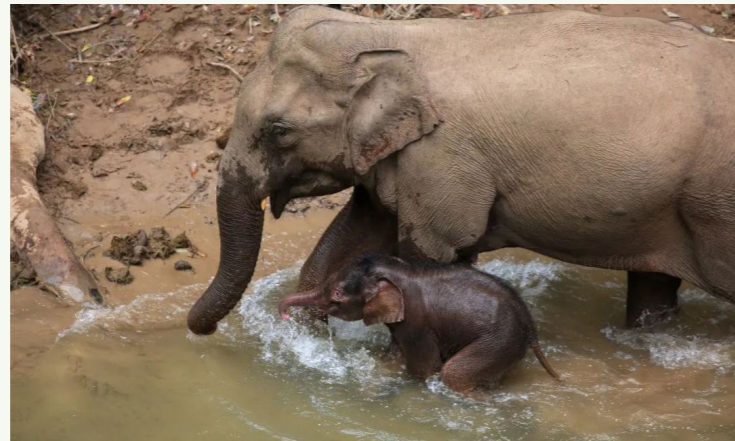
# Biodiversity and Animal Welfare

## Biodiversity Conservation

Biodiversity conservation is essential for promoting harmonious coexistence between humanity and nature, and acts an irreplaceable role in stabilizing the ecosystem. As a retail enterprise, Sun Art Retail is less involved in biodiversity related activities during daily operation. However, we are committed to protecting biodiversity. By joining hands with our partners, we have performed a number of biodiversity conservation activities and called for active participation of consumers. Meanwhile, we have further publicized the concept of biodiversity conservation.

### Case | Protecting Wild Asian Elephants

In February 2023, Sun Art launched the "Future of Elephants" charity sale initiative. In cooperation with Xishuangbanna Asian Elephant Protection Association, we have been dedicated to addressing the "human-elephant conflicts" brought by wild Asian elephants, with the public welfare fund raised by means of the charity sale. The fund of RMB50,000 raised through the charity sales will be used to purchase food and medicine for the wild Asian elephants in the Xishuangbanna Asian Elephant Breeding and Rescue Center.



RMB **50,000**  
The fund raised through the charity sales



◆ "Future of Elephants" donation ceremony

### Case | Protecting Endangered Plants

The Program of Protecting Endangered Plants is a charitable environmental protection project launched by Huamu Planet, a trendy and eco-friendly home furnishing brand under Unilever, in cooperation with RT-Mart as well as China Biodiversity Conservation and Green Development Foundation (CBCGDF). Since 2019, we have launched consumption promotion activities every year, calling on customers to jointly protect endangered plants. We moved 14,000 meconopsis plants back to majestic snow-capped mountains in 2019 and protected 15,000 *mu* of Tianshan snow lotus as an endangered flower in 2020. In 2021, we protected 10,000 plants of Golden Camellia. In 2022, the Program of Protecting Endangered Plants was extended to Jinggang Mountains, where 10,000 plants of endangered wild rhododendrons known as Valley Beauty (covering an area of 1,000 *mu*) were protected, bringing ecological values of over RMB24 million.

### Case | Green Hada RT-Mart Ecological Protection Village

The "LUX Green Hada Action" is a charitable environmental project of plateau grass launched by LUX. Over the past 12 years since 2011, a total 12.4 million square meters of pasture have been planted in 10 townships of 7 counties and districts in the Qinghai-Tibet Plateau. In 2022, RT-Mart continued cooperation with LUX to perform related activities in the stores. Specifically, a consumer could donate 1 square meter of grassland when his/her single consumption amount reached a certain threshold. In 2022, Sun Art and LUX jointly planted approximately 1,132,200 square meters (1,700 *mu*) of grass lawn in the Tibet Plateau.

## Animal Welfare

We actively introduce animal welfare goods, gradually enhanced the animal welfare awareness among value chain. Our upstream suppliers are exploring achievable animal welfare options.

### Case | Eggs of Free-Range Poultry

During the reporting period, we introduced new suppliers and cooperated to put on the shelves six new non-caged animal welfare egg products, including "Tiansheng Shepherd's Origin Animal Welfare Egg" and "Raise a Happy Chicken", to guide consumers to support animal welfare and promote the new consumption concept of animal welfare. As of the end of the reporting period, the total sales volume of non-caged poultry eggs was 4,766 boxes, representing a growth rate of 100%.



### Case | Grass-fed Free-Range Cattle

As one of the dairy product brands under the long-term partnership with RT-Mart, Theland has incorporated the concept of animal welfare into its production supply chain. Known as the "grass-fed free-range cattle", every cow enjoys 2,300 square meters of free-living space, fresh alfalfa and ryegrass, zero prolactin, as well as a 2-month vacation.



# 04 Responsible Procurement, Mutual Benefits, and Win-win Results

Sun Art Retail guarantees high product quality from the source by building a stable supply chain. By prioritizing sustainable management of procurement and supply links, we are committed to partnering with our suppliers in creating a mutually beneficial development pattern and shouldering the mission of responsible procurement.



- 4.1 Sustainable Procurement
- 4.2 Guaranteed High-quality Supply
- 4.3 Mutually Beneficial Cooperation



RSPO, FSSC 22000, and ISO certified palm oil commodities obtained by Sun Art Retail account for **59.4 %** all commodity sales involving palm oil

**100 %** traceability of beef products in Eastern China, traceable to country of origin




# Sustainable Procurement


The organization has always pursued sustainable procurement. Specifically, we give priority to purchasing fresh products with MSC<sup>13</sup> and OFDC<sup>14</sup> qualifications. As of the end of the reporting period, our palm oil products have passed the RSPO<sup>15</sup>, FSSC 22000<sup>16</sup>, and ISO certifications, accounting for 59.4% of sales of palm oil related products

## Seafood and Aquatic Products


We prefer purchasing or raising seafood or aquatic products with sustainable traceability. We encourage and support all our suppliers to strengthen traceability in their supply chains. As of the end of the reporting period, Sun Art Retail has successfully tracked many marine products including branded mitten crabs, Rushan oysters, Haizhiyuan fish, deep-water yellow croaker series, Gonglaohan turtle, etc. The total sales of such products amount to RMB79.95 million, accounting for 3.9% of the total sales of aquatic products of the organization.




**Branded mitten crabs**




**Rushan oysters**




**Haizhiyuan live fish series**



**Deep-water yellow croaker series**



**Gonglaohan turtle**



The total sales of such products amounted to **RMB 79.95 million**

<sup>13</sup> Marine Stewardship Council (MSC) Aquatic Certification is an accredited supply chain certification for proper management of marine fisheries and processed seafood products.

<sup>14</sup> The OFDC Organic Certification Standard (《OFDC 有机认证标准》) has been evaluated by the IFOAM Accreditation Program (IOAS) as equivalent to EU regulations. Organic products certified through the OFDC Organic Certification Standard can be released to the EU and other important organic product markets directly or through mutual recognition.


<sup>15</sup> RSPO refers to the Roundtable of Sustainable Palm Oil. To ensure the credibility of palm oil sustainability statements, all RSPO members that legally own, produce, and trade RSPO certified palm oil products need to pass the RSPO certification.

<sup>16</sup> The Food Safety System Certification (FSSC 22000) for food and feed safety/quality management is an internationally recognized scheme for food safety certification applicable to all organizations in the supply chain, regardless of size and complexity.


As of the end of the reporting period, Sun Art Retail's MSC<sup>17</sup> certified seafood products mainly including Blue Snow MSC certified Norwegian Atlantic cod steak and deep-sea diary Antarctic silver cod steak. During the reporting period, the procurement ratio of such products has accounted for 4.9% of the total sales of frozen seafood products of the organization.




◆ MSC certificate




(Blue Snow) MSC certified Norwegian Atlantic cod steak



Deep-sea diary Antarctic silver cod steak



French Silver Cod (for babies)



Arctic shrimps

## Organic Products

Sun Art Retail adopts a two-front procurement mode: purchasing organic products from vegetable markets and vegetable plantations in batches and strictly examining the qualifications of our suppliers, ensuring that all vegetables, fruits, etc. can be traced back to the specific market stalls or production means. At the same time, we have strengthened cooperation with plantations and farmers to further increase the proportion of vegetable plantation purchases to develop our brand, standardizing supply and guaranteeing the traceability of products.

During the reporting period, 6 plantations under Sun Art Retail have become OFDC organic certified, selling more than 85 types of organic vegetables in Eastern China, with sales amounting to RMB12 million, and accounting for 1% of the total sales of vegetables. In terms of organic fruits, sales of Zespri Organic Gold kiwifruit from New Zealand amounted to RMB220,000. Over the same period, sales for organic seafood products, including organic seaweed, organic kelp, and organic turtle, amounted to RMB5.55 million.

◆ OFDC Certificate

<sup>17</sup> Marine Stewardship Council (MSC) Aquatic Certification is an accredited supply chain certification for proper management of marine fisheries and processed seafood products.

## Beef and Dairy Products

All the imported beef products of Sun Art Retail can be traced back to its country of origin, and beef products sold in East China Region are 100% traceable, which includes 70% of domestic beef.

In terms of dairy products, Sun Art Retail has 8 SKUs of room-temperature organic milk, all of which can be 100% traced based on the organic traceability codes or numbers on the packaging. By scanning the QR codes or inputting the organic codes through WeChat, users can view all the information and data related to the organic products and login in the website of State Administration for Market Regulation (SAMR) for verification and confirmation.

100%

traceability in beef products sold in Eastern China Region



◆ Dairy Products Traceability System of Sun Art Retail



## Guaranteed High-quality Supply

Sun Art Retail is committed to establishing a high-quality supply chain management system. By standardizing the supplier access process and continuously improving the measures for risk prevention and business ethics compliance, we minimize supply chain risks as much as possible.

### Supplier Access

In accordance with the related national and international standards for food safety and quality management, Sun Art Retail has established a streamlined supplier access system and audit requirements based on the organization's characteristics, with audit contents including supplier qualification, enterprise risk, transportation risk, packaging material use, etc. Any supplier intending to access must first fill out the "Qualification Evaluation Form." The quality inspection department is then responsible for reviewing audits of product quality and factory environment, focusing on product inspection reports issued by third parties. We then will determine the access qualification according to the audit results. The information provided by the supplier will be included in the database only upon passing the audit. In the audit form, Sun Art Retail will evaluate and record the performance of the supplier in environmental and social responsibilities and legal compliance with corresponding scores deducted.

Manufacturers provide new product information, certificates, and commodity inspection reports

The procurement personnel register the new products

New manufacturers submit materials of quality control and factory visit

◆ Supplier Audit Process of Sun Art Retail



Sun Art is inspired to reach a consensus with various suppliers in terms of green and sustainable development. Therefore, if a supplier performing is well in all aspects of sustainable development, including environmental management, climate change response, protection of human rights, and employee rights and interests, the organization will reward the supplier with a relatively high score and regard it as an important basis for screening.



Furthermore, the organization prioritizes cooperation with the suppliers who are HACCP or ISO22000 certified. During the reporting period, we have had 3,323 HACCP certified suppliers and 4,031 ISO22000 certified suppliers. Furthermore, Sun Art Retail prefers to select food manufacturers with a registered capital of more than RMB5 million and who have passed the CGF Certification<sup>18</sup>.



◆ Certificate of Hazard Analysis and Critical Control Point (HACCP) System



◆ Certificate of Food Safety Management System



◆ Certificate of Food Safety Management System (FSMS)

As of March 31, 2023, the organization has cooperated with the diverse suppliers, with a breakdown by region listed as follows:

Indicators	Suppliers By regions	Units	FY 2022/2023
Suppliers By regions	Eastern China	\	7,008
	Northern China	\	4,498
	Northeast China	\	3,452
	Central China	\	4,240
	Southern China	\	4,932
	Hong Kong, Macao, and Taiwan	\	0
	Overseas	\	0

<sup>18</sup> The Consumer Goods Forum (CGF) is an industry organization bringing together over 400 member companies from over 70 countries and regions, aiming to promote the practices and standards that are conducive to the development of the consumer goods industry.

## Supplier Management

Referencing supplier access audit results, Sun Art Retail performs classified management of existing suppliers. We assess and review the performance of a supplier in raw material traceability, product conformity rate, delivery efficiency, among other factors through pre-introduction, in-process supervision, and post-event tracking. We regularly visit the existing suppliers to understand their actual operation conditions and review their performance in information update and compliance, business ethics compliance, protection of employee rights and interests, and environmental management.

- All vehicles are required to be equipped with GPS. While ensuring the traceability of purchased materials, information technology should be used to optimize distribution routes, improve transportation efficiency, and achieve energy conservation and emission reduction.
- When the contract expires every year, open bidding will be conducted within in the month for the suppliers of external carriers to filter underperforming transportation companies, and conduct public tender for stores serviced by the carrier.
- Suppliers' performance in delivery punctuality rate, receipt timeliness rate, customer satisfaction, driver cooperation, and accident rate, are assessed on a monthly basis.
- By creating electronic files for trucks and controlling the temperature throughout the process, we aim to ensure food safety and reduce food waste.



Vehicle matching and external vehicle carrier suppliers

- The suppliers shall provide various qualification certificates to ensure their accuracy and validity.
- The supplier are required to provide the information including the performance and proportion of major customers, the number of employees, the area/ownership, the source of goods, etc., in order to ensure its traceability in human rights and products.
- We verify the authenticity of information provided by the supplier through relevant websites, and check any regulatory violation through www.creditchina.gov.cn, to ensure the supplier's conformance with business ethics.



Suppliers of consumables, equipment, and engineering

- We ensure that dispatched employees get equal pay and compensation for equal work in the same workplace. The rules on employment, assessment, rewards and disincentives are made open and consistent, to safeguard the rights and interests of employees.
- We maintain regular communication with dispatched suppliers to keep abreast of market conditions and employees' working conditions, so as to make active and timely adjustments accordingly. We regularly screen and replace disqualified suppliers according to the cooperation situations.
- We perform monthly interview and survey with dispatched employees to understand the suppliers' operation conditions in a timely manner, so as to maintain supply chain stability.



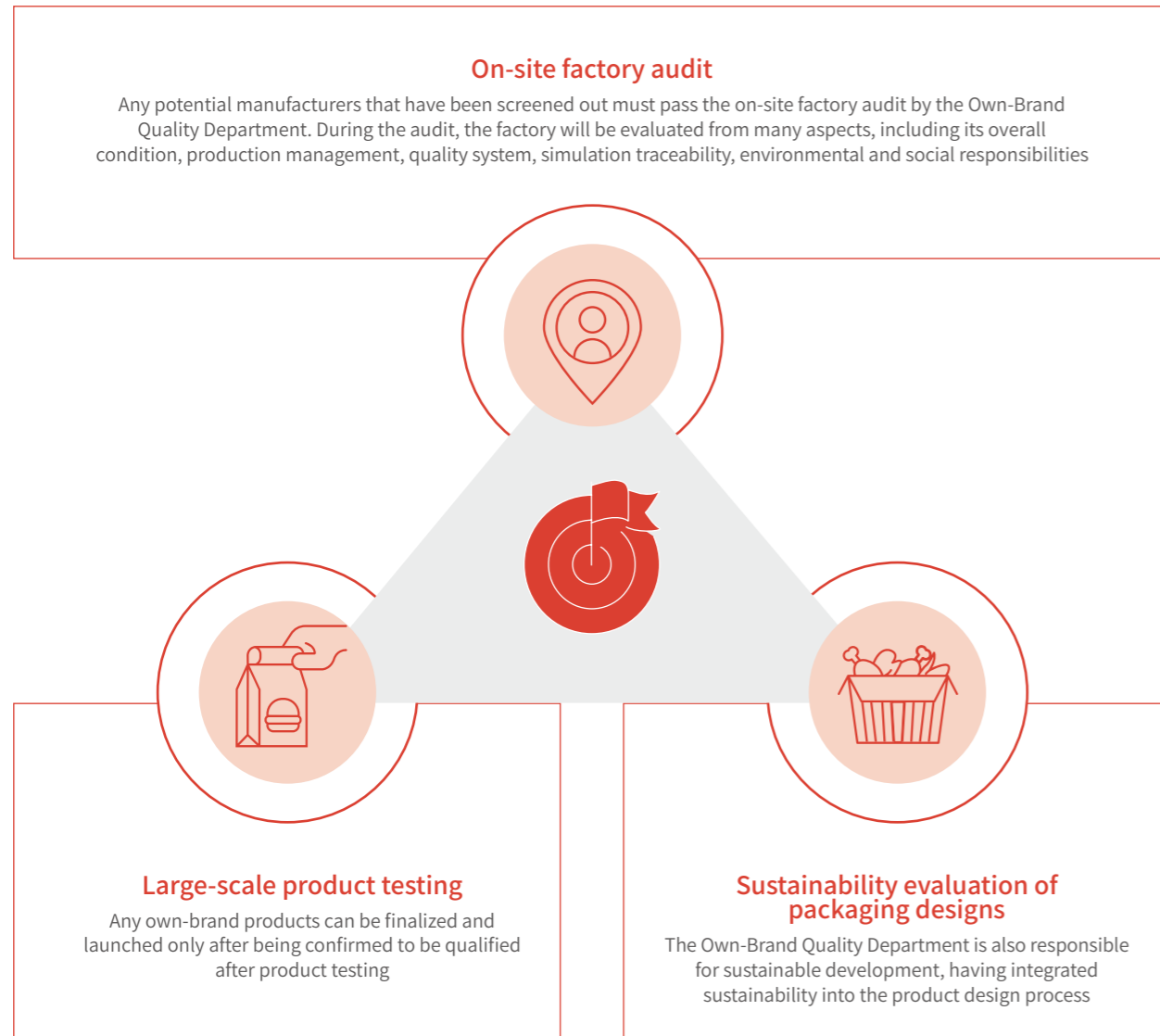
Labor dispatching suppliers

- Transport vehicles are required to be equipped with the G7 system and related equipment to enable automatic alarming in case of abnormal temperature events, so as to prevent quality and safety problems and waste of fresh products caused by transportation.
- The auditors review carriage temperatures during the distribution process and inform the transportation companies of any abnormalities on a daily basis, requesting and assisting the suppliers to make improvements.
- Goods delivery receipts shall be signed and confirmed by the carriers, loss prevention department, and stores, and the traceability and quality assurance of food shall be strictly controlled.



Carriers in collaboration with FPPCs

We assess branded suppliers through field audits, large-scale product testing, and sustainability evaluation of packaging designs.



◆ Evaluation of branded suppliers

In addition, we have conducted risk audits of transportation suppliers from multiple perspectives, including their vehicle positioning technology and electronic archives, compliance of timely product delivery, customer satisfaction, and treatment of transportation accidents. Based on backend operation data, we have conducted rating evaluations of the suppliers and held production and sales meetings on a weekly basis to analyze the causes of logistics situations. According to the improvement plan, we will track the situation with subsequent improvements.

We also actively promote localized procurement. To further reduce the loss of fresh products and cooked food in the transportation process, the organization has taken the initiative to directly sell local specialty products, such as Dongshan loquat, Wuxi peaches, Hongda roasted chicken, etc.

## Suppliers' Compliance with Business Ethics

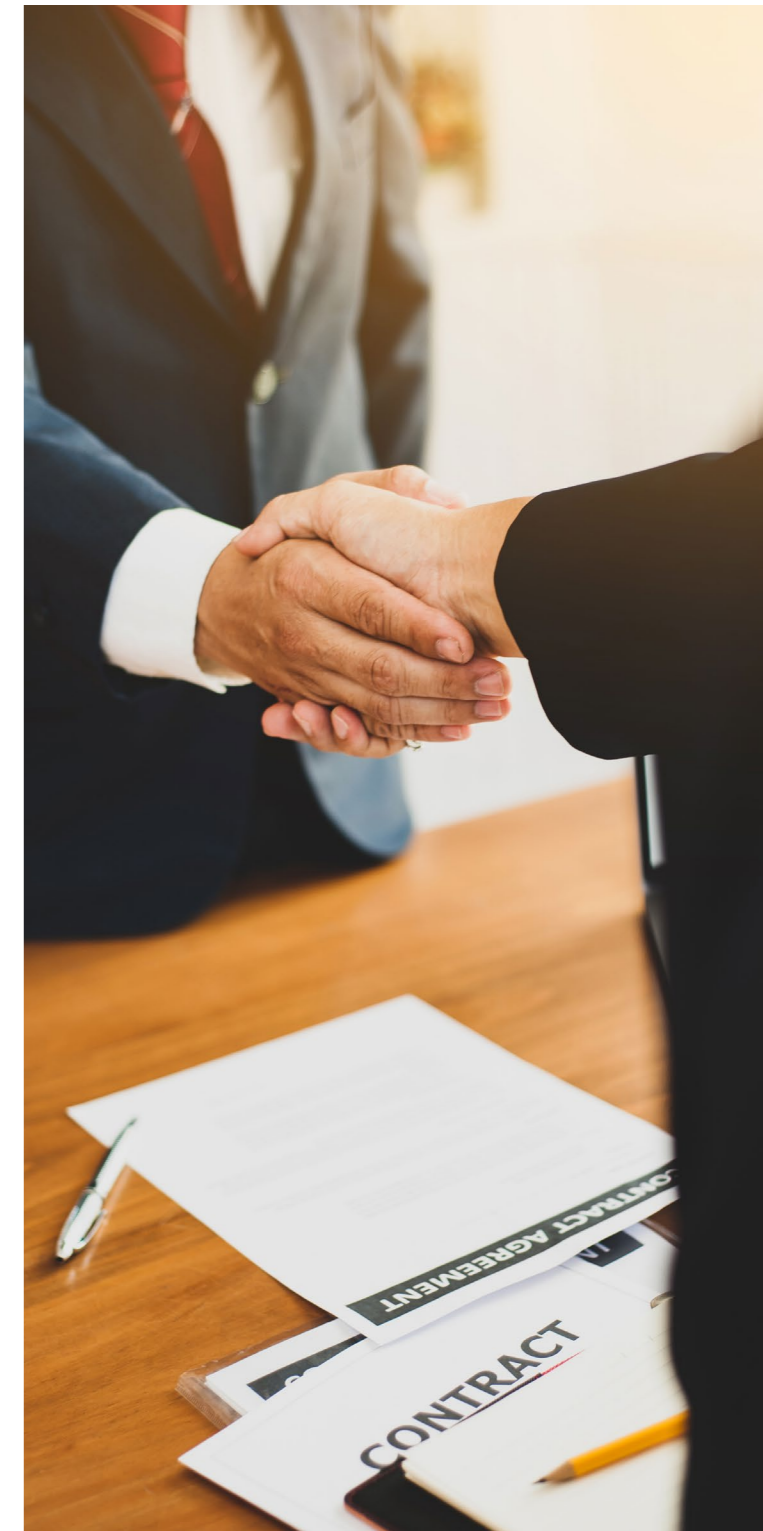
Strictly adhering to business ethics, Sun Art Retail is committed to enhancing the integrity of suppliers to improve their capability of fulfilling responsibilities and to stabilize the positive development of the supply chain. During contract signing, a "Clean Governance and Integrity Agreement Letter" must be signed by the supplier, in which related clauses specifying a feedback channel of integrity issues are clarified. The supplier must agree to and sign the agreement letter before further business cooperation with Sun Art Retail. Suppliers that fail to comply with the "Clean Governance and Integrity Agreement Letter" due to operation dishonesty will be blacklisted. During the reporting period, the rate of signing the Clean Governance and Integrity Agreement Letter by the suppliers of Sun Art Retail reached 100%. For any corruption case reported, Sun Art Retail will acknowledge it within 5 working days, investigate it within 7-14 working days, and issue an investigation report in no more than three months. The organization has conducted 4,484 supplier audits in the past three years.

During the reporting period, the rate of signing the Clean Governance and Integrity Agreement Letter by the suppliers of Sun Art Retail reached

**100 %**

Supplier audits conducted by the organization in the past three years

**4,484**





# Mutually Beneficial Cooperation

To further strengthen cooperation with our suppliers and enable consistent feedback from our suppliers, Sun Art Retail has established a diversified communication and cooperation system with all suppliers. We have carried out various field survey and in-depth exchange activities and carefully listened to the opinions of our suppliers, to meet their reasonable demands and to achieve mutually beneficial results in an innovative manner.

## Communication with Suppliers

To ensure smooth information exchange between the organization and suppliers and boost stable development of both parties, Sun Art Retail organizes supplier trainings often within every year. Training contents mainly cover food safety, new systems, logistics manufacturers, etc. In addition, we will host supplier exchange meetings in cooperation with well-known third-party enterprises.

### Case | Sun Art Retail and P&G Retail Innovation Summit

To develop the joint business plan for the next fiscal year, to gain a deeper understanding of both parties' core strategies, and to speed up project approval, Sun Art Retail and P&G held an innovation summit on February 8, 2023. Both parties exchanged opinions on consumer insights, business plans, and categories of business plans.



◆ Sun Art Retail and P&G at the "Innovation Summit"

### Case | Sun Art Retail & Unilever Retail Exchange Conference

On March 21, 2023, Sun Art Retail and Unilever held a retail exchange conference for the FY 2023/2024. The two sides discussed the changes in the retail industry in China from a global perspective, shared their views on the development of household cleaning products, and strengthened the exchange and cooperation.



◆ Sun Art Retail & Unilever Retail Exchange Conference

## Supplier Empowerment

In addition to self-development, Sun Art Retail regards the sustainable development of the entire retail industry as its own mission, actively supporting the incubation of supplier brands to jointly promote the prosperous development of the retail industry.

### Case | Brand Incubation Support - Yongpu Coffee

As one of the mainstream coffee brands, Yongpu Coffee is committed to "being a coffee brand with warmth". Sun Art Retail promotes domestic coffee brands, marketing them online and offline. Through simple and vibrant methods, we create an interconnected coffee solution, staying true to the warmth in every cup of coffee. With the brand, we designed a category under a "Coffee Festival" theme. The activities covered 231 stores in Eastern China and online stores RT Fresh APP, Taoxianda, etc. Simultaneously, we provide Yongpu with marketing support, such as posters and other promotion resources. Yongpu marketing during this period accounted for an outstanding proportion of 49.3% within the entire coffee espresso category.



◆ Yongpu Coffee Brand Promotion



# 05 Making Progress Together While Putting People First

Sun Art Retail firmly believes that employees are essential for the sustainable development of an enterprise. Always paying attention to and safeguarding the legitimate rights and interests of employees, and continuously improving the human resources system and mechanism, we are committed to creating fair and equal opportunities and a good working environment for employees. We have established a fair and transparent promotion incentive mechanism and a diversified employee training system to achieve win-win growth of both the enterprise and employees.



- 5.1 Safeguarding Employees' Rights and Interests
- 5.2 Supporting Employee Development
- 5.3 Spreading Love and Care



During the reporting period,

**100** % staff participation in training

A total of **236,725** employee safety education and training sessions were conducted

**100** % union coverage by the end of the reporting period



# Safeguarding Employees' Rights and Interests

Sun Art Retail adheres to the "people-oriented" employment concept, and strictly abides by the relevant laws and regulations such as the *Labor Law of the People's Republic of China* (《中华人民共和国劳动法》), the *Labor Contract Law of the People's Republic of China* (《中华人民共和国劳动合同法》), the *Social Insurance Law of the People's Republic of China* (《中华人民共和国社会保险法》), the *Law of the Peoples Republic of China on the Protection of Women's Rights and Interests* (《中华人民共和国妇女权益保障法》), and the *Regulation on Work-Related Injury Insurances* (《工伤保险条例》). In addition, we have further improved the internal rules such as the Employee Handbook, in which the basic principles and requirements for legally employing, respecting human rights, and safeguarding the legitimate rights and interests of employees, are made clear, to strictly control the compliance in recruitment and employment.

We advocate the establishment of an inclusive and caring atmosphere, where employees are respected, and are free from inappropriate behaviors such as bullying, sexual harassment, discrimination, or abuse.

## Compliance in Employment

Strictly abiding by the *Provisions on the Prohibition of Child Labor* (《禁止使用童工规定》), we have developed multiple entry certification processes. In addition, we verify and intercept potential violations through the online recruitment system. In case of any abnormal employment circumstances such as hiring of child labor or failure to sign any labor contract, we will conduct in-depth investigation and handling in a timely manner, and review and improve the system and management process. Meanwhile, we have set up a number of complaint and appeal channels, such as e-mail, public complaint hotline and complaint mailbox. As of the end of the reporting period, Sun Art Retail has experienced no illegal employment incidents such as hiring of child labor or forced labor.

### Protection of Minors

Strictly following the *Labor Handbook*, we refuse to recruit any minors aged below 16, and to arrange any underage employees to do work that may harm their physical health and safety.

In addition, we prohibit any actions that might infringe on employees' rights and interests, including but not limited to workplace harassment, inappropriate comments, jokes, and behaviors, as well as unreasonable working overtime. In order to safeguard the special rights and interests of female employees, we have signed the *Special Collective Contract for the Special Interests of Female Employees* (《康成投资(中国)有限公司女职工特殊礼遇专项集体合同》), in accordance with the *Women's Rights Protection Law of the People's Republic of China* (《中华人民共和国妇女权益保障法》). During the reporting period, all employees (100%) have signed collective bargaining agreements.

During the reporting period, employees have signed collective bargaining agreements

100%

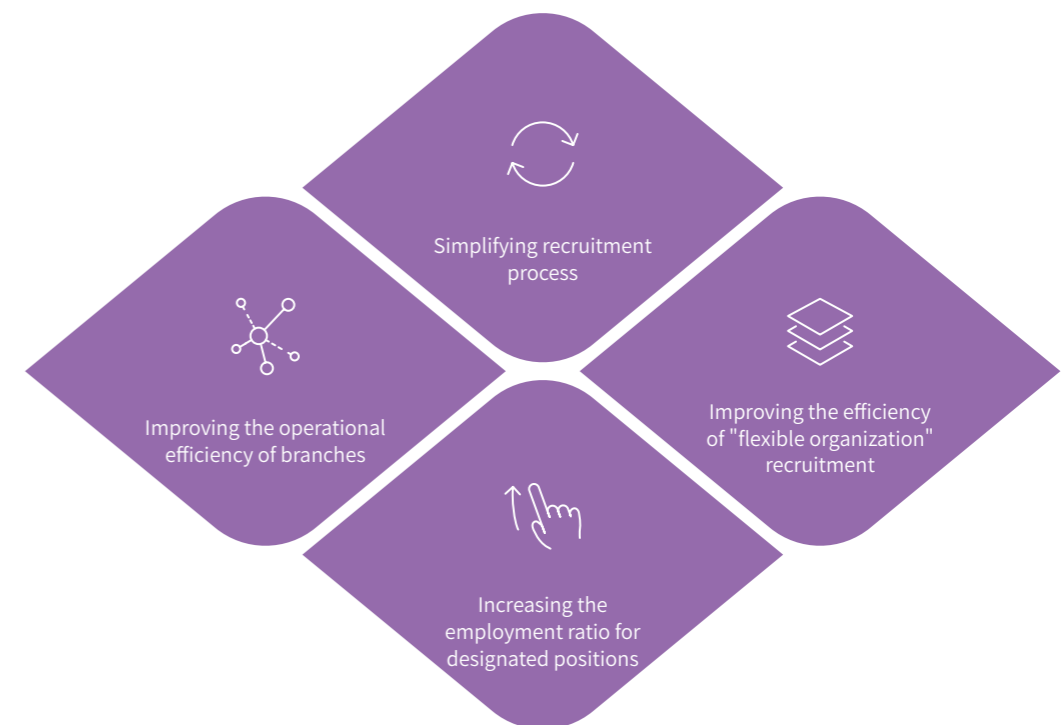
### Advocating Reasonable Working Hours

Sun Art Retail adopts a flexible working hour system for employees in different positions, advocating that employees complete work tasks during working hours, to avoid working overtime on weekdays and holidays as much as possible. If working overtime is really required, we will pay overtime compensation and allow leave in lieu in accordance with relevant national and local regulations.

## Diversified Recruitment

Talent diversification is crucial for the sustainable development of Sun Art Retail. We are dedicated to establishing a diverse and inclusive office environment and atmosphere, in which various forms of prejudice and discrimination are strictly prohibited, including discrimination or differential treatment caused by the reasons of age, race, skin color, religion, gender, sexual orientation, nationality, genetics, family status, disability or political opinion. Diverse talents bring collisions and sparks in ideas, so we believe that they can boost sustainable development of the Company.

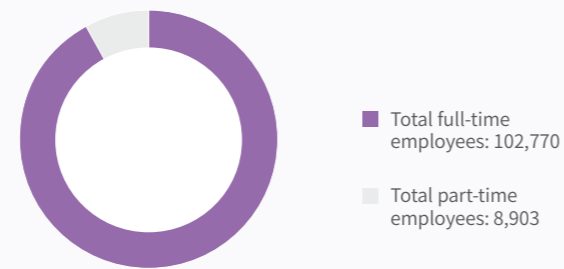
We have established and improved a personnel management system, and standardized the recruitment of talents, attracting talents through diversified recruitment channels. During the reporting period, we have developed a flexible employment platform for the East China and North China regions, and achieved closed-loop management of the entire process from recruitment to employment and remuneration settlement. In addition, we have organized all-round pre-job training and tutoring for new employees screened out from excellent college graduates through the said flexible employment platform, to enhance the professional qualities of the talent team.



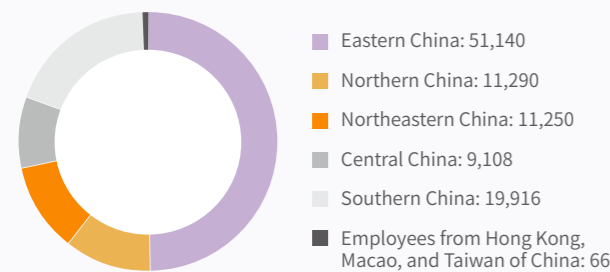
Continuing to deepen cooperation with the institutions of higher learning, we have launched some cutting-edge and practical teaching and training projects, to build a high-level young talent team, and to inject strength and confidence for the career development of young talents. In this way, we help them to achieve their career development dreams. As of the end of the reporting period, we have established cooperative relations with more than 50 universities and have cumulatively recruited thousands of outstanding talents therefrom.

In addition, we have continued to offer various employment opportunities for the ethnic minorities and people with disabilities. Suitable and convenient positions in art design, mailroom, warehouse management, cleaning and customer service are provided to people with disabilities according to their physical conditions. We ensure that disabled employees are treated without discrimination and get equal pay for equal work. As of the end of the reporting period, Sun Art Retail has had 102,770 full-time employees, including 1,345 employees with special needs and disabilities (accounting for 1.31%), and 1,921 employees of ethnic minorities (occupying 1.87%).

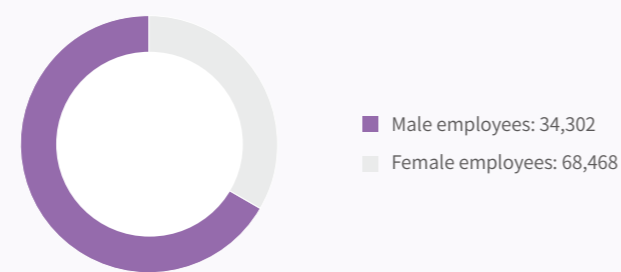
By employment type Units: Person



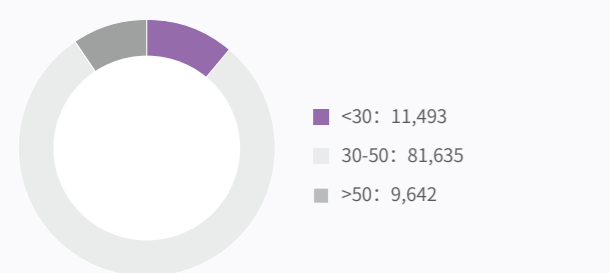
By region Units: Person



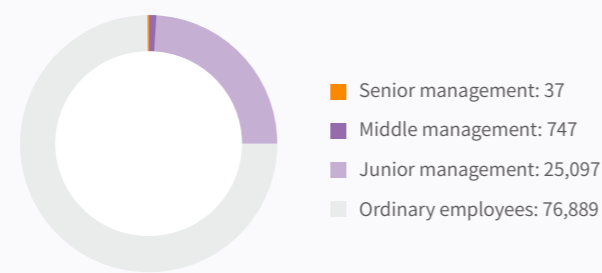
By gender Units: Person



By age Units: Person



By job position Units: Person

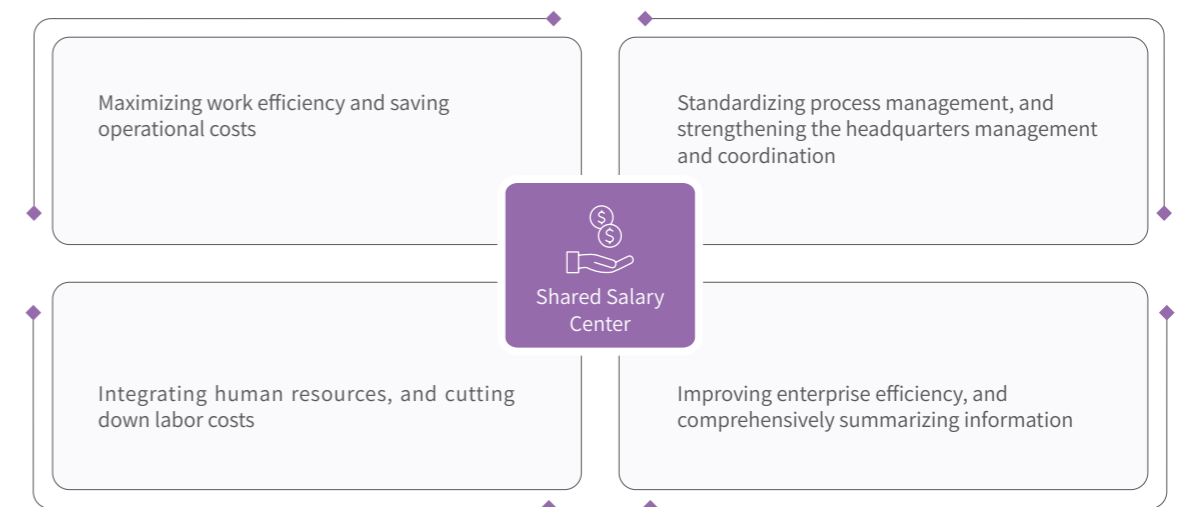


Diversification

Indicators	Units	FY 2022/2023
The proportion of female employees in all management personnel (including junior, middle, and senior management)	%	51.85
The proportion of female employees in senior management	%	33.33
The proportion of female employees in middle management	%	38.26
The proportion of female employees in junior management	%	52.29

Compensation and Benefits

Based on the basic principle of equal pay for equal work, Sun Art Retail has further improved the remuneration and performance system in strict accordance with the remuneration standards and national and local remuneration management regulations. We ensure that any male/female employee with the same position, performance and experience receives equal pay. In the meanwhile, we monitor and evaluate market trends and industry practices on a regularly basis, to ensure that competitive remunerations are available to our employees. During the reporting period, we have further optimized the operation and remuneration management process of the shared salary center, introduced a salary management system, and made decisions more efficiently and accurately through comprehensive information management, thus improving the efficiency of salary management.



Sun Art Retail provides employees with a series of compensation incentives including the regular salary, performance bonuses, equity incentives, and retirement benefits. Specifically, we give bonus incentives to the employees with outstanding performance in a short term. In addition, we have established a long-term incentive mechanism based on the retirement reserve fund, and launched the ETBS employee stock ownership plan for eligible employees.

Bonus incentive policy

- Digital membership incentives
- Customer acquisition incentives
- Incentives for campaigns



Medium and long-term incentives

- Long-term incentive mechanism of retirement reserve fund
- ETBS Internal Stock Ownership Plan
- Incentives for progress





In addition to the competitive compensation package, basic mandated benefits are available to employees. We have purchased five social insurances (endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance) and one housing fund (housing provident fund) for them. In addition, we also provide rich welfare options. Furthermore, we provide holiday benefits, and organize team building, physical exercises, and interest/hobby cultivation classes for them, to enrich their leisure time. In the meantime, our trade union regularly organizes activities beneficial to physical and mental health of employees, allowing them to join freely. As of the end of the reporting period, the trade union coverage has reached 100%.



Due to flexible work schedules, split shift is allowed for some employees as the case may be. In special circumstances, our employees are also allowed to work from home. In addition, our employees from different business locations all enjoy paid parental leave and paternity leave in accordance with national and local laws and regulations, and we allow male employees to participate in family life more actively.

### Rich and Colorful Activities

Endeavoring to enrich the leisure time of our employees, we are committed to creating a harmonious and energetic corporate culture. Our trade union has opened various interest classes for enthusiasts of yoga, jazz dance, basketball, badminton and so on. For three consecutive years, the Shanghai Jing'an District Federation of Trade Unions, through the FREE&FUNNY charity program, has presented several free courses about flower arranging, hand knitting, Pilates, etc.



◆ Annual Celebration



◆ Yoga Class



◆ Girls' Day Flower Delivery



◆ Basketball Class



◆ Badminton Class



◆ Burning Slim Camp



◆ RTF Baby Open Swimming Competition

### Safeguards for Employees

Placing great value on the physical health of employees, Sun Art Retail has purchased supplementary commercial insurance for them, to provide an additional guarantee. We have established a "commercial insurance" pool with a total premium of RMB1.5 million. The reimbursement ratios for outpatient and emergency expenses and hospitalization expenses have reached up to 75% and 50%, respectively. In addition, we have negotiated on the preferential commercial critical illness insurance for our employees and their families.



## Supporting Employee Development

The Group is committed to providing employees with a broad development platform, so as to help them tag their potentials and realize their self-worth. We have established a reasonable performance evaluation management system, and further improved employees' abilities, pointing out the direction for their development and improvement. In addition, relying on the comprehensive training system and abundant course resources, we have enhanced employees' professional and comprehensive abilities, thus contributing to realization of their career dreams.

### Employee Promotion

Sun Art Retail has established a mature promotion management system to ensure the healthy development of talents in a fair, smooth, and sound manner. We evaluate the competence of an employee according to the results of unified online assessments nationwide, as well as his/her performance data, audit score, work experience, training assessment result, practical ability, and skills development, etc. Meanwhile, we have further optimized the online assessment module of DingTalk Cloud Classroom, regularly reviewed the online examination database, and adjusted the examination papers according to the characteristics of online testing. To sum up, we have achieved fair and impartial evaluation through random sampling, timing and grading.

To minimize employee turnover, Sun Art Retail has spared no effort to improve the culture and work environment, striving to provide more attractive opportunities for development and growth of employees. During the reporting period, the overall employee turnover rate of Sun Art Retail was 21.02%, with details as follows by category:

Indicators	Units	FY 2021/2022	FY 2022/2023
Total employee turnover rate	%	18.2	21.02
By age			
<30	%	33.8	54.70
30 - 50	%	13.3	16.52
>50	%	31.2	19.61
By gender			
Male	%	20.1	21.60
Female	%	17.3	20.73
By region			
East China	%	20.8	18.26
North China	%	20.7	28.58
Northeast China	%	1.2	20.75
Central China	%	4.8	25.47
South China	%	22.5	21.79
Hong Kong, Macao and Taiwan	%	16.3	16.78

## Employee Training

Attaching great importance to the career development of every employee, we have made comprehensive and diversified career plans for them, and built a stable and sustainable career development platform. Thanks to our excellent promotion mechanism, our employees have achieved constant growth and progress, as well as development together with the Company.

### Faculty Management

During the reporting period, we have established the *Internal Trainers Management Measures*, in which internal trainers are divided into four categories by level, namely, quasi-star lecturers, three-star lecturers, four-star lecturers, and five-star lecturers. The Talent Development Department of the headquarters organizes regular internal trainer promotion assessments on an annual basis, and interviews with and scores qualified candidates from different dimensions. During the reporting period, totally 45 lecturers have been newly certified, and total number of lecturers reached to 488.

During the reporting period, lecturers have been newly certified totally


45

total number of lecturers reached to

488


#### Quasi-star lecturers

- Having passed review




#### Three-star lecturers

- Having been certified as an internal trainer for at least 1 year
- Cumulatively over 6 hours of teaching annually
- Average score of over 80 based on trainees' comments
- Need to complete the TTT training assessment




#### Four-star lecturers

- Having been certified as a three-star lecturer for at least 1 year
- Cumulatively more than 12 hours of teaching, including more than 4 hours of teaching for manager-level employees
- Average score of over 85 based on trainees' comments
- Having participated in the development of at least one standard course
- Having passed the defense through face-to-face interviews for four-star lecturers in each region



#### Five-star lecturers

- Having been certified as a four-star lecturer for at least 1 year
- Cumulatively more than 16 hours of teaching, including more than 4 hours of teaching for employees at or above the director level
- Average score of over 90 based on trainees' comments
- Having participated in the development of at least two standard courses
- Having passed the defense through face-to-face interviews for five-star lecturers at the headquarters



◆ Internal trainer rating criteria


In addition, we have launched a series of initiatives for internal trainer training and management, including internal trainer TTT training<sup>19</sup>, internal general course authorization certification training, commending at Teacher's Day, previous internal lectures, review, certification, and rating of lecturers.

<sup>19</sup> TTT (Training the Trainer to Train) training refers to training that helps trainers master basic training skills.

## Learning and Development Highlights Project


The development of Sun Art Retail is closely related to the learning and growth of employees. We have developed differentiated learning plans according to the Group's strategy and the development needs of employees at different stages and positions. Closely combining theory with practice, we have continuously improved the training system to enhance employees' competitiveness and self-development abilities.

During the reporting period, we have organized various types of modular and phased trainings for improvement in management ability and professional competence:



Leadership Development Project

- Targeting at the managerial employees of the Group, the leadership development project focuses on management capability improvement, benefit increase and innovation, and synergy enhancement. The Program provides a coaching platform and group wisdom support for the realization of the Group's three major strategies and two major capabilities. We have established a system for cultivating grassroots, middle and senior talents, which contributes to the internal cultivation and supply of talents.
- The leadership development project includes the phase I project (leadership training of senior executives), the phase II project (empowering key middle management), and the phase III project (improvement of junior management). Targeting at junior management, the phase III project, to be undertaken in the FY 2023/2024, aims at self-management improvement and team management empowerment.




Xinhai Management Reserve Program

- The Program mainly for training of reserve cadres newly recruited by various stores across China, aims to helping them to understand the Group's human resources development plan, strategy and business layout, expertise on store operation, the situation of the retail industry, corporate culture, and so forth.
- During the reporting period, 11 online and offline trainings under the Program have been organized, benefiting 615 personnel.


benefiting

**615** personnel




Promotion and Professional Competence Training


- Promotion training: we have organized 102 trainings of junior management to improve their management abilities and professional competence, and incorporated the Group's strategy into daily management and training.
- Professional competence: we have organized 81 online and offline trainings for business leaders in various stores. The contents of trainings on fresh food supply chain and sellers mainly included fresh supply chain ideas, introduction to supply chain buyer organizations, quality control systems, and professional knowledge of vegetables and fruits.




◆ Bellwethers Program - Phase 5



◆ Xinhai Management Reserve Program - South China Region



◆ Seller Training - East China Region

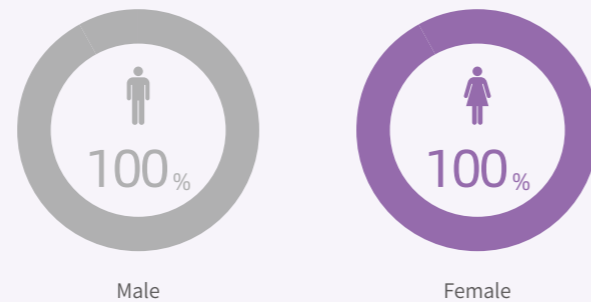


◆ Promotion Training - South China Region

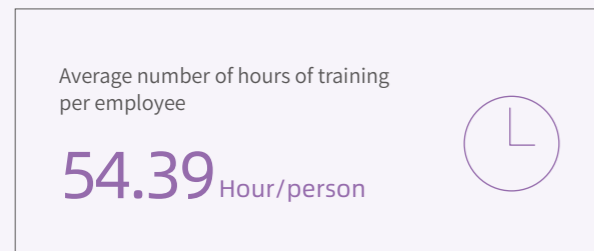
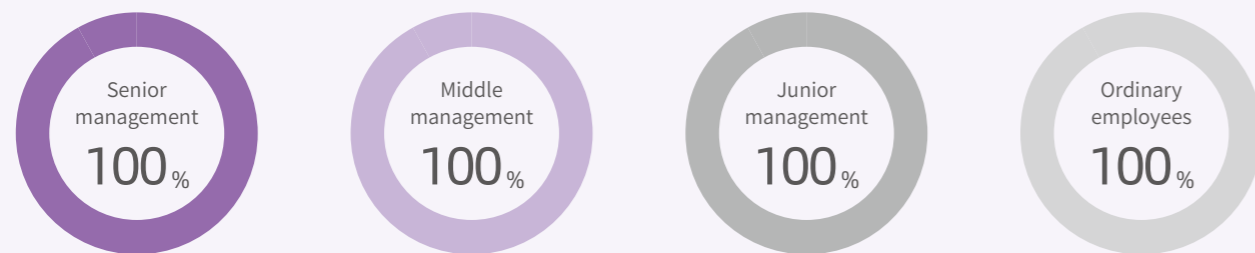




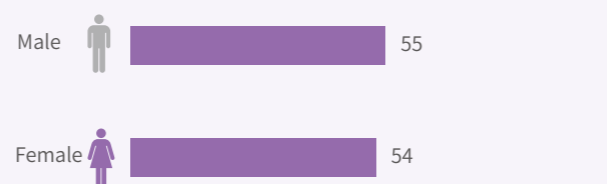
Percentage of employees trained by gender Units: %



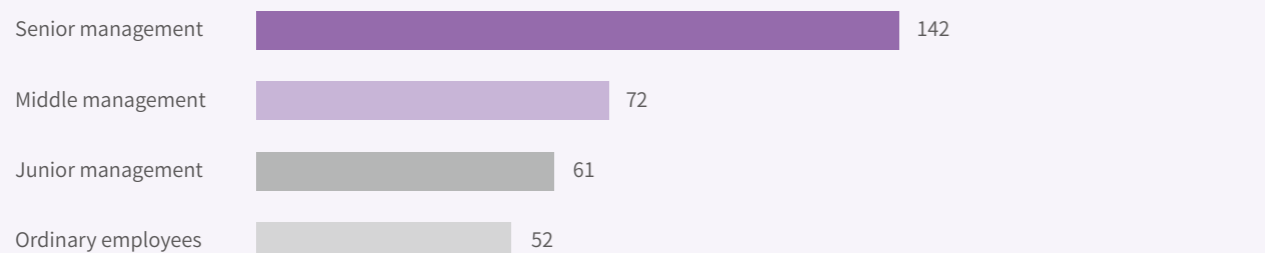
Percentage of employees trained by job positions Units: %



Average training hours completed per employee by gender Units: Hour/person



Average training hours completed per employee by job positions Units: Hour/person


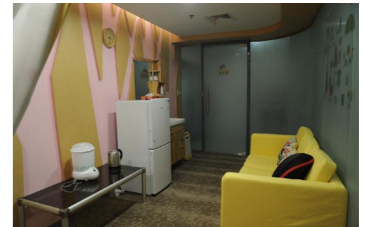





## Spreading Love and Care

The Group respects and appreciates the hard work of every employee, endeavoring to make every employee feel the home-like love and care. Paying attention to communication with and care of our employees, we have enhanced team cohesion, narrowed the distance between employees, and enhanced their sense of belonging by organizing different care activities. Always placing great value on the health and safety of our employees during the operation process, we are committed to creating a safe and healthy working environment for them.

### Employee Communication and Care

We firmly believe that communication with and care of employees not only show our humanistic care spirit, but also our values. During the reporting period, we have carried out a series of employee care activities. Attaching great importance to the physical and mental health of employees, we have tried the best to understand their difficulties and demands, and achieved timely communication and feedback. In addition, we regularly organize the Rock Survey on employee satisfaction and engagement to deepen the two-way communication between the Company and employees.

<p>Broad Stage of Talent</p> 	<ul style="list-style-type: none"> <li>We have organized a number of employee care activities such as Dragon Boat Race on the Cloud and RT-Mart Craftsman Competition, to enable them to relax and enjoy themselves after work.</li> </ul>	 <p>◆ Breastfeeding Area</p>
<p>Meticulous Care of Female Employees</p> 	<ul style="list-style-type: none"> <li>Striving to strike a balance between living and work for female employees, we are devoted to creating a safe, healthy, and comfortable working environment for them.</li> <li>For example, we have set up a private and clean breastfeeding area for female employees with breastfeeding needs.</li> </ul>	
<p>Comprehensive Communication with Employees</p> 	<ul style="list-style-type: none"> <li>Maintaining communication and exchange with employees, Sun Art Retail carefully solicits the opinions and suggestions of each employee. We have established and improved an information feedback platform and opened a hotline, to collect the information about our employees' complaints and appeals. In addition, we host face-to-face seminars on a monthly basis to gain understanding of our employees' difficulties and needs.</li> </ul>	 <p>◆ Face-to-face Seminars</p>

### Employee Health and Safety

The Group shoulders a mission of ensuring the physical and mental health of employees for stable and sustainable development. Strictly abiding by the *Law of the People's Republic of China on Work Safety* (《中华人民共和国安全生产法》), the *Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases* (《中华人民共和国职业病防治法》), other relevant laws and regulations, Sun Art Retail has established a comprehensive safety training system and formulated related management rules. In addition, we have enhanced the safety awareness of all employees, and improved the capability to prevent safety accidents and respond to emergencies. In the FY 2021, Sun Art Retail did not have any work-related fatalities (rate of work-related fatalities-per 100 employees was 0%); in the FY 2022, a total of 7 employees died in work-related injury accidents (rate of work-related fatalities-per 100 employees was 0.006%); and in the FY 2023, there have been 7 work-related deaths of employees, including 6 deaths from illness, and 1 deaths from traffic accidents (rate of work-related fatalities-per 100 employees was 0.006%).

### Health and Safety Management

To achieve the safety goal of "safety first, zero violation, zero hidden danger, and zero accident", Sun Art Retail has further improved and revised the corresponding internal rules and regulations. Actively identifying safety risks, we have strengthened supervision and inspection of production and operation activities, to safeguard the life safety and physical health of our employees.

During the reporting period, we have revised and upgraded the public safety inspection database, added 3 safety inspection items (divided into three levels: serious, major, and general), upgraded/updated 29 ones, and downgraded/deleted 6 ones.

### Safety Awareness Enhancement

Combining safety learning requirements with the skills needs of employees, we endeavor to establish a systematic process for employee safety education and training, to comprehensively promote and strengthen the safety assessment. Our online and offline safety trainings in all stores nationwide are specific to all our employees, in-store shopping guiders, and deliverymen. The training contents include the instructions on use of safety belts, ascending operation procedures, and fire safety knowledge. Through trainings, we aim to reduce safety risks and employee injury rates.



### Safety Practical Drill

In addition to safety awareness education, we also focus on practical drills. In response to potential safety hazards in the workplace, we regularly arrange in-store drills including fire-fighting, anti-terrorism, power outage, etc., so that employees can better understand the basic methods and skills for responding to emergencies and strengthen their emergency response and self-protection in case of fire, attack, power outage, etc. During the reporting period, we have organized a total of 1,543 Fire-fighting drills, with a total of 244,169 participants.



As of the end of the reporting period, a total of 23 stores under Sun Art Retail have been awarded the "Model Organization in Fire-fighting" and 40 employees have been awarded 7 categories of prizes, including "Model Individual in Fire-fighting", "Model Collective in Public Security" and "Model Individual in Public Security". In the future, we will continue to strengthen practical drills on safety precautions to safeguard the safety and health of our employees.



Indicators	Units	FY2022/2023
Number of work-related injuries	/	562
Number of work-related mortality	/	7
Number of days lost due to work-related injuries	Day	29,568
Number of work-related accidents per million working hours	Times/million working hours	1.87
Number of people with occupational illness per million working hours	Persons/million working hours	0



# 06 Giving Back to the Communities to Create a Better Future Together

Sun Art Retail attaches great importance to charitable and public welfare undertakings and pools its own advantageous resources and multiple forces to engage in long-term public welfare activities in public health, assistance to the elderly and farmers as well as other different dimensions. Furthermore, Sun Art Retail also makes concerted efforts with the public to assume the social public welfare responsibilities actively and create greater values for employees, communities, and other stakeholders.



## 6.1 Spreading Love



During the reporting period, the total donation amount for the Group's public welfare projects has reached

RMB **25.175** million



# Spreading Love

Sun Art Retail continuously explores sustainable public welfare activities and varying social service forms, and launches various public welfare activities and conveys public welfare concepts by caring for public health, extending solicitude to diverse groups and other dimensions. During the reporting period, the total donation amount for the Group's public welfare projects has reached RMB25.175 million.

the total donation amount for the Group's public welfare projects has reached

RMB **25.175** million

## Contributing to Public Health

Public health constitutes the cornerstone of sustainable development in a society. Sun Art Retail focuses on multiple groups, creating a healthy public welfare culture in terms of children's hunger, oral health, skin health, etc., and stimulating the public welfare desire of more people.

### Case | Warmth Action - Zero Hunger Action for Children in Ethiopia

In November 2022, to help children in poverty-stricken areas of developing countries out of hunger problems, Sun Art Retail proactively cooperated with the China Foundation for Rural Development to carry out the Zero Hunger Action for Children in Ethiopia. The Group applied the official WeChat applet "Unite the Force for Good" of the China Foundation for Rural Development to recruit college student volunteers to promote and launch the activity of "Invitation to Donate" and guide customers to make charitable donations.



◆ Zero Hunger Action for Children in Ethiopia Promotional Posters

During the reporting period, the initiative has covered

**14** stores

colleges and universities

**11**

raising of donations a total of

RMB **96,815**

### Case | Doestos Helps You Improve Rural Washrooms - Doestos Health Public Welfare Activity

In November 2022, to benefit children's health and improve the quality of children's living environment, RT-Mart and Doestos joined hands to help rural children to improve the conditions of rural washrooms. Doestos and RT-Mart would donate one bottle of Domestos washroom cleaner by every purchase of one pack of Domestos gel series or bubble series products.

Since the implementation of this public welfare initiative, it has built washroom facilities for 600,000 people worldwide, cleaned the rural washroom environment for 28 million people worldwide, donated washroom cleaning products to improve the hygiene level of school washrooms and safeguard children's health, and established the healthy washroom sanction classroom to promote hygiene knowledge. During the reporting period, RT-Mart has donated 12,052 products nationwide and donated 25,020 bottles of Doestos washroom cleaning gel to Shanghai Children's Foundation, equivalent to over RMB420,000.

RT-Mart has donated

**25,020** bottles

of Doestos cleaning gel to Shanghai Children's Foundation

Equivalent to over

RMB **420,000**



◆ Doestos Health Public Welfare Activity Promotional Posters

### Case | Johnson & Johnson Public Welfare Initiative - Safeguarding Rural Children with Chapped Skin and Embracing Them with Love

In June 2022, RT-Mart, together with its partner Johnson & Johnson, called on people to care for the skin health problems of left-behind children in China. In this public welfare program, if a consumer bought a certain amount of any Johnson's baby serial products, Johnson & Johnson would donate a bottle of skin care product to left-behind children in China, assist local children in raising awareness of protecting skin health, and popularize scientific skin care methods.

During the reporting period, Sun Art Retail and Johnson & Johnson have achieved a revenue of RMB3,670,166 in this initiative, and donated a total amount of RMB650,000 skincare products.



◆ Safeguarding Rural Children with Chapped Skin and Embracing Them with Love Promotional Posters



Case | Oral Health - Safeguarding Chinese Oral Health Public Welfare Initiative

In November 2022, RT-Mart and Zhonghua teamed up to launch the initiative of safeguarding the oral health of the consumers. When a consumer bought one piece of any Zhonghua anti-glycation or children's series product in RT-Mart stores nationwide, Zhonghua, together with RT-Mart, would donate a tube of Zhonghua Children's Toothpaste to a child in Shanxi.

During the reporting period, Sun Art Retail and Zhonghua have donated tubes of toothpaste a total of

26,675

with a total donation value of approximately

RMB 420,000



◆ Chinese Oral Health Campaign Poster

Case | Respecting the Elderly and Caring for the Young - Public Welfare Activity on Double Ninth Festival

On October 4, 2022, on the occasion of the Double Ninth Festival, Sun Art Retail launched a diversified and humanized public welfare initiative with the concept of "A Good Neighbor in Community, A Good Helper in Life". On the same day, Double Ninth Festival cakes, longevity noodles and other gifts would be presented to children and their elders of over 60 years old when they went shopping in the stores, demonstrating that Sun Art Retail is rewarding its consumers with practical actions.



◆ Public Welfare Activity on Double Ninth Festival

During the reporting period, RT-Mart stores under Sun Art Retail have donated gifts with a total value of about

RMB 80,000

Caring for Diverse Groups

Based on years of experience accumulated in public welfare undertakings, Sun Art Retail has continuously expanded the scope of public welfare activities and increased public welfare investment, so as to extend love and care to every group.

Case | Caring for Women - Whisper "I Am a Girl with Youth and Confidence" Public Welfare Activity

In December 2022, Whisper and RT-Mart teamed up to care for adolescent girls and launch the public welfare initiative of "You Buy One, We Donate one" with the support of the China Education Development Foundation. When consumers buy any Whisper products, Whisper and RT-Mart would collectively donate corresponding number of Whisper sanitary napkins to girls who just reached puberty. And Whisper and RT-Mart jointly sponsored the Toilet Renovation Program in one Hope Primary School, focusing on girls' living environment and helping them grow confidently.

During the reporting period, Sun Art Retail and Whisper have donated sanitary napkins in this activity

544,840

with a total donation value of approximately

RMB 440,000



◆ "I Am a Girl with Youth and Confidence" Public Welfare Activity

Case | Assistance to Impoverished Farmers - Agricultural Product Sales Public Welfare Initiative

In November 2022, more than 1,000 mu of celery planted by vegetable farmers in a village of Anyang, Henan, encountered poor sales. Upon learning the news, responsible personnel of RT-Mart stores rushed to investigate the celery quality for procurement. A truck loaded with 10,000 kg of celery arrived in Shandong, and it was put on shelves in more than 40 stores in Shandong on the morning of November 25. Meanwhile, RT-Mart also visited Heze, Yantai, Zhengzhou and other places to purchase unsalable vegetables of farmers, with their utmost efforts to address the problem of unsalable vegetables.



◆ Agricultural Public Welfare Initiative

# Appendix

## Index of the Environmental, Social and Governance Reporting Guide (HKEX)

Environmental, Social, and Governance Scope, General Disclosure and Key Performance Indicators (KPIs)				Location (section)
<b>Environmental</b>				
Aspect A1: Emissions	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Addressing Climate Change Maintaining Environmental-Friendly Operation	
	KPI A1.1	The types of emissions and respective emissions data.	Addressing Climate Change Maintaining Environmental-Friendly Operation	
	KPI 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).	Addressing Climate Change	
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Maintaining Environmental-Friendly Operation	
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Maintaining Environmental-Friendly Operation	
	KPI A1.5	Description of emissions target (s) set and steps taken to achieve them.	Environmental Goal Tracking Addressing Climate Change Maintaining Environmental-Friendly Operation	
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target (s) set and steps taken to achieve them.	Environmental Goal Tracking Maintaining Environmental-Friendly Operation	
Aspect A2: Use of Resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Maintaining Environmental-Friendly Operation	
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	Addressing Climate Change	
	KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	Maintaining Environmental-Friendly Operation	
	KPI A2.3	Description of energy use efficiency target (s) set and steps taken to achieve them.	Environmental Goal Tracking Maintaining Environmental-Friendly Operation	
	KPI 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.	Maintaining Environmental-Friendly Operation	
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Maintaining Environmental-Friendly Operation	

Environmental, Social, and Governance Scope, General Disclosure and Key Performance Indicators (KPIs)				Location (section)
Aspect A3: The Environment and Natural Resources	General disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Addressing Climate Change Maintaining Environmental-Friendly Operation	
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Addressing Climate Change Maintaining Environmental-Friendly Operation	
Aspect A4: Climate Change	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Addressing Climate Change	
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Addressing Climate Change	
<b>Social</b>				
Aspect B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Safeguarding Employees' Rights and Interests	
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Safeguarding Employees' Rights and Interests	
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Supporting Employee Development	
Aspect B2: Health and Safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Spreading Love and Care	
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Spreading Love and Care	
	KPI B2.2	Lost days due to work injury.	Spreading Love and Care	
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Spreading Love and Care	
Aspect B3: Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work Description of training activities.	Supporting Employee Development	
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Supporting Employee Development	
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Supporting Employee Development	
Aspect B4: Labor Standards	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Safeguarding Employees' Rights and Interests	
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Safeguarding Employees' Rights and Interests	
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Safeguarding Employees' Rights and Interests	



Environmental, Social, and Governance Scope, General Disclosure and Key Performance Indicators (KPIs)			Location (section)
Aspect B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	Guaranteed High-quality Supply
	KPI B5.1	Number of suppliers by geographical region.	Guaranteed High-quality Supply
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Guaranteed High-quality Supply
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Guaranteed High-quality Supply
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Guaranteed High-quality Supply
Aspect B6: Product Responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Strict Control of Food Quality and Safety
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Strict Control of Food Quality and Safety
	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Creating a Favorable Shopping Experience
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Corporate Governance
	KPI B6.4	Description of quality assurance process and recall procedures.	Strict Control of Food Quality and Safety
	KPI B6.5	Description of customer data protection and privacy policies, and how they are implemented and monitored.	Creating a Favorable Shopping Experience
Aspect B7: Anti-corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate Governance
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Corporate Governance
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Corporate Governance
	KPI B7.3	Description of the anti-corruption training provided to directors and staff.	Corporate Governance
Aspect B8: Community investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Spreading Love
	KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture, sport).	Spreading Love
	KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	Spreading Love

## List of Applicable Laws and Regulations and Internal Rules and Regulations

### Laws and Regulations

- Company Law of the People's Republic of China*
- Securities Law of the People's Republic of China*
- Code of Corporate Governance for Listed Companies*
- Listing Rules*
- Rules for the listing of Securities on the Stock Exchange of Hong Kong Limited*
- Environmental, Social and Governance Reporting Guide Appendix 27 of Stock Exchange of Hong Kong Limited*
- Corporate Governance Code Appendix 14 of Stock Exchange of Hong Kong Limited*
- Labor Law of the People's Republic of China*
- Labor Contract Law of the People's Republic of China*
- Social Insurance Law of the People's Republic of China*
- Law of the Peoples Republic of China on the Protection of Women's Rights and Interests*
- Regulation on Work-Related Injury Insurances*
- Provisions on the Prohibition of Child Labor*
- Unfair Competition Law of the People's Republic of China Unfair Competition Law of the People's Republic of China Interim Provisions on Prohibition of Commercial Bribery*
- Patent Law of the People's Republic of China*
- Trademark Law of the People's Republic of China*
- Safety Production Law of the People's Republic of China*
- Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*
- Food Safety Law of the People's Republic of China*
- Rules for the Implementation of Food Safety Law of the People's Republic of China*
- General Standard for the Labeling of Prepackaged Foods (GB 7718-2011)*
- General Standard for the Nutrition Labeling of Prepackaged Foods (GB 28050-2011)*
- Provisions for the Administration of Food Labeling*
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests*
- Measures for the Administration of Food Recall*
- Food Recall Management Measures Interim Provisions on Recall Management of Consumer Goods Interim Provisions on Recall Management of Consumer Goods National Nutrition Program of China (2017-2030),*
- Medium-to-Long Term Plan of China for the Prevention and Treatment of Chronic Diseases (2017-2025)*

*Healthy China Action Plan (2019–2030)*

*Dietary Guidelines for Chinese Residents (2022)*

*Cybersecurity Law of the People's Republic of China*

*Information security technology— Personal information (PI) security specification*

*Environmental Protection Law of the People's Republic of China*

*Energy Conservation Law of the People's Republic of China*

*Law of the People's Republic of China on the Prevention and Control of Water Pollution*

*Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*

*SB/T 10814-2012 Guide for Supermarket Waste Management*

*Personal Information Security Incident Plan*

*Environmental Management Charter*

*Energy Control Management Code*

*Rules of Monitoring Group Work Lines*

*Store Waste Cardboard Recycling Process*

*Code of Practice for the Use of Trash Bags*

*Internal Trainers Management Measures*

## Internal Rules and Regulations

*Corporate Governance and Compliance Manual*

*Employee Handbook*

*Special Collective Agreement on Special Interests of Female Employees of Concord Investment (China) Co., Ltd.*

*Code of Practice for Anti-Corruption*

*Clean Governance and Integrity Agreement Letters*

*Gift Handling Regulations*

*Food Safety and Quality Control Job Title*

*Management Regulations on Quality Assurance, Warehousing and Storage of Fresh Products*

*Criteria for Acceptance of Incoming Raw Materials of Fresh Products*

*Criteria for Storage Temperatures and Inventory Ages of Vegetables and Fruits*

*Operation Standards on Warehousing and Refrigeration of Fresh Products*

*Management Rules on Fulfillment of Entity Responsibility for Food Safety*

*RT-Mart Material Abnormality Handling Process (Recalls)*

*Standards on Scrapping of Fresh Products*

*Product Security Checklist of Concord Investment (China) Co., Ltd.*

*Data Security Specification (Trial) of Concord Investment (China) Co., Ltd.*

*Code of Practice for Account Management of Concord Investment (China) Co., Ltd.*

*Code of Practice for Password Management of Concord Investment (China) Co., Ltd.*

*IT Incident Management Procedure of Concord Investment (China) Co., Ltd.*

*The LINUX Operating System Security Baseline of Concord Investment (China) Co., Ltd.*



**SUN ART**  
*Retail Group Limited*

STOCK CODE: 6808

COMPANY'S WEBSITE: [www.sunartretail.com](http://www.sunartretail.com)

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