

## Environmental, Social and Governance Report

2023 2024



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## **About the Report**



## Introduction to the Report

The Report, as the seventh 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 2023 to 31 March 2024 (the "Reporting Period").



#### 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 Sun Art Retail and its consolidated subsidiaries 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 the 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 2023/20234 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**

Sun Art Retail has put in place a three-tiered ESG governance Sturcture of "the Board of Directors - ESG Management Committee -ESG Working Group" and implements the sustainable development concept in operations in a top-down manner. In pursuit of excellent ESG standards, the Group actively responds to the national "carbon peaking and carbon neutrality" goal and Vision 2035.

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 ESG-related risks and opportunities, as well as material ESG issues, and approving the disclosure of ESG information. 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.

The Board of Directors hosts at least one meeting every year to review and guide the overall corporate ESG strategies, evaluates ESG-related risks and opportunities identified, reviews the setting and progress of ESG goals and conducts final approval on the annual ESG report.

#### The Board of Directors had cumulatively determined



extremely significant ESG issues



During the reporting period, the Board of Directors has received debriefings on the progress in realizing 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. As for materiality assessment of ESG issues, Sun Art Retail has screened out 29 material issues based on feedback of the stakeholders, development trends of the capital market. conditions of business operations, as well as excellent practices of the peers. By reasonably allocating resources based on a matrix of material issues, Sun Art Retail has effectively advanced ESG agenda. 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 meanwhile, the Group closely manages and controls ESG risks to maintain excellent ESG momentum.

In the future, the Board of Directors will continue to perform its duties in ESG governance, closely follow the progress of the ESG targets, and consolidate and enrich ESG achievements, so as to secure more ESG advancements.





## **Message from the CEO**



## **Hui Shen**

CEO of Sun Art Retail July 2024

In FY 2023/2023, Sun Art Retail ramped up efforts to penetrate the sustainability concept into daily corporate operations, witnessing stable advancements in its sustainable development and a robust foundation for ESG performance. Thanks to these endeavors, Sun Art Retail secured fruitful ESG milestones.

Throughout the fiscal year, by virtue of a sound ESG governance structure consisting of the Board of Directors, the ESG Management Committee and the ESG Working Group, Sun Art Retail disseminated ESG development strategies in a top-down approach, tracked ESG management targets and improved ESG performance.

What underpins the survival and thriving of Sun Art Retail is its provision of premium products and services for consumers. During the reporting period, we introduced a range of improved internal management protocols and process monitoring mechanisms, controlling quality risks and implementing quality management measures across all links such as product storage, transportation. store and distribution. During the reporting period, there was no recalls on any products due to safety and health reasons occurred within the Group. With a view to circulate the concept of healthy living, we have further refined the "3H" (healthier, more harmonious, and happier) health and nutrition strategy, and enriched product portfolios to enable more diverse and healthier choices for consumers. Meanwhile, we make every effort to improve our services. These initiatives include strengthened communication with our customers, as well as an array of actions to enhance online and offline shopping experience.

Unremitting efforts have also been made to promote our lowcarbon transition, with environmental protection action schemes put in place in all operational practices. During the reporting period, we intensified the adoption of clean energy, purchasing a total of 593,041 MWh and realizing a carbon reduction of 377,096 tonnes, with nine new stores having completed the construction of photovoltaic power generation projects. We also improved existing environmental management systems and enhanced digital management efficiency.

The management and sustainability of the supply chain is a matter of sustainability of corporate per se, also a priority for product quality assurance. During the reporting period, we maintained routine control for supply chain risks by deploying a standardized full-life cycle management mechanism for suppliers. We vigorously promote the traceability of the supply chain, in a bid to build a sustainable procurement close-lop.

Upholding the human-eccentric people-oriented employment philosophy, Sun Art Retail strives to create an equitable, diverse, healthy and happy workplace, in addition to its commitments to safeguarding employees' rights and interests. We have in place sound promotion management systems and science-based performance evaluation mechanisms, supported by rich training resources. These are designated to strengthen capabilities and skills of employees, enabling individual career development and overall corporate growth. To enhance working experience of employees at Sun Art Retail, we carefully listen to their feedback by means of trade union and the Rock Survey and provides them with benefit programs.

During the reporting period, we played our role in fronts ranging from public health, care for diverse groups to disaster relief, contributing our due share force to social welfare.

Navigating the sustainable development journey, Sun Art Retail cannot survive the waves and storms without the collaboration and support from all sectors of society and stakeholder. Looking into the future, we will honor ESG concept with our tangible actions, achieve ESG targets, and create long-term value for communities. In the end, on behalf of the management of Sun Art Retail, I want to express my sincere gratitude for our consumers, employees, partners, and friends from all walks of life who provide their utmost cares and support for us.





## **Introduction to Sun Art Retail**

Established in 2000 and listed on the main board of Hong Kong Exchanges and Clearing Limited (hereinafter referred to as "HKEX") on July 27, 2011, Sun Art Retail is a leading retailer with hypermarkets and omni-channel e-commerce businesses in China. As one of the largest comprehensive hypermarkets in China, the Group, since its incorporation, has been deeply rooted in the retail industry, focusing on hypermarkets, small- and medium-sized supermarkets, and e-commerce business, and implementing the development strategy of "synchronizing hypermarkets, superstores and mini-stores, integrating online and offline operations, and developing multi-formats and omni-channels". In 2022, Sun Art Retail embarked its own brand layout based on the concept of "safety, health, happiness, and affordability", gradually expanded multiple product categories and increased the proportion of differentiated products. During the reporting period, Sun Art Retail further upgraded its "Hypermarket Remodeling 2.0", aiming at creating a healthy and happy consumer-



Sun Art Retail will remain committed to innovation-oriented strategy, and spare no effort to upgrade the supply chain of fresh products and advance comprehensive digital transformation. We will continue to expand our online sales, further strengthen our cooperation with takeaway platforms, and endeavor to expand our service range. In addition, based on the existing business model of stores, Sun Art Retail will make ongoing efforts to optimize the "M Club" operation model, and speed up store expansion, thus providing consumers with a convenient and high-quality shopping experience.





Mission

affordable, comfortable, convenient, and

• Provide customers with a high-quality

shopping environment that is fresh,

allows for one-stop shopping

Values

Integrity, Excellence, Team

• Customer First, Trust,

Work, and Openness



## Vision

- Become an internationally leading retailer that is most loved and trusted by customers, and in which employees take pride

## **Highlights of the Fiscal Year**



**Environment-friendly Operations and Green** Development

Purchased green power and nuclear power from four provinces

**593,041** 

Achieving a carbon reduction of

377,096 tonnes

A total of stores employed R448A refrigerants

74

A total of stores completed the construction of photovoltaic power generation projects

30

Installed photovoltaics in the Southern China logistics centers approximately

**20,000** square meters

Introduced new energy vehicles for daily transportation

10

Reduced kitchen waste by 17.0% compared to the level in the previous fiscal year

7,804.8 tonnes

# 04

The own-brand dairy products were The own-brand seafood traceable to its country of origin accounted for 100% 73.7% traceable to their country of origin Beef products sold in Eastern China were There were 100% 599 traceable to their country of origin HACCP certified suppliers and Audited manufacturing supplier in this fiscal year 797 1,049 ISO 22000 certified suppliers

the suppliers reached

## 100%

## **Quality First and Service Foremost**

Organized food safety and quality training with a

1,555,912training hours

Participants

08

02

478,762

## No recalls

on any products due to product safety and health

## More than

**400** SKUs of organic products on sale and

29 OFDC organic-certified plantations

85%

of imported frozen aquatic products SKUs had MSC/BAP/ASC certifications

## No incidents

of data leakage or cybersecurity occurred within the organization

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

Employees represented by the independent Trade Union or covered by collective bargaining agreements

## 100%

Employees with special needs and disabilities accounted in full-time employees



Employees from various Sun Art Retail stores who passed an internal selection process and were certified as trainers

150

100%

training

Female employees

management personnel

51.99%

Percentage of full-time employees receiving the

accounted in all



## **Responsible Supply and** Win-win Partnerships



The rate of signing the "Commitment Letter on Integrity and Trustworthiness" by



06	Embracing Unity and Kindnesses for a Better Future
Don	ated in total for public welfare
RME	363,200
a tot	ed hands with Johnson & Johnson to donate al amount of skincare products to left-behind dren more than
RME	2,000,000
	nered with Zhonghua to donate toothpaste to dren in remote areas
RME	1,000,000

01

# **Responsibility-driven Development** and Sound Governance

Adhering to the principle of compliant operation, Sun Art Retail continuously improves its governance structure and system, and incorporates the philosophy of sustainability into its corporate strategy, thereby forming a top-down ESG governance system. We maintain close communication with various stakeholders, carefully listen to their suggestions, and further refine the Company's ESG governance performance in the process of daily operations. Beyond that, we engage in standardized management in terms of risk control, business ethics compliance, and intellectual property protection, endeavoring to improve the Company's comprehensive governance and performance.

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**Quality First and** Service Foremost Environment-friendly Operations and Green Development

Stakeholders

Responsible Supply and Win-win Partnerships

## **ESG Governance**

Sun Art Retail incorporates the philosophy of sustainability into corporate development strategy, and has established a three-level ESG governance structure composed of the Board of Directors, the ESG Management Committee, and the ESG Working Group. In addition, we strictly abide by the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange as well as other laws and regulations related to ESG information disclosure to facilitate the Company's compliant and efficient ESG work.

## **Stakeholder Communication**

**Communication Expectation** 

• Operate and pay taxes in

accordance with the law

For Sun Art Retail, stakeholders are important participants in the continuous improvement of ESG performance. To this end, Sun Art Retail places high value on the communication with stakeholders and has established a diverse communication mechanism to strengthen stakeholder engagement in the Company's ESG management. During the reporting period, we actively responded to the sustainability expectations and suggestions of our stakeholders, and maintained intimate and friendly partnerships with all stakeholders.

• Fully responsible for formulating the overall ESG strategies of the Company, monitoring ESG risks, setting ESG goals, reviewing progresses, and reporting ESG work.
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<ul> <li>ESG Management Committee</li> <li>The ESG Management Committee is the main ESG liaison organization of the Company, and the Group's CEO and Investor Relation Director jointly serve as the ESG coordinator responsible for coordinating various departments of the Company.</li> <li>Responsible for formulating ESG strategies and targets, identifying ESG risks, monitoring ESG implementation, and periodically reporting ESG work to the Board of Directors.</li> </ul>
$\sim$
<ul> <li>The personnel designated by various departments, such as departmental directors or regional directors, are responsible for specific ESG tasks.</li> <li>Responsible for enforcing the ESG strategy, policies and targets under the guidance of the ESG Management Committee.</li> </ul>



Communication Methods and Channels	Communication Frequency
<ul> <li>Communicate with officials</li> <li>Cooperate with supervision and inspection</li> <li>Attend related meetings</li> <li>Consult on regulations and policies</li> </ul>	<ul> <li>Communicate with the government and regulatory authorities if necessary</li> </ul>
<ul><li>Industry seminars and forums</li><li>Peer inspection and research</li></ul>	• From time to time
<ul><li>General meeting of shareholders</li><li>Board of Directors</li><li>Investor visits and research</li></ul>	<ul> <li>Once a year, extraordinary general meeting of shareholders is required for special issue</li> <li>Quarterly</li> <li>Occasionally (no external communication during the "silent period")</li> </ul>
<ul><li>Online and offline communication channels</li><li>After-sales service</li><li>Store service centers</li></ul>	• Daily
<ul><li>Communication with relevant officials</li><li>Information management system</li></ul>	Occasionally
<ul><li>Staff meetings</li><li>Employee activities</li></ul>	Occasionally
Annual meeting	Once a year
<ul><li>Press conference</li><li>Media campaigns</li></ul>	Occasionally
<ul><li>Community tours</li><li>Community talks</li><li>Voluntary service</li></ul>	Occasionally



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## **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 and the ESG concerns from external markets and the society, we have sorted out and prioritized material ESG issues, and compiled the matrix of material issues shown as below.



Materiality			
	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
Extremely significant	11	Food safety	Operational responsibility
0	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
Materiality	No.	Issue	Area
	13	Industry development promotion	Community responsibility
Significant	14	Participation in charity activities	Community responsibility
	15	Community contribution	Community responsibility

	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
ery gnificant	19	Economic performance	Governance responsibility
0	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

Material ESG Issues of Sun Art Retail in FY 2023/2024

## **Corporate Governance**

corporate sustainability.

## **Governance System**

In full compliance with such laws and regulations as the *Company* Law of the People's Republic of China, the Securities Law of the *People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, as well as the *Rules for the Listing of Securities* on the Stock Exchange of Hong Kong Limit and the Corporate *Governance Code Appendix 14 of Stock Exchange of Hong Kong Limit*, Sun Art Retail has formulated the *Corporate Governance* and Compliance Manual as well as other internal management guidelines to maintain high standard of corporate governance on the premise of compliant operation.

As the supreme organization responsible for governance, the Board of Directors consists of three specific committees, i.e. the Audit Committee, the Remuneration Committee, and the Nomination Committee. The duties of committees are well defined on the official website of the Group<sup>1</sup>. Based on the three committees, we have established an internal governance structure with clear duties and rights. In addition, we have regularly evaluated the structure to continuously optimize the effectiveness of governance maters in a top-down manner.



<sup>1</sup> Sun Art Retail Group Limited-About Art Retail>Corporate Governance (sunartretail.com).

## Following the corporate governance principle of compliant operation, Sun Art Retail carries out risk management, builds a corporate culture marked by integrity and honesty and protects the Company's intellectual property rights under a sound corporate governance system, laying a solid foundation for

We have been adhered to the principle of diversity and independence of the Board of Directors. 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 require the members of the Board of Directors to comply with related laws, regulations, and internal policies of the Company, and we have regularly evaluated the independence of independent non-executive directors, so as to fully leverage their leadership and supervisory functions.

To maintain close communication and cooperation with the investors, we have actively responded to the issues of corporate auditing, accounting policies, auditor independence and related transactions in a timely, open and transparent manner by such means as general meeting of shareholders. We are committed to steadily advancing ESG information disclosure, aiming at safeguarding the legitimate rights and interests of our investors, and enhancing their recognition of corporate strategies, concepts and values. We expect to progress together with our investors and realize mutually beneficial and win-win cooperation with them.



One of the female directors was appointed in May 2024



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## **Risk Management**

Sun Art Retail attaches great importance to the risk management and internal control system. We have established a sound risk management system and internal control mechanism to actively identify and manage risks on a regular basis, and we assess the operational efficiency of the system and the mechanism, so as to assist the Company in timely addressing various potential risks arising from corporate operations.



To ensure the effectiveness of the risk management mechanism and response strategy of the Company by means of regular review, reporting, etc., so as to minimize the impact of operational risks on the Company

Risk Management System and Architecture of Sun Art Retail

## Anti-Corruption

Sun Art Retail is committed to building a clean and honest corporate culture, and remains steadfast in upholding business integrity. In strict accordance with the Labor Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Interim Provisions on Prohibition of Commercial Bribery as well as other laws and regulations having jurisdiction over the business, we have formulated a set of internal management rules and codes of conduct such as the Employee Handbook, the Code of Practice for Anti-Corruption, the Commitment Letter on Integrity and Trustworthiness and the Sun Art Retail Gift Handling Regulations, to strictly prevent unlawful acts such corruption, bribery, malpractices, extortion, fraud, and money laundering. During the reporting period, we developed the Sun Art Retail Employee Discipline System, the Guidelines for Sun Art Retail Employees in Participating in Third Parties' Activities, the Relevant Regulations on Behaviors in Government Affairs, the Integrity Gift Handling Process, and the Conflict of Interest Management Rules and Analysis of Sun Art Retail,

updated the existing Sun Art Retail Gift Handling Regulations, the Employee Handbook, and the Sun Art Retail Employee Discipline System.

During the reporting period, Sun Art Retail further refined internal Integrity Compliance management framework and established an anti-corruption department to management the malpractices and corruptions of staff above certain pay grade, and we improved related internal systems. We have established an anti-corruption management framework, in which the Internal Control Department and Integrity Compliance Department is responsible for the professional behavior management of staff under other pay grades; the internal Control Department and Integrity Compliance Department 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. As of the end of the reporting period, Sun Art Retail concluded 1 embezzlement proceeding.



 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 Integrity Compliance whistleblowing section in RT-Mart's official website, hotline, email and Integrity Compliance reporting system.

• The Internal Control and Integrity Compliance Department 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 acceptance

Sun Art Retail strictly prohibits any form of retaliation against whistleblowers. The inspectors must strictly comply with internal rules and requirements such as the Code of Practice for Anti-Corruption, and keep confidential of whistleblowers information by controlling the system permission related to anti-corruption and signing confidentiality agreements with related inspectors, to safeguard their privacy and personal safety to the greatest extent.

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

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

System permission restrictions



- Complaints above the level of store manager (inclusive) or director (inclusive) shall be invesance Department;
- Complaints below the level of store manager (exclusive) or director (exclusive) shall be investigated by the Internal Control and Integrity Compliance Department, the Loss Prevention Team under headquarters and respective district managers.

#### Workflow of Anti-Corruption Investigation

#### 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 tigated by the Integrity Compli- 📎 Internal Control Department for reviewing and signing, and a copy will be submitted to the CFO. 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.



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

To further convey and build the Integrity Compliance corporate culture, we organize all employees to sign the Letter of Commitment, regularly organize business ethics trainings and cultural publicity, communicate the *Code of Ethical Business Conduct* and the regulations on punishment for violations, to help employees hold the ethical bottom line and stay alert.

During the reporting period, the Company launched an Integrity Compliance Department publicity column, and launched anticorruption activities such as "Mr. Integrity's Class", "Integrity Compliance Direct Bus", and "Integrity Publicity for the



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Management" to provide institutional interpretation, help for keeping the bell ringing in their mind, and positive guidance. In addition, the Company integrated compliance-related education and training into the RT-Mart Integrity Cloud Classroom, supported with compliance quiz.

During the reporting period, Sun Art Retail organized business ethics trainings for all employees, with 91,765 participants, 100% coverage and 30,588 training hours. In particular, all the directors (100%) of Sun Art Retail received the business ethics training, with an average training duration of 1 hour.





We have established gift management mechanisms and developed internal rules such as the Sun Art Retail Gift Handling Regulations and the Integrity Compliance Gift Handling Process. In addition, we have also launched an integrity compliance declaration platform on DingTalk. During the reporting period, the online compliance declaration platform received 460 declarations; the integrity public welfare account received RMB2,550 in cash gifts; and 16 physical gifts worth RMB6,840.

Environment-friendly Operations and Green Development

Responsible Supply and Win-win Partnerships

## Intellectual Property Protection

Sun Art Retail strictly abides by the intellectual property related laws and regulations such as the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China, and has developed the Intellectual Property Rules during the reporting period, which clarified the intellectual property management methods, procedures, and related risk control.

#### Screening IP infringements

Novelty searches and retrievals must be conducted before engaging in intellectual property activities, to avoid issues such as inability to confirm rights and infringement claims.

### Safeguarding intellectual property rights

Upon discovering infringement or possible infringement, business departments should take active measures to report and cooperate with the Legal Department for proper resolution. Major intellectual property infringements or litigation should be reported or applied by the relevant business department to the Legal Department, the business department should propose a response plan and submit to the Legal Department for approval prior to implementation.

As of the end of the reporting period, Sun Art Retail cumulatively holds:

Valid patent

Valid trademarks

864



<sup>2</sup> The term "cancellation due to three consecutive years of non-use" mentioned in the risk refers to an important provision in the "Trademark Law", specifically referring to the situation where if a registered trademark has not been used for three consecutive years without justifiable reasons, any unit or individual has the right to file an application with the Trademark Office to cancel such registered trademark.

Making Progress Together While Putting People First

### Protecting intellectual property

Intellectual property registration, filing, and application for rights confirmation have been conducted; Daily supervision is strengthened to prevent trademarks, patents, domain names, and trade names from being preempted by others. In case of any conflict with Sun Art Retail's intellectual property rights, the Legal Department should take active measures. Once the trademarks of various business departments have been successfully registered, they must be put into use, with attention given to preventing the risk of "cancellation due to three consecutive years of non-use".2

#### Intellectual Property Protection Mechanism

Valid copyrights



02

# **Quality First** and Service Foremost

Upholding the core philosophy of "Assurance, Safety, Integrity and Highquality", Sun Art Retail has been committed to relentlessly providing consumers with high-quality, healthy, safe and assured products. By controlling product quality, consistently optimizing customer service experience, and conducting responsible marketing, we endeavor to lead high-quality development of the industry while satisfying consumers' product demands.









Environment-friendly Operations and Green Development Responsible Supply and Win-win Partnerships

## **Strengthening Quality and Safety**

Ensuring food quality and safety is not only the baseline for an enterprise, but also the commitment Sun Art Retail honors towards its consumers. The Group strictly complies with laws and regulations such as the *Food Safety Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, and resolutely safeguards the legitimate rights and interests of consumers. We have established a sound quality management system, and actively implemented the national food safety policy. Furthermore, we have extended the standards and requirements for product safety and quality across the supply chain, and integrated safety and quality control into every aspect of work, with the purpose of providing consumers with safe and reliable products.

## **Quality and Safety Management System**

Sun Art Retail assumes strict responsibilities towards consumers and pursues superb quality. To guarantee systematic and standardized food safety work, the Company has established a scientific and rigorous 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*, the *Storage Temperatures and Inventory Ages of Vegetables and Fruits Standards*, and the *Fresh Products Warehouse Quality and Warehousing Management Standards*, which clarified the quality management requirements for the entire value chain covering procurement, production and processing, logistics warehousing and transportation, product supply by stores, as well as after-sales services, and we have established a sound supervision mechanism. In addition, with very deep insight into the importance of quality management practice experiences in food industry, we proactively participate in associations in food industry.



We place high value on third-party quality system certifications to ensure the standardization and effectiveness of our internal quality assurance system. As of the end of the reporting period, the headquarters of Sun Art Retail passed the ISO 9001 quality management system certification and ISO 22000 food safety management system certification, signifying authoritative recognition on our quality management system, it is also our long-lasting commitment to excellence.

## Quality and Safety Risk Control

Being keenly aware the importance of food safety at each stage 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. At Sun Art Retail, the consumers' health comes first and they are accessible to safe foods with our stringent standards and meticulous work.

## **Entity Responsibility for Food Safety**

To earnestly apply the corporate culture of Sun Art Retail and consolidate the core status of food safety in our brand value, we have formed the *Management Rules on Fulfillment of Entity Responsibility for Food Safety*, in accordance with the law, 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.

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. This mechanism aims to encourage food safety supervisors to continuously improve their expertise and skills, and ensure their better fulfillment of food safety management responsibilities, thus providing our customers with safe and reliable products. Upon implementation of this mechanism, we are dedicated to incorporating food safety management into every aspect of business activities, thereby building Sun Art Retail into a trustworthy food retail brand.



Environment-friendly Operations and Green Development

Responsible Supply and Win-win Partnerships

### **Automated Management System**

With the WEB management system, we can precisely measure temperatures in various freezers and refrigerators in our stores in a realtime manner. To ensure the optimum temperature for display and storage of food, we have developed a high-temperature alarm system through DingTalk which is able to flexibly set the alarm temperature based on the specific storage requirements of a certain category of food. If the actual temperature is higher than the threshold temperature, 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, message will be sent to the supervising personnel through DingTalk based on the pre-set four levels to ensure timely and effective resolution, thus greatly improving the timeliness of information transmission and tracking efficiency.



• Process of Alarm Message Push through DingTalk

## **Overall Process Quality Inspection**

By Implementing strict product quality and safety inspection mechanisms, Sun Art Retail has been consistently improving quality control procedures. We have established the "Standard Card for Fresh Delivery" on the basis of fresh product management rules and regulations such as the Incoming Raw Materials of Fresh Products Acceptance Standards and the Operation Standards on Warehousing and Refrigeration of Fresh Products. We have clarified the requirements for purchase, warehousing, and store acceptance of fresh products, and performed spot checks at a fixed ratio, to ensure standard and transparent quality and safety inspections for all categories of products. In addition, we require 100% rapid laboratory inspections of all incoming products and inspections of each batch of key products with high hazards. Beyond that, we have invited professional third-party organizations to inspect our product quality meticulously on a regularly basis and issue authoritative

## Store Abnormality Detection and Analysis

Sun Art Retail has launched a store abnormality analysis under the feedback mechanism of separation and recycling system. The Quality Control Department conducts detailed analysis of the abnormalities submitted by the stores, to identify the causes and determine the responsibility, and ensure daily follow-up until the problem is resolved. For products or stores with a high abnormality rate, we have strengthened control and appointed processing supervisors, weighers, inspectors, and sorters to conduct comprehensive inspections on processed products, thereby effectively reducing the risk of quality abnormalities.

### Central China

- The Group has established processing center, and the proportion of sampling inspection is carried out in accordance with the "38 Principle" when inspecting products;
- The processing personnel will process the products according to the standard cards for products; the quality control and auditing personnel will conduct secondary inspection of the finished products on site.

## Southern China

- To improve the quality of source products, the sampling inspection ratio for SKUs with quality abnormality complaints on the current day will be doubled;
- Raw materials need to be inspected by the Team Leader/Divisional Leader before processing, those products with abnormal quality require quality control personnel conduct on-site reconfirmation;
- For SKUs with quality abnormality complaints on the current day, auditors are required to conduct sampling inspection on 20% of all finished products, with on-site supervision by the distribution Divisional Leader;
- For stores with more quality abnormality reports, we will further intensify the tracking and analysis of temperature abnormalities using temperature trackers;
- Strict punishment will be imposed for quality abnormality complaints according to the rules, and joint responsibility system is formulated for supervisors, to effectively urge supervisors in on-site supervision.

inspection reports, to ensure safe shopping of our customers.

We have established a sound food shelf-life inspection mechanism. which requires related responsible personnel to inspect food expiry, spoilage, and other problems on a daily basis. In addition, 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 rectification in time. To standardize the scrapping of fresh products in various stores, we have drafted the Standards on Scrapping of Fresh *Products*, in which the scrapping areas, requirements, and disposal procedures are clarified. In addition, we have established a followup tracking system for expired food to ensure proper disposal and prevent the resales of expired food or circulation thereof in other regions.

### Northeastern China

- Daily storage auditors conduct full auditing on processed goods in three time periods to check product quality, labeling, weight, packaging, etc. Abnormal products need to be reworked and reprocessed, and the responsible personnel will be punished;
- For quality abnormality reports from stores, relevant personnel will analyze the category and identify the cause of abnormality, provide additional employee education and intensify the proportion of internal spot checks on the following day, and the responsible personnel will be punished.





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## **Expiry Date Management**

Sun Art Retail has developed the Matters Concerning the Management of the Packaged Products Expiry Dates of Vegetable and Fruit Division, which sets corresponding expiry dates based on the characteristics of packaged vegetable and fruit products in stores, as well as a shelf life for sale in the checkout barcode. The online sorting and offline checkout system will intercept products beyond shelf life, and the store cashier system will be unable to check out products beyond shelf life.



The store's internal controller discovers quality abnormalities and takes photos, and reports to the Product Quality Abnormality Feedback System

In case of the quality issue of incoming products, the quality controller of fresh product storage will ascertain the responsibility. The problems of products will be ultimately resolved by the Procurement Department

The system reports quality abnormality due to deficiency in store management to the head of vegetable & fruit division for immediate rectification

Management Process for Products Expiry Dates



Fruit

- We add pre-quality control for products, and require additional measurement of the center temperature of products prior to marketing;
- We have developed the *Packaged Fruit Shelf Life* to specify different expiry dates for each category based on their characteristics, divide the expiry date management into summer and winter, and increase the arrival temperature of some categories, such as increasing the temperature of blueberries from 5-10°C to 8°C.



- The shelf life of refrigerated products on display is 3 days, and if they are not sold out on that day, they will be discounted and cleared out the next day. Sales are not allowed on the third day.
- As for the small-pieces meat or minced meat generated during the cutting and trimming process, their storage time in the operation room should not exceed 20 minutes (they should be placed on the shelf or returned to the refrigerated storage as soon as possible). The principle of first-in, firstout should be followed.

**Product Warehousing and Transportation** 

Sun Art Retail strictly follows the internal management rules and

regulations. Through environmental measures such as constant

temperature across the warehouse, variable temperature in

operating and storage rooms, and thermal insulation at the

wharf, we maintain the freshness of products to the greatest

extent by setting different zonal temperatures based on the

Improving Quality and Safety

### Frozen and refrigerated products

- compromised due to transportation;

### Heating products

temperature.

Upgrading packaging for constant-temperature products

- bag to PP hard box.

Quality Control Management and Quality Inspection Optimization Measures for Fresh Produce Products within Expiry Date

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Sun Art Retail is committed to achieving full-process control of product safety and quality by further refining the efficiency of product storage, transportation, and distribution, and continuously improving and implementing various guality management measures.

> storage requirements of different categories. In addition, we control the temperature during product loading, transportation, and unloading, and improve the process management in product freezing, refrigerating, heating, and packaging in an all-round way, to ensure good quality during storage and transportation.



Product Packaging Measures

**Product delivery** 

Responsibility-driven Development and Sound Governance



Environment-friendly Operations and Green Development

Responsible Supply and Win-win Partnerships

Furthermore, in order to reduce losses due to abnormal weather, Sun Art Retail officially launched All-staff Delivery Program during the reporting period. Through training sessions and delivery practices of employees, the Company issued certificates to qualified employees. Upon the implementation of such program, the Company's sales loss due to abnormal weather decreased from 5.31% in the previous fiscal year to 2.61% in this fiscal year.



Once all the carriers from the sorting areas arrive, the packaging personnel Packaging will be designated to the slide/chute and start packaging



Batch Sorting Mechanism and Delivery Efficiency Improvement

## **Enhancement of quality awareness**

To comprehensively enhance the employees' awareness of product quality assurance, Sun Art Retail is committed to building a quality and safety culture among all employees and creating a favorable atmosphere through frequent expertise and skills training programs. During the reporting period, we conducted a number of quality awareness training sessions for employees on different functional positions, with a total of 1,555,912 training hours and a total of 478,762 participants.

The total hours of quality awareness training

1,555,912

The total participants of quality awareness training

478,762



## **Product Recall**

In strict accordance with related laws and regulations such as the Measures for the Administration of Food Recall and the Interim Regulations for the Administration of Consumer Product Recalls, we published the Product Recall and Disposal Requirements (Food/Consumer Products) as well as other internal management policies, in which the necessary steps and procedures required for product recalls are clarified. During the reporting period, the Group has had no recalls on any products due to safety and health reasons.



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## **Selecting High-quality Original Products**

Sun Art Retail has been committed to promoting healthy and nutritious lifestyles, and responded to the nutrition and health policies successively released by the State, such as the National Nutrition Program of China (2017-2030), the Medium-to-Long Term Plan of China for the Prevention and Treatment of Chronic Diseases (2017-2025), the Healthy China Action Plan (2019-2030) (HCAP), and the Dietary Guidelines for Chinese Residents (2022). In addition, we have further refined the "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 reduced sugar, sugar substitute, reduced sodium, reduced artificial color, and added probiotic.

### Low sugar

The own-brand of Sun Art Retail actively advances the special program on reducing sugar, with a well-established diverse product matrix. In FY 2023/2024. sugar-reduced bakery and drink products were added to the matrix, including low-sugar whole wheat crackers, low-sugar pumpkin seed crisp, low-sugar almond crisp, low-sugar amber walnut meat, sugar-free black sesame crisp, and dried orange peel black oolong tea.





During the reporting period

The Group's sales of sugar-reduced (low-sugar or sugar-free) products reached



**30**<sub>SKUs</sub>





## Healthy avocado

- Integrate resources and fix pricing and quantity wit
- Sales of this fiscal year reached RMB11.47 million, wit a growth rate of 27%



## Fresh and miscellaneous grains light food • Promote the sales of fresh and coarse g • SKUs: 7: sales of this fiscal ve 才做选择 当然是四样统统都要 #轻食秘籍#

Case | Light Food Lifestyle

In 2023, Sun Art Retail launched a spring light food themed lifestyle based on the peak timing of the light food categories. Upholding the philosophy of low-sugar and healthy diet, we focused on healthy foods such as seasonal fruits, high-quality meat, fresh vegetables, yogurt, etc., to create diverse light food recipes taking into account the current popular trends, providing customers with more choices.

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## **Organic products**

To further meet consumers' demands for natural and organic products, we have been consistently expanding our organic product matrix. In this fiscal year, Sun Art Retail boasts more than 400 SKUs of organic products in six categories: dairy food, beverage, grocery, baby care products, vegetables, and aquatic products. During the reporting period, 29 plantations under Sun Art Retail have become OFDC organic certified, with national sales of RMB674,353,442 for organic products.

Category	Sales (RMB) in FY 2024	Percentage of total national sales (RMB) in FY 2024
FMCG	557,183,923	0.8%
Fresh Products	55,105,625	0.1%
Own-brand Products	62,063,894	0.1%
Total	674,353,442	1.0%



And the second	- · ·	
Nutrition	Reint	orcement
Huttiton	i cini	oreciment

Sun Art Retail attaches great importance to the nutrition and health of products, and actively explores new horizons in nutrition reinforcement, and consistently upgrades the brand products.

Dimension of nutritional enhancement	Sales (RMB) in FY 2024	Percentage of total national sales (RMB) in FY 2024
RSPO	1,470,982	2.1%
Products that are reduced in saturated fat, trans fat, sodium, or sugar	2,268,474	3.3%
Products containing nutrients (such as fiber, vitamins, minerals, phytochemicals or functional food additives)	1,624,857	2.3%
Refurbished/reformulated products (products that have been modified or upgraded to improve the nutritional health of existing products)	604,322	0.9%
Sustainable protein products	35,875	0.1%
Total	6,004,510	8.7%





For fruits, aquatic products, vegetables, and algae, Sun Art Retail further expanded the range of products become organic certified in this fiscal year.



#### Organic Aquatic Products

There is one organic deep-water yellow croaker supplier become organic certified, with one SKU of frozen organic yellow croaker product on sold throughout the fiscal year, accounting for 0.4% of the aquatic product sales.





#### Organic Algae

19 plantations become organic certified for seaweed, with more than 30 SKUs of organic seaweed products on sale throughout the fiscal year, accounting for 20% of the algae sales;

5 plantations become organic certified for kelp, with 6 SKUs of organic kelp on sale throughout the fiscal year, accounting for 3% of the algae sales.



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### **Reduced artificial ingredients**

Sun Art Retail persists in providing natural and healthy products for consumers, and tries to minimize or remove artificial ingredients through R&D. Taking pork jerky as an example, the traditional practice uses artificial colors or color fixatives to maintain the red color, while Sun Art Retail's own brand pork jerky returns to nature using traditional caramel coloring, thus achieving zero additives while maintaining the product flavor.

### During the reporting period

The sales of Sun Art Retail's artificial ingredient-reduced With SKUs on sale products reached

# RMB 250.534 million 260

## Natural plant ingredients

Being committed to equipping consumers with a natural and healthy lifestyle, Sun Art Retail advocates products with natural plant ingredients, and meets the demands of consumers with rich nutritive value and natural efficacy.

#### During the reporting period

The sales of Sun Art Retail's products with natural plant With SKUs on sale ingredients reached



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3

## **Creating Satisfactory Shopping Experience**

Upholding the vision of "our ever-more personalised innovation and services simplify the everyday and change the lives of our customers, whose numbers grow by the day", Sun Art Retail is dedicated to improving services, creating excellent shopping experience for consumers, and reinforcing a positive brand image. We attach great importance to data security and privacy protection, and spare no effort to guarantee the privacy rights of each user.

## **Improving Services**

We regard 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 and other related laws and regulations, we have further improved our internal customer service mechanism and unblocked customer communication channels. We are committed to responding to and dealing with customer demands in a steady and professional manner, and conveying our sincerity and diligence to each and every customer.



• Customer Complaint Handling Mechanism of Sun Art Retail

## **Customer Service Hotline**

Service hours: 8:00–22:00, instant picking-up assessment: pick-up rate and service satisfaction rate

#### Order Comments

Initiatively calling back and handling the dissatisfaction comments made by customers within 24 hours

#### Official Weibo Account an Official WeChat

Reviewing account in the morning, noon and evening respectively to find comments of interest and contact the consumer for a timely follow-up

Case | Monthly Consumer Seminars

A monthly store-based consumer seminar is held in each operation region across the country to understand consumers' experiences with the products, services, and environment provided by RT-Mart. The seminar invites relevant regional managers, purchasing staff, store managers, and customer service personnel to attend both online and offline, and listen to the feedback from consumers. After the seminar, the attendees will summarize the issues mentioned by consumers and propose solutions, and the headquarters will follow up the problem resolution.

In terms of customer satisfaction surveys, Sun Art Retail conducts a satisfaction survey among all RT-Mart consumers in the Enterprise WeChat group through questionnaires to understand the Net Promoter Score (NPS) of consumers on RT-Mart. In FY 2023/2024, the overall NPS of stores nationwide was 63%.







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## Improving Shopping Experiences

High-quality shopping experience remains the core competitiveness of retail business. Sun Art Retail remains committed to serving our customers wholeheartedly and winning their trusts with sincerity, which we regard as the cornerstone for our longevity and development. While fully protecting rights and interests of our customers, we endeavor to create a pleasant shopping atmosphere for our customers both offline and online, delivering a shopping experience beyond expectation to each and every customer.

To further intensify our interaction with customers and improve their offline shopping experiences, we have cancelled coinoperated trolleys and implemented the "service bell" service in all our stores nationwide, thus further boosting ties with customers.

#### Cancelling coin-operated trolleys

The vast majority of stores in the country have enabled direct use of our in-store customers original coinoperated trolleys in demand for free, thereby improving the operational efficiency of our stores, and greatly facilitating their offline shopping.

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

We have extended the "service bell" service to all stores nationwide. Featuring the unique layout and call button, the "service bell" enables customers to access corresponding service as soon as possible.



To encourage online shopping among customers, we have further optimized our App to improve online shopping experience from multiple dimensions.



• Customers can leave reviews for products and display them on the page. The function is currently in closed beta test.



## Optimizing shopping cart

- Redemption discount label displays offer information/it supports add-on purchases when the threshold is not met;
- Adding "Estimated Price", with available coupons displayed for the products selected;
- Adding "Add-on Aid", with the optimal coupon tips based on the products selected in the shopping cart.



## Optimizing search terms

- The App currently supports classification through guide bar based on product brand described, to facilitate customers with different preferences during shopping;
- For example, the customers can set various sub-categories such as storage methods and brands when they are searching for [Milk] through the App, to facilitate more detailed and targeted selections.



## Organic, origin and other labels

• Adding information labels such as organic certification and origin.

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	2 29 ANY 23 NO PARA
	PORTAL STATES AND



Environment-friendly Operations and Green Development Responsible Supply and Win-win Partnerships

## **Brand Publicity**

Sun Art Retail is committed to providing our customers with a 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*, the *General Standard for the Labeling of Prepackaged Foods*, the *General Standard for the Nutrition Labeling of Prepackaged Foods* and the *Provisions for the Administration of Food Labeling*, as well as other related regulations and standards.

To this regard, we have ensured the compliance in labeling and ingredient information of our product sold, and we provide the consumers with safe and reliable shopping environment in accordance with actual conditions of products.

Furthermore, Sun Art Retail, in conjunction with other enterprises, has launched extensive brand promotion and marketing activities, showcased Sun Art Retail's responsible marketing while enhancing brand image and reputation.

RT-Mart Joins Hands with RED to Launch "My Parents, My Healthy Partners" Loong Spring Festival National Health Program

On February 5, 2024, RT-Mart joined hands with RED to officially launch "My Parents, My Healthy Partners" Loong Spring Festival National Health Program both online and offline, covering 60 RT-Mart stores in 10 cities across the country.

During the Spring Festival, as young people return home, the lives of different generations would lead to clashes due to health concepts and living habits. Young people may have bad habits such as staying up late, irregular diet, sedentary, and less exercise, while the elderly may believe in health disinformation and feel reluctant to dump leftovers. Based on this, RT-Mart and RED launched this program during the Spring Festival—the most important reunion occasion for Chinese. We integrated health concepts into hot headlines by means of the popular "partner" style, and closely related it to offline shopping during the Spring Festival, thereby breathing new life to the everlasting topic of health. It was hoped that mutual understanding between the two generations could be enhanced through such ritualistic way of "shopping together in the supermarket and chatting about health". During the Spring Festival, the event called for and influenced a total of 81 million person-times.



全国10个大润发门店
更有100%中奖刮刮乐
现场领取,现场刮 带上爸妈抽取精美健康周边
抢跑新年第一份健康好运 
线下门店抽奖时间
2024.02.07~02.08
2024.02.13~02.14
奖品有限,先到先到

## Case | RT-Mart x Goofish Green Bag Campaign

In response to the ESG philosophy and starting from the concept of green living, RT-Mart joined hands with Goofish to launch the "Green Bag Campaign" in 17 stores in Nanqu of Suzhou, allowing idle egg trays to be used in a novel way and creating a new green lifestyle.

The event brought a total of







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## Case | RT-Mart x Dookbook "Make Time for Yourself"

On August 20, 2023, RT-Mart joined hands with Dookbook to launch the hot headlines— "Make Time for Yourself" thematic event, covering 44 reconstructed stores 2.0 across the country. Dookbook provided books for customers to read during their breaks at reconstructed stores 2.0 with lounge bars. Based on the freshly orange juice, croissants, mochi and other products sold at the lounge bar, RT-Mart created hot headlines explaining its theme and telling some life philosophies from the perspective of supermarket, calling for people to slow down, relieve stress and care for themselves in the fast-paced life.





Environment-friendly Operations and Green Development

Responsible Supply and Win-win Partnerships

## **Privacy Protection and Data Security**

Sun Art Retail places high value in customer privacy protection and data security. In strict accordance with the *Cvbersecurity* Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the GB/T 35273-2017 Information Security Technology—Personal Information (PI) Security Specification, as well as other related laws and regulations, we have revised and updated a set of internal policies and rules, such as the Data Security Specification (Trial) of Concord Investment (China) Co., Ltd V1.5, the R&D Procedure of Concord Investment



Sun Art Retail is committed to systematic and standardized management of personal information 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 industry-leading security measures, including well-established 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.

## Case | RT-Mart's "She Chooses Her Life" Women's Day Event

On March 8, 2024, RT-Mart released an experimental short film titled "She Chooses Her Life". The brand launched a photography flash mob offline to focus on the faces of Chinese women, and invited female customers and employees to choose their favorite flowers, provided on-site makeup and took free photos for them. The short film recorded and showcased the "beauty not defined for everyone" in a warm documentary style.

From last year's "Flowers in Our Lives" to this year's advocacy of "She Chooses Her Life", RT-Mart has continued the event through "RT-Mart Flower-themed" IP to spot the multiple roles of women in daily life, and focuses on their courage and wisdom, actions and changes for creating better life from the "flower description" to the "flower creation", thus conveying brand care through concrete actions.



Case | RT-Mart Hot Headlines "Job Stories"

As the year draws to a close, RT-Mart launched a series of "Job Stories" for the working young people, having the supermarket products to tell stories in the workplace. These hot headlines were full of profound insights into the daily lives of working people and humanistic care for them. Once launched, the series has deeply resonated among the majority of working people, reported and reposted by hundreds of media and We-Media bloggers, with a series of views rose to popularity.



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(China) Co., Ltd V2.1, the Product Security Checklist of Concord Investment (China) Co., Ltd V1.4, the Applets Security Checklist of *Concord Investment (China) Co., Ltd V1.0, the Suppliers' Product* Security Checklist of Concord Investment (China) Co., Ltd V1.0, to standardize the work of information security. Our policies and rules have covered all RT-Mart and its subsidiaries, such as the physical stores, the RT Fresh App as well as other online platforms. During the reporting period, no incidents of data leakage or cybersecurity occurred within the organization.



Environment-friendly Operations and Green Development Responsible Supply and Win-win Partnerships

During the reporting period, we took a series of data security improvement measures, consolidated and optimized existing data security protection facilities and specifications, significantly improving the capabilities of the organization in responding to and handling data security risks.

## Highlights of IDC IPS

- We have optimized iterative security policy and launched related processes;
- We have updated 2000+ policies and enhanced the coverage for threats. The types of threats IPS identifies and defends increase significantly with the increase of policies, and the IPS system is able to respond to various cyberattacks more efficiently;
- We have improved the interception and blocking capabilities of the IDC system against threats, thus enhancing the defense capabilities against cybersecurity threats.

## Highlights of privacy compliance

- We have developed the Applets Security Checklist;
- We have started Applet layout in advance for all applications across the Company in the future, thereby ensuring product security and meeting compliance requirements.

## The Supplier Products Safety Checklist

• We have developed the *Supplier Products Safety Checklist* for attendance system, EHR compensation system, and legal person master data system to protect the security of applications and systems.

## Simulation drills

- We have cooperated with Jing'an District Cybersecurity Detachment to complete cybersecurity drills;
- We have enabled two-factor authentication for phishing emails and conducted phishing email simulation drills.

## Approval of sensitive data



• We have added usage process of sensitive data by external parties in terms of internal data, basically realized and unified the sensitive data application portals for all employees, facilitating the audit of sensitive data approval processes and tracing of sensitive data outputs.

• Sun Art Retail's Information Security Management Measures

Sun Art Retail invites Suzhou Ruyiyun Network Technology Co., Ltd website, RT Fresh App, E-Lufa App, and M Club.

Evaluation Object	Frequency	Level
RT-Mart official website	Once every two years	Level-II
RT Fresh App	Once every year	Level-III
E-Lufa App	Once every year	Level-III
M Club	Once every year	Level-III

• Object, Frequency and Level of Information Security Classified Protection Evaluation for Sun Art Retail

We have developed 9 different training topics to raise information security awareness of employees in an all-round way. Through continuous training sessions with regularly updated topics and contents, the Company communicates relevant security policies through security awareness training, and improves employee participation and learning effectiveness by means of interactive Q&A, thus enabling them to better understand and apply the knowledge. In FY 2023/2024, Sun Art Retail conducted "account security" training covering 94,854 employees, with a pass rate of 45.98%; "privacy security" training covering 99,431 employees, with a pass rate of 30.91%.



Sun Art Retail conducted "account security" training covering employees

94,854

With a pass rate of



### Sun Art Retail invites Suzhou Ruyiyun Network Technology Co., Ltd. to conduct regular classified protection evaluations on RT-Mart official





"Privacy security" training covering employees



With a pass rate of



03

# Environment-friendly Operations and Green Development

Actively engaging in environmental protection, Sun Art Retail has improved the existing environmental management system, and kept exploring new environmental protection technologies and methods with green and lowcarbon transformation as an important strategy among enterprises for sustainable development to societally 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.

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Quality First and Service Foremost



Responsible Supply and Win-win Partnerships

## **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 progress of objectives during the reporting period:

• This fiscal year has seen a reduction of 20% in GHG emissions compared to the previous fiscal year

## Implementation path:

- Taking energy-saving measures
- Replacing traditional refrigerants with green alternatives to reduce GHG emissions
- Further promoting the use of renewable energy

## Work done in the reporting year:

- As of the end of the reporting period, the photovoltaic areas installed in Nansha Warehouse and Xiamen Warehouse were approximately **20,000** square meters. The photovoltaic installation in the Fresh Produce Processing Centers (FPPCs) in Eastern China and Central China is being steadily promoted.
- A total of **74** 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 replacing traditional fuel vehicles with new energy vehicles

## Work done in the reporting year:

- Eight new stores have completed the construction of photovoltaic power generation projects, bringing the total number of stores with completed photovoltaic installations to 30, adopting photovoltaic power generation of about 18,104 MWh and realizing carbon reduction of 12,898.78 tons.
- All stores have increased the switch-off time of vacant refrigerators by **1.5** hours during the evening, achieving an annual electricity savings of approximately **2.7** million kWh.
- 260 ovens in the stores have been upgraded and renovated, reducing the annual electricity consumption by approximately 1.6 million kWh.
- During the reporting period, we have purchased approximately 593,041 MWh of green power and nuclear power from four provinces, achieving a carbon reduction of 377,095.64 tonnes.
- Nansha Warehouse added ten new-energy electric vehicles.



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

## Implementation progress of objectives during the reporting period:

- This fiscal year has seen a reduction of **18.4**% in water usage per unit compared to 2021
- This fiscal year has seen a reduction of 2.5% in water usage per unit compared to the previous fiscal year

## Implementation path:

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

## Work done in the reporting year:

- We have continued with standardized management of water consumption.
- All new stores have installed water-saving faucets.
- A total of 23 stores have been equipped with automatic floor washing machines.

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:

- Properly controlling food production quantity to reduce unnecessary waste
- Further promoting waste sorting measures in our stores
- Recycling cardboard boxes

### Work done in the reporting year:

- We have achieved waste sorting in **461** stores distributed in **149** cities.
- We have achieved 100% recycling of cardboard boxes.

**Quality First and** Service Foremost



Responsible Supply and Win-win Partnerships

## **Addressing Climate Change**

## **Climate Change Risks and Opportunities**

Addressing the potential risks posed by climate change and seizing the transition and development opportunities it presents has become an important global challenge. 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. The Board of Directors, as the highest governing body for climate change, is responsible for hearing the identified results of the climate change risks and opportunities, reviewing and discussing them, and overseeing the implementation progress of the response measures.

## Strategy

Risks	Risk description and impacts	Countermeasures
Policies and laws	<ul> <li>Stricter reporting obligations and compliance requirements for emissions have imposed more demanding requirements on the information disclosure of the Company. Hong Kong Exchanges and Clearing Limited (HKEX) released the <i>Consultation Paper</i> on <i>Enhancement of Climate-related Disclosures Under the</i> <i>Environmental</i>, Social and Governance Framework, setting higher standards for companies' management and disclosure of climate-related information. Sun Art Retail will maintain a close watch on these developments.</li> <li>The cost of information disclosure by the Company has been increased. Additionally, the operating cost will gradually increase to satisfy the compliance requirements.</li> </ul>	<ul> <li>Keeping abreast of newly formulated laws and regulation and adjusting the Company's related operating standard to satisfy compliance requirements.</li> <li>Further strengthening digital management of environmenta indicators and optimizing internal systems, such as the energy (maintenance) management system. The Compan should improve the information disclosure quality to satisf more demanding requirements for information disclosure.</li> </ul>
Technology	<ul> <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.</li> <li>When applying new technologies, the Company needs more operating costs, even facing the risk of failure in application thereof.</li> </ul>	<ul> <li>Paying close attention to technology development and preparing for it in conjunction with the development trend.</li> <li>The Company should optimize risk assessment befor large-scale application of new technologies, so a to ensure that the introduction of new technologie can guarantee environmental protection effect a expected.</li> </ul>

Risks	Risk description and impacts	Countermeasures
Market	<ul> <li>Consumers show a growing preference to green and environmental products.</li> <li>The Company is required to make swift procurement plan adjustments 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> <li>The Company should pay close attention to man dynamics and adjust its operation strategy based consumer behaviors in a timely manner.</li> </ul>
		• The Company needs to integrate supplier resource control the risk of cost rise.
		• The Company can gradually develop proprietary gr products, so as to control the cost to a certain exten
Reputation	Reputation         • Stakeholders pay more attention to negative news.	<ul> <li>Paying more attention to the disclosure requirement related to climate change, optimizing the social public on compliance.</li> </ul>
• Negative news will harm the reputation of the Company, thereby adversely affecting the revenue of the Company.	<ul> <li>Actively engaging in environmental activities wir and beyond the industry, so as to improve corpo participation.</li> </ul>	

Physical risks		
Risks	Risk description and impacts	Countermeasures
Acute risks	• 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 profitability decline.	• Paying close attention to weather forecasts and extreme weather early warnings, formulating a contingency plan for unexpected weather events, to ensure the safety of staff and consumers in the stores.
Chronic risks	<ul><li>Average temperatures rise and sea level rise.</li><li>Energy costs increase due to temperature rise.</li></ul>	<ul> <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
Resource efficiency	• Since February 2022, the FPPCs of Sun Art Regradually replacing disposable cartons and for recyclable turnover baskets when transporting of the end of December 2023, this practice had delivery process of all stores in East China. By reporting period, about 18,875 turnover bask used in the East China Region.
Energy sources	•Using clean energy: Sun Art Retail has been i proportion of stores and logistics center warehou photovoltaic power generation year by year and has a new energy vehicle fleet.

#### Potential financial impacts

etail have been oam boxes with g vegetables. As ad covered the / the end of the skets had been

• Cut operating costs and expenses incurred from disposal of discarded cardboard boxes.

increasing the ouses that utilize s also introduced

• It is possible to reduce GHG emissions, and to further reduce the sensitivity to changes in carbon emission trading prices.

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We have developed a series of contingency plans, including those for extreme cold weather events, to reduce the risks and impacts of extreme weather. We have established an emergency organization structured with the general manager of each store as the team leader, departmental managers as the sub-leaders, and divisional supervisors as team members, all working together to address extreme weather conditions.



• Contingency Plans for Our Stores in Response to Extreme Weather

Here are the contingency plans established by the FPPCs of Sun Art Retail in response to different extreme weather conditions.



• Contingency Plans for FPPCs in Response to Extreme Weather

### **Metrics and Targets**

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.



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## **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 collecting data on and analyzing carbon emission sources, systematically evaluating their proportion in total carbon emissions and carbon reduction benefits, we have rigorously developed appropriate carbon reduction action plans drawing on a comprehensive range of multidisciplinary knowledge and technologies and clarified the key areas and priority actions for emission reduction. These efforts aim to maximize the benefits of carbon reduction.

During the reporting period, we took energy-saving measures for stores, warehouses and transportation as follows.

#### O Stores:

During the reporting period, we initiated a series of measures for stores, mainly including the construction of photovoltaic power generation projects and the replacement of green refrigerants.

Within the reporting period, photovoltaic constructions in **8** stores have been completed.



### Warehouses:

During the reporting period, Sun Art Retail actively promoted the construction of photovoltaic power generation projects in its FPPCs.

During the reporting period, the industrial park housing the Chengdu FPPCs in Central China commenced the installation of the photovoltaic project.

In Southern China, the Nansha and Xiamen warehouses have installed approximately **20,000** square meters of photovoltaic panels, which can generate about **1 million kWh** of electricity annually.

Progress on the Photovoltaic Power Generation Project at the FPPCs of the Logistics Center



By the end of the reporting period, Sun Art Retail had
expanded its use of more environment-friendly R448A
refrigerants to 74 stores, adding 15 more on top of the 59
converted last year.

The photovoltaic power generation projects at the RT-Mart warehouse in Jinan, Northern China, will be constructed in two phases, with a total photovoltaic capacity of **8MW**. It is expected to generate **6.6 million kWh** of electricity annually upon completion.

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### • Transportation:

Over the reporting period, we achieved a decrease in GHG emissions from our fleet and cut operational costs by optimizing transport routes, implementing a "Maximizing Load Utilization" policy, and introducing a new energy vehicle fleet.



#### The Optimization of Transport Routes

• The Zhongshan Shiqi store has shifted from using the highway to the national highway for transportation, resulting in a reduction of **10** kilometers for each round trip.

### The "Maximizing Load Utilization" Mechanism

- During the reporting period, Eastern China partnered with two transportation companies to utilize empty return trips for courier and goods transportation services.
- During the reporting period, the load utilization volume standard for vehicles at the Jinan warehouse was increased to 76%. In the case of full transportation, priority was given to meeting the return journey needs of stores. Otherwise, the warehouse would initiate empty return services, undertaking a total of 333 return trips.



## **New Energy Fleet**

- The Nansha warehouse added **ten** electric vehicles to replace fuel vehicles for distributing goods to **nine** stores in the Pearl River Delta.
- The six new-energy vehicles at the Suzhou warehouse traveled a total of 335,180 kilometers, reducing carbon dioxide emissions by 260 tonnes and carbon emissions by 70.895 tonnes.





Indicators	Units	FY2022/2023	FY2023/2024
GHG (Scope 1)			
Refrigerant <sup>3</sup>	Tonne of $CO_2$ equivalent (t $CO_{2e}$ )	308,353.97	242,332.56
Mobile sources <sup>4</sup>	Tonne of $CO_2$ equivalent (t $CO_2$ e)	15,597.74	12,335.33
Stationary source-gasoline and diesel <sup>4</sup>	Tonne of $CO_2$ equivalent (t $CO_2$ e)	34.94	39.16
Stationary source-natural gas <sup>4</sup>	Tonne of $CO_2$ equivalent (t $CO_2$ e)	2,261.88	2,200.76
Fire extinguisher <sup>5</sup>	Tonne of $CO_2$ equivalent (t $CO_2$ e)	12,509.60	12,481.88
GHG (Scope 2)			
Outsourced electricity <sup>6</sup>	Tonne of $CO_2$ equivalent (t $CO_2$ e)	1,581,266.97	1,267,336.82
GHG (Scope 3)			
Packaging materials	Tonne of $CO_2$ equivalent (t $CO_2$ e)	/	66,213.28
Transportation	Tonne of $CO_2$ equivalent (t $CO_2$ e)	/	30,562.35
Employee travel	Tonne of $CO_2$ equivalent (t $CO_2$ e)	/	519.95
Total emissions			
Total GHG emissions (Scope 1 and 2)	Tonne of $CO_2$ equivalent (t $CO_2$ e)	1,920,025.117	1,536,726.51
GHG emissions intensity (Scope 1 and 2)	Tonne of $CO_2$ equivalent/million RMB revenue	22.95 <sup>8</sup>	21.18
Total GHG emissions (Scope 1, 2 and 3)	Tonne of $CO_2$ equivalent (t $CO_2$ e)	/	1,634,022.09
GHG emissions intensity (Scope 1, 2 and 3)	Tonne of $CO_2$ equivalent/million RMB revenue	/	22.52 <sup>9</sup>

<sup>3</sup> The GWP values are sourced from the IPCC Fifth Assessment Report AR5, the IPCC Fourth Assessment Report 2007 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>4</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>5</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>6</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.

<sup>7</sup> Excluding Scope 3.

<sup>8</sup> Excluding Scope 3.

<sup>9</sup> Including Scope 3.

In FY2023/24, the GHG Scope 1, 2, and 3 data of Sun Art Retail underwent a carbon verification process conducted by an independent body,

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## Performance Highlights:

128 elevators have been equipped with radar sensor switches, reducing approximately

**700,000**<sub>KWh</sub>

Each light tube in the parking lots reduced approximately

50.3 KM/h

of power consumption annually

of power consumption annually

In FY2023/24, Sun Art Retail's RT-Mart stores were awarded the following honors and accolades.



### Honors of RT-Mart Stores

Here are our energy-saving and emission-reduction efforts for warehouses.

Controlling the Power-on Duration of Electrical Devices (Ľ are switched off. **Employing Energy**saving Devices to regulate the lighting. resulting in a 70% reduction in overall power consumption. **Reducing Electrical** and coverage areas. efficiency.

## **Energy Management**

Sun Art Retail spares no efforts in maximizing energy efficiency while reducing any unnecessary energy consumption. We have actively analyzed energy consumption scenarios while taking energy-saving measures for stores and warehouses.

During the reporting period, Sun Art Retail utilized an energy (maintenance) management system to monitor its stores in real time and carry out systematic inspections, mainly including settings for air conditioning, lighting fixtures, refrigeration equipment, and more. We also checked electrical equipment during nighttime to ensure they were shut down. Over the reporting period, we carried out two rounds of inspections for all stores, promptly alerting them to any anomalies for correction. Approximately 5 million kWh of electricity were saved through our real-time monitoring and electricity audits.

We have implemented the following measures in our stores to reduce energy consumption.

**3D Radar** Switches for Elevators

During the reporting period, Sun Art Retail installed radar sensor switches in low-traffic elevators at some stores. The elevators now automatically activate when customers arrive and delay shutdown after they leave. By the end of the reporting period, 128 elevators at 57 stores had been transformed, expected to reduce approximately 700,000 kWh of power consumption annually.

During the reporting period, we installed microwave radar induction lamps in the parking lots of our stores, designed to function at maximum capacity only upon detecting human presence, thereby significantly reducing energy consumption without compromising usability. After the replacement, each light tube reduced 50.3 kWh of power consumption annually. Taking the RT-Mart Qidong store in Eastern China as an example, 288 sensor lights in the parking lot led to a daily power consumption reduction of 51 kWh.



Operation and Management of Air Conditioning/ Systems

To reduce abnormal energy consumption caused by operational errors at stores, the headquarters monitors the operation of air conditioning units, water pumps, fans, and other equipment through an energy management system in real-time. By the end of the reporting period, we detected a total of 35 cases of improper operations involving failure to turn off air conditioning in time, as well as 20 stores incorrectly setting operational parameters through the energy management system.

To minimize unnecessary energy consumption, we conducted remote and on-site inspections during the reporting period to ensure vacant refrigerators were shutdown at night. Furthermore, while upholding food safety standards, we optimized the refrigeration time for refrigerators and operational areas. By the end of the reporting period, all vacant refrigerators were powered off for an extra 1.5 hours during nighttime, achieving an estimated annual savings of approximately 2.7 million kWh in power consumption.



**Energy-saving Retrofit of Oven Control** Systems

To enhance electrical efficiency, we have optimized the oven control systems across our store network, including removing the one-button full-power-on function and introducing automatic power shutdown once the set temperature is reached or the baking process is complete. Taking the RT-Mart Guangrui Road and Zhabei stores in Eastern China as exemplars, following the system upgrades, these stores achieved monthly electricity savings rates of 24.8% and 19.8%, respectively. By the end of the reporting period, a total of 260 ovens of Sun Art Retail's stores have undergone these energy-saving modifications, resulting in a reduction in annual power consumption by approximately 1.6 million kWh.

• Energy-saving Measures for Stores

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Vacant refrigerators were powered off for an extra 1.5 hours during nighttime, reducing approximately



of power consumption annually

260 ovens reduced approximately



of power consumption annually



The Zhabei store was awarded the "Green and Low-Carbon Demonstration Store" of 2023 by the China Chain Store & Franchise Association.

• In Central China, we optimize energy use by switching off the cooling fans and cold storage units of freezers once the warehouse temperature meets the required standard for product storage, and disconnecting the power promptly when they are not in use.

• During the warehouse closure in Eastern China, all power sources except those necessary for maintaining specific product storage conditions were switched off, reducing electricity consumption by 110,649 kWh compared to the previous fiscal year.

• In Northeastern China, following the completion of daily operations, we inspect the warehouses thoroughly to ensure that all electrical devices are powered off and unnecessary lighting fixtures

• In Southern China, the refrigeration system is scheduled to start based on the daily delivery times of manufacturers and is shut down after the goods have been shipped out.

• In Northern China, peripheral streetlight timing controllers and light sensors have been installed

• In Northern China, the lighting tubes in the warehouse rack walkways have been replaced,

• The lighting automation system in Eastern China's FPPCs allows for customized lighting schedules

• In Southern China, we have optimized lighting in non-operational areas like secondary passageways by reducing the number of fixtures and converting double-row light tubes to single-row for energy

Energy-saving and Emission-reduction Measures for Warehouses

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## **Maintaining Environment-Friendly Operations**

**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,

## **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 hierarchical and specialized management.

## Management System

We have established an energy (maintenance) management system, collaboratively operated by regional and headquarters monitoring centers to assist stores with digitalized management and control in data collection, energy consumption analysis, system alerts, electricity audits, and more. During the reporting period, we have further improved the system by introducing the following optimizations:

Evaluating the accuracy of uploaded data of stores based on the electricity price

Adding the function of regional sorting to "Energy Report Summary", "Sub-item Energy Consumption Summary", and "Main Panel Energy Consumption Summary"

• New Functions of the Energy (Maintenance) Management System

During the reporting period, our energy consumption <sup>10</sup> were as follows:	:
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Indicators	Units	FY2022/2023	FY2023/2024
Direct energy consumption	MWh	67,974.48	55,786.22
Direct energy consumption intensity	MWh/million RMB revenue	0.81	0.77
Indirect energy consumption	MWh	2,309,641.49	1,815,839.12
Indirect energy consumption intensity	MWh/million RMB revenue	27.61	25.02
Consumption of renewable energy from photovoltaic power generation	MWh	13,048.71	18,104.22
Consumption of renewable energy from purchased green electricity	MWh	38,074.88	365,670.06
Consumption of renewable energy from purchased nuclear electricity	MWh	45,566.69	227,370.61
Comprehensive energy consumption	MWh	2,474,306.25	2,482,770.23
Comprehensive energy consumption intensity	MWh/million RMB revenue	29.58	34.21



<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.

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 such as the *Environmental Management* Charter and the Energy Control Management Code to ensure effective implementation of environmental protection efforts and clarify the requirements for environmental protection and the duties of related departments.

## **Management System Certification**

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



● ISO 14001 Environmental Management System Certification



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Sun Art Retail has developed an emission management system to achieve systematic monitoring and control of various types of emissions (including solid waste, wastewater and GHG).



• 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, analyze the reasons for any abnormality, and put forth improvement plans.



GHG

• 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. Water consumption data of all stores are tracked on a monthly basis to identify abnormal fluctuations and promptly investigate the causes to eliminate abnormalities.



• Emission Management System of Sun Art Retail

## **Emissions Management**

The emissions generated by Sun Art Retail during the operation include greenhouse gases, other air pollutants, wastewater, and waste materials. Strictly complying with related laws and regulations, we are committed to reducing emissions from the source on the principle of compliant disposal and actively carrying out recycling and reuse actions.

## **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, we will gradually replace such traditional energy vehicles with new energy vehicles to reduce emissions of air pollutants. During the reporting period, we have introduced four new energy vehicles for daily transportation.

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

Indicators	Units	FY2022/2023	FY2023/2024	
Air pollutants generated from vehicle operation				
Sulfur dioxide	Tonne	0.10	0.07	
Nitrogen oxide	Tonne	123.91	85.13	
Particulate matter	Tonne	9.10	6.31	
Carbon monoxide	Tonne	58.69	46.21	

<sup>11</sup> The calculation of gas emissions data follows the *Reporting Guidance on Environmental KPIs* provided by the Hong Kong Stock Exchange.



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### Wastewater Management

Wastewater discharge by Sun Art Retail is mainly sourced from the water consumption in the operation process. Wastewater is disposed of and discharged through the municipal sewage pipe network in strict compliance with related requirements. Through water-saving measures, we have reduced wastewater generation from the source. Through wastewater storage and recycling systems equipped for the pure water equipment, wastewater is transferred to designated cleaning water points for reuse and recycling. 490,000 tonnes of water can be saved annually through recycling of wastewater.

### 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 "Three Areas" sorting principle and set up special trash bins for sorting the wastes from the shopping streets, markets and office 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 Cardboard Recycling Regulations, in which the code of practice for recycling waste cardboards is explicitly stipulated. After the stores place cardboards satisfying the recycling requirements at the designated temporary recycling points in the warehouse of the receiving area, the warehouse staff will notify the cardboard manufacturer's operators for counting, weighing and recording under supervision. To ensure the integrity and reliability of recycling data of waste cardboards, we have clarified the recording process in the Regulations above, and the headquarters engaged in monthly data verification and analysis to identify abnormalities, figure out the causes and address problems in a timely manner.

## Recycling waste oil

In FY 2024, Sun Art Retail initiated a waste oil recycling project, working with partners to convert and reuse waste oil and grease generated by its stores through biomass technology, transforming it into high-quality biological raw materials. These biomaterials can replace traditional diesel by producing renewable diesel and hydrogenated vegetable oil and serve as raw materials for sustainable aviation fuel. As of March 31, 2024, 107 stores had joined the program with agreements executed.

## Waste sorting

Following the urban management regulations of business locations, Sun Art has developed an internal waste sorting process for kitchen waste to ensure the separation of dry and wet waste, and designated personnel to inspect the work. We set up sorting trash bins to enhance customers' awareness of garbage sorting for environmental protection. Sun Art has initiated waste sorting in 1499 cities covering 461 stores

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

## During the reporting period

The Group discharged a total of

# 14,215,230.15tonnes

of wastewater<sup>12</sup> through the municipal sewage network

The wastewater discharge density was

# 195.89 tonnes per million RMB of revenue



**Reducing Food Loss and Waste** 

mechanism

Responsibility-driven Development and Sound Governance

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## Use of Water Resources

Sun Art Retail cherishes water resources and it is committed to reducing water consumption during daily operations by adopting watersaving equipment, recycling wastewater and posting water-saving slogans.

## Case | Automatic floor scrubbers

In 2019, we started to promote the use of automatic floor scrubbers in our stores. By the end of the reporting period, a total of 23 stores were equipped with automatic floor scrubbers, reducing water consumption in store cleaning.

Indicators	Units	FY2022/2023	FY2023/2024
Water consumption	Tonne	17,176,380.67	16,730,746.26
Water consumption intensity	Tonne/million RMB revenue	205.31	230.56

## **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. During the reporting period, we have improved the CS00086 Code of Practice for the Use of Trash *Bags*, which further specified corresponding trash bags for trash bins of different specifications. We have listed the potential scenarios and safety precautions for reusing trash bags to reduce unnecessary use of 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.

## Procurement

Sale

overproduction.

In light of the influencing factors such as sales and logistics, Sun Art has adjusted the procurement plan in a timely manner to avoid any food loss caused by inventory backlogs and potential logistics delays.

We have estimated the sales volume according

to factors such as historical data, offline

customer flow and online pre-sales, developed

proper production/procurement plans to avoid

kitchen waste by 5% in FY 2024/2025 compared to the level in FY 2023/2024.

### Warehousing

Keeping the warehousing environment to be clean and hygienic, we have strictly followed the workflow for storing various types of foods. If necessary, strict temperature-controlled storage will be performed as per the requirements to avoid food loss.

### Processing

Related personnel are required to strictly follow the standardized workflow of food processing, to keep hygienic and tidy during the processing, and to avoid food losses caused by operational errors and other reasons.

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

Sun Art Retail has clear disposal requirements and standard operating procedures for scrap food, 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

To reduce food loss and waste, Sun Art has continued the loss prevention and control across the industry chain including food procurement, warehousing, processing, and sales. By the end of the reporting period, we have achieved the food loss and waste goal set in the previous fiscal

year, i.e., reducing kitchen waste by 3% and 75,000 tonnes compared to the level in the previous fiscal year. We have set a new goal, i.e., reducing

#### The wastes generated by Sun Art Retail during the reporting period are listed as follows:

Indicators	Units	FY2022/2023	FY2023/2024
Amount of non-hazardous waste generated	Tonne	194,256.84	180,678.69
Intensity of non-hazardous waste	Tonne/million RMB revenue	2.32	2.49
Amount of recyclable waste generated	Tonne	124,169.45	117,030.48
Amount of non-recyclable waste generated	Tonne	70,087.39	63,648.21
Amount of hazardous waste generated	Tonne	150.55	174.95
Intensity of hazardous waste	Kg/million RMB revenue	1.80	2.4

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Water-saving taps have been installed in all the existing and new stores to improve the efficiency of water utilization. Each tap can save 30 tonnes of water per year. It is estimated that approximately 100,000 tonnes of water can be saved per year.

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

## As of the end of the reporting period



of Sun Art Retail have started the use of biodegradable plastic bags in accordance with local government requirements



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### During the reporting period, Sun Art Retail implemented a series of plastic reduction initiatives.

#### Employing recyclable plastic shipping containers

During the reporting period, all the transportation carriers used in the FPPCs of Sun Art Retail were uniformly purchased by the headquarters, achieving 100% utilization of recyclable plastic logistics carriers.

## Disposable shopping bags reduction initiative for online distribution service

Sun Art Retail has successfully implemented the use of eco-friendly and biodegradable shopping bags in 79 stores nationwide, complete with an order review process to ensure efficiency. Through proactive communication and rigorous monthly inventory checks, we have significantly reduced waste. During the distribution process, we categorize and label the bags precisely based on customer demand. At the conclusion of each month, we conduct thorough inventory checks to prevent overstocking and thoroughly review any stores with abnormal consumption, aiming for continual waste reduction.

During the reporting period, Sun Art Retail's stores witnessed a notable decrease in the order quantity of disposable shopping bags, reflecting a 5.7% year-on-year drop.

#### Sun Art Retail partners with Alipay to carry out an Ant Forest environmental protection and plastic reduction initiative

To encourage consumers to bring their eco-friendly bags for shopping and minimize plastic waste, Sun Art Retail's RT-Mart stores have partnered with Alipay Ant Forest to initiate an eco-friendly and plastic reduction initiative. Customers who shop at any RT-Mart store and use Alipay for payment without plastic bags in their orders will receive 12g of "Ant Forest Energy", which can be used for planting trees through the Alipay app. The Ant Foundation will ensure that these virtual energies translate into real-world tree-planting efforts. As of the end of the reporting period, the cumulative cost of this program has reached RMB1.24 million<sup>13</sup>.

#### • Plastic Reduction Initiatives Implemented by Sun Art Retail

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### **Packaging Material Management**

Sun Art Retail has evaluated and analyzed the application scenarios of packaging materials, committed to reducing the use of packaging materials. During the reporting period, we implemented a series of measures, including testing new packaging equipment and reducing the thickness of stretch film, to reduce packaging material consumption and improve their utilization efficiency. During the reporting period, Sun Art Retail used packaging equipment incorporating stretch film capabilities, effectively stretching the 0.4m machine film to 0.5m. This innovation saved packaging materials and enhanced the tightness and overall aesthetics of the packaged products. In addition, we introduced pillow packaging machines that can automatically identify the length of goods, coupled with the flexibility of manual parameter adjustment, further minimizing the consumption of packaging materials.

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

Indicators	Units	FY2022/2023	FY2023/2024
Packaging material consumption	Tonne	33,559.07	25,857.07
Packaging material consumption intensity	Tonne/million RMB revenue	0.40	0.36
Total weight of wood/paper fiber packaging	Tonne	3,634.69	4,041.83
Total weight of plastic packaging	Tonne	21,722.81	19,260.62

<sup>13</sup> 1.24 million is the amount of tree plantings that have already been requested by customers through the initiative.

## **Biodiversity and Animal Welfare**

## **Biodiversity Conservation**

Biodiversity conservation is essential for promoting harmonious coexistence between humanity and nature, and plays 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.

## Case | LUX Green Khata Action

The "LUX Green Khata Action" is a charitable environmental project of plateau grass launched by LUX. Since 2011, a total of 13.4 million square meters (20,000 *mu*) of pasture has been planted, contributing to the net absorption of more than 8,500 tonnes of carbon dioxide. During the reporting period, RT-Mart has maintained its collaboration with LUX, leveraging in-store promotional events to inspire consumers to support the plateau pasture planting. Thanks to these efforts, 500 *mu* of pasture was planted in Linzhou County, Lhasa City, Tibet Autonomous Region, and 1,000 *mu* was planted in Laxiwa Town, Guide County, Hainan Tibetan Autonomous Prefecture, Qinghai Province.





Making Progress Together While Putting People First Embracing Unity and Kindnesses for a Better Future

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 and implemented the concept of biodiversity conservation.



Quality First and Service Foremost

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In 2023, based on the recycling-plastic-bottle initiative, RT-Mart joined hands with P&G to launch the "Plastic Source Reduction Plan". During the event, there were recycling bins for empty bottles in 484 RT-Mart stores across the country. The empty bottles collected from consumers will be processed into environmental-friendly materials, which will be used to build playgrounds for Hope schools. During the reporting period, the green playground made from recycled plastic bottles was officially completed at the P&G R&D Center Staff Hope Primary School in Duancun Town, Xian County, Hebei Province, providing a sports venue for young students at the school and support their healthy growth and development.



• Empty Bottle Recycling Units In RT-Mart Stores





• Environmental Protection Promotion in RT-Mart Stores



 The Honor of [Public Welfare Partner for Project Hope] Conferred by China Youth Development Foundation

• Completion Ceremony of the Green Playground



Responsible Supply and Win-win Partnerships

## Animal Welfare

Sun Art Retail actively introduces animal welfare goods and gradually enhances animal welfare awareness in the value chain. We encourage and support our upstream suppliers to explore and practice achievable animal welfare options.

## $\Xi$ Case | Grass-fed Beef from Australian Natural

Sun Art Retail prioritizes suppliers who actively practice animal well concepts. During the reporting period, we introduced naturally gr fed beef produced by a factory with animal welfare certification, rol it out to 453 stores and accounting for 53.7% of RT-Mart's beef categories performance.

We provide Grass-fed Beef in

**453**<sub>stores</sub>



Percentage of RT-Mart's beef category performance

53.7%

Case | Eggs of Free-Range Poultry

During the reporting period, we introduced new suppliers and put on the shelves 17 new free-range animal welfare egg products to guide consumers to support animal welfare and promote the new consumption concept of animal welfare. As of the end of the reporting period, our total sales of free-range poultry eggs had reached RMB3,300,000, reflecting the increasing concern and acceptance among consumers towards animal welfare products.

Cumulative on-shelf free-range animal welfare egg products

**17**<sub>Skus</sub>



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RT-Mart's total sales of free-range poultry eggs had reached  $\mathsf{RMB}$ 





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# Responsible Supply and Win-win Partnerships

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.

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Seamless and Effective Bidirectional	76






**Quality First and** Service Foremos

Environment-friendly Operations and Green Development



## Sustainable Procurement

The Group is committed to achieving full traceability throughout the product lifecycle, urging suppliers to improve their supply chain transparency, and giving priority to introducing products with qualifications or certifications such as MSC, OFDC, RSPO, and FSSC 22000, in order to create a comprehensive and sustainable closed-loop procurement.



#### Palm Oil Product Traceability

22% of the snack food and 7.8% of the grocery goods have obtained palm oil-related certifications (such as RSPO) to achieve traceability.

## **Guaranteed High-quality Supply**

Sun Art Retail is committed to establishing a high-quality supply chain management system. By standardizing the supplier access process, daily management, and evaluation procedures, we continuously optimize the risk prevention and control work at the supply end. Meanwhile, we pay high attention to the sustainable development performance of suppliers, including business ethics, climate change response, labor management, and other aspects.

## **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.

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#### Suppliers for Own-brand Products

- All candidates shall pass a rigorous initial screening, video audit, and onsite audit before they can be granted access gualification.
- The audit focuses on on-site quality management, the planning and design of the quality system, the fulfillment of environmental and social responsibilities, and whether sustainable development practices are being implemented, among other aspects.



#### Suppliers for Products of Other Brands

- Supplier compliance: Suppliers are required to fill out a "Qualification Evaluation Form", which is then reviewed by the Procurement Department to audit their compliance qualifications and enterprise risks.
- Manufacturer compliance: Audit the actual manufacturer's compliance qualification and ensure the source of compliance.
- Commodity compliance: mainly review commodity gualification and third-party inspection reports.
- Visit the factory for compliance: Conduct on-site audit of the actual production environment and production risk control ability of the factory, and help the factory improve its risk control ability.

Throughout the supplier access process, if a supplier performs well

in all aspects of sustainable development, including environmental

management, climate change response, protection of human

rights, and employee rights and interests, the Group will reward the supplier with a relatively high score and regard it as an important

Furthermore, the Group prioritizes cooperation with the suppliers who are HACCP or ISO22000 certified. During the reporting period,

we have had 599 HACCP certified suppliers and 797 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>14</sup>.

basis for screening.

Responsibility-driven Development and Sound Governance

During the reporting period,

599

797

ISO22000 certified suppliers

and

we have had HACCP certified suppliers

Quality First and Service Foremost Environment-friendly Operations and Green Development



## Supplier Management

Sun Art Retail is dedicated to maintaining a stable supply chain and constantly enhancing its supplier management system. By conducting routine risk audits of suppliers and actively engaging in localized procurement, we have established a robust framework that minimizes transporting and sourcing risks, underpinning our commitment to a sustainable supply chain.

#### **Post-access Management**

Sun Art Retail performs classified management of approved suppliers. We manage and evaluate the key performance of a supplier in raw material traceability, product conformity rate, and delivery efficiency, among other factors through pre-assessment, in-process supervision, and post-event tracking to help us keep close attention to supply chain risks and respond to them timely.





#### • Categories of Sun Art Retail's Suppliers

<sup>14</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.

China

China

China

China

China



**Quality First and** Service Foremos

To ensure the stability and efficiency of the supply chain, 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 labor rights and interests, and environmental management.

#### Vehicle matching and external vehicle carrier suppliers

- 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 for the suppliers of external carriers to filter underperforming transportation companies.
- 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.

### Labor dispatching suppliers

- 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 interviews and surveys with dispatched employees to understand the suppliers' operation conditions in a timely manner, so as to maintain supply chain stability.

#### Suppliers of consumables, equipment, and engineering

- The suppliers shall provide various qualification certificates to ensure their accuracy and validity.
- The suppliers 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 products.
- We verify the authenticity of information provided by the suppliers through relevant websites, and check any regulatory violation through Qichacha website to ensure the suppliers' conformance with husiness ethics

### Carriers in collaboration with FPPCs

- 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.

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

#### On-site factory audit

Any potential manufacturers that have been screened out must pass the on-site factory audit by the Own-Brand Quality Department. During the audit, the factory will be evaluated from many aspects, including its overall condition, production management, quality system, simulation traceability, environmental and social responsibilities

#### Large-scale product testing

Any own-brand products can be finalized and launched only after being confirmed to be qualified after product testing

#### Sustainability evaluation of packaging designs

The Own-Brand Quality Department is also responsible for sustainable development, having integrated sustainability into the product design process

• Evaluation of Own-brand Product Suppliers of Sun Art Retail

### Manufacturing Supplier Audits

Environment-friendly

Operations and Green

Development

To fortify the long-term partnerships with suppliers and ensure the stability and sustainability of our supply chain, Sun Art Retail regularly conducts manufacturing supplier audits to thoroughly assess and understand the actual production conditions of our partners. identify potential risks within the supply chain, and promptly take corresponding measures accordingly. The Group has audited 1,049 manufacturing supplier this fiscal year.



We have conducted comprehensive risk audits of transportation suppliers, including their vehicle positioning technology and completeness of electronic archives, timely rate of product delivery, customer satisfaction, and history 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.

#### Localized Procurement

To further mitigate supply chain risks and reduce the loss of fresh products in the transportation process, the Group has taken the initiative to promote localized procurement by directly purchasing and selling local specialty products.





## Suppliers' Compliance with Business Ethics

While standardizing its business practices, Sun Art Retail is committed to enhancing the integrity and self-discipline of suppliers. During contract signing, a Commitment Letter on Integrity and Trustworthiness must be signed by suppliers, in which related clauses specifying a feedback channel of integrity issues are clarified. Suppliers must agree to and sign the Commitment before further business cooperation with Sun Art Retail. Suppliers that fail to comply with the Commitment Letter on Integrity and Trustworthiness due to operation dishonesty will be blacklisted. During the reporting period, the rate of signing the Commitment Letter on Integrity and Trustworthiness 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.



• Localized Procurement of Signature Products by Sun Art Retail



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## Seamless and Effective Bidirectional Communication

Sun Art Retail recognizes the critical importance of collaborating closely with suppliers and maintaining open dialogue in pursuit of sustainable development objectives. To strengthen these partnerships, we have created a robust, transparent, and inclusive communication framework with our suppliers. This involves utilizing a range of communication channels, including online conferences and in-person site visits, to ensure a timely exchange of needs and feedback. This collaborative approach enables us to address any challenges that arise throughout our cooperation effectively.

### **Communication with Suppliers**

Sun Art Retail organizes regular and diverse supplier training sessions annually. Training contents mainly cover food safety, operation of new systems, logistics management, etc. In addition, we host supplier exchange meetings in cooperation with well-known third-party enterprises, offering an expanded forum for communication and collaboration between all stakeholders.

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#### Case | Logistics Carrier Communication Meetings

During the reporting period, Sun Art Retail regularly held monthly Carrier Communication Meetings to communicate, train, and discuss topics such as operational data, KPI scores and deduction details of various carriers, operations and improvement measures, as well as temporarily modified operational standards.

## Supplier Empowerment

In addition to self-development, Sun Art Retail actively advances the sustainable development of the retail industry, actively supporting the incubation and growth of supplier brands to jointly promote the prosperous development of the retail industry.



05

# Making Progress Together While Putting People First

Sun Art Retail always upholds the people-oriented philosophy and regards talents as a vital part of the Company's core competitiveness. We are committed to safeguarding employees' rights and interests while consistently nurturing a sense of happiness and belonging among them. We have established a fair promotion and incentive system, providing diverse training opportunities to facilitate the growth of each employee alongside Sun Art Retail in an inclusive and equitable work environment.







Quality First and Service Foremost Environment-friendly Operations and Green Development Responsible Supply and Win-win Partnerships

## **Safeguarding Employee 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, the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Law of the Peoples Republic of China on the Protection of Women's Rights and Interests, and the Regulation on Work-Related Injury Insurances. 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.

## Employment

#### **Compliance in Employment**

Sun Art Retail strictly abides by the *Provisions on the Prohibition* of *Child Labor*. Stringently following the *Labor Handbook*, we refuse to recruit any minors aged below 16, and to arrange for any underage employees to do work that may harm their physical health and safety. Meanwhile, we have developed multiple entry certification processes to intercept potential violations. During the reporting period, we progressed the Human Resources Information System (HRIS) implementation. Through the reorganization of data standards and management protocols, we reconstructed the master data system of human resources. This transition involved shifting from a manual, result-based entry of personnel information to a full-process online management, enhancing procedural transparency and overall operational efficiency. In the context of new employee onboarding, we have instituted remote audit procedures to verify employee information and supporting documentation. Following a successful audit, the information is activated, thereby ensuring the recruitment process is legal and compliant.

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• HRSC Remote Audit Screenshot Illustration

In case of any abnormal employment circumstances such as hiring of child labor or failure to sign any labor contract, we will conduct an 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 Email, 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.

#### **Diversified Recruitment**

We firmly believe that Sun Art Retail will benefit from a diverse talent pool with various backgrounds. We are dedicated to establishing a diverse and inclusive office environment, respecting the human rights of every employee at all levels. Sun Art Retail explicitly prohibits any form of discrimination and all employees, regardless of age, race, religion, gender, sexual orientation, nationality, physical condition, or family status, have equal development opportunities. During the reporting period, Sun Art Retail did not receive any reports of discrimination or harassment incidents.

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 optimized our flexible employment platform, established a 24-hour risk response team, and upgraded the fullrisk employment protection for hourly workers. Additionally, we added new features to the platform, including real-time

### $\Box$ Case | Recruitment Highlights: Cooperation with the Institutions of Higher Learning

Continuing to deepen cooperation with the institutions of higher learning, we have launched some practical and cutting-edge 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. During the reporting period, we had another four institution partners. We organized job fairs and lecture sessions at Jiangsu Agri-Animal Husbandry Vocational College and other institutions and conducted online recruitment through live streaming at Jiangsu Vocational College of Electronics and Information. We also signed contracts with Jiangsu Vocational College of Electronics and Information, Jiangsu Agri-Animal Husbandry Vocational College, Jiangsu College of Finance & Accounting, and Yangzhou Polytechnic University. During major events like the "618 Shopping Festival" and "Double Eleven", a total of 406 students supported our customer service operations, handling 130,641 orders with an overall customer satisfaction rate of 95.3%. 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.



In addition, Sun Art Retail advocates reasonable working hours, adopts a flexible working hour system for employees in different positions, and avoids overtime work during working hours and holidays to the greatest extent, 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.

monitoring of visual scheduling, fragmented flexible scheduling, and a work hour limit warning, which significantly improved the speed of job matching against a backdrop of increased platform usage. This effectively realized fully closed-loop management for recruitment, employment, and payroll settlement. Moreover, we provided advance salary payments when third-party employment platforms failed to settle salaries promptly, ensuring that all employees, including dispatched workers, enjoy their legal rights and interests.



Quality First and Service Foremost

#### Women's Leadership in the Workplace

We have been steadfastly committed to promoting gender equality in the workplace in the long term, firmly upholding the belief that the aptitude and abilities of outstanding talents are not contingent upon gender.

We firmly believe that gender is not a valid criterion for assessing talent. True excellence is rooted in a solid professional expertise, outstanding technical proficiency, and a dedicated passion and focus on the work at hand. By refining our recruitment processes to ensure gender neutrality, enhancing career development and leadership training for women, and establishing fair compensation and promotion mechanisms, we strive to fundamentally ensure a level playing field. Our vision is to create a workplace where all employees, irrespective of gender, are valued and have equal opportunities to grow and excel based on their skills and contributions to their respective fields.

During the reporting period, the gender diversity performance of employees at various levels in Sun Art Retail is as follows:



#### **Employment Support for People with Disabilities**

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 78,937 full-time employees, including 1,236 employees with special needs and disabilities (accounting for 1.57%).



Senior management
 Junior management
 Ordinary employees



#### By region



#### By age





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Environment-friendly Operations and Green Development

Responsible Supply and Win-win Partnerships

#### **Employee Benefits**

In addition to offering a competitive salary package, we are committed to safeguarding employees' legal rights and interests by contributing to pensions, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident funds. During the reporting period, we updated the Employee Handbook to include and clarify a series of leaves such as maternity leave, childbirth leave, paternity leave, and parental leave. Employees on parental leave as specified by local regulations receive their regular pay. Subject to local laws, married full-time male employees are entitled to full-pay paternity leave for childbirth of spouse, duration as per local regulations.

Furthermore, we provide a range of additional corporate benefits to our employees, including holiday benefits, team-building activities, interest/hobby cultivation classes, and cultural and sports events.

Sun Art Retail regularly hosts cultural and recreational events, fostering a cohesive workplace culture. These events provide opportunities for employees to connect, strengthen camaraderie, and enhance their well-being. By promoting a healthy work-life balance, we aim to create an environment where employees can enjoy their work and lead fulfilling lives.

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## **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. Our compensation strategy is crafted according to job roles, guaranteeing that pay rates are exclusively tied to the role. In the meanwhile, we monitor and evaluate market trends and industry practices on a regular basis, to ensure that competitive remunerations are available to our employees.

#### **Compensation Management**

During the reporting period, we further optimized the remuneration management process by centralizing the decentralized store-based salary management specialists into a unified department at headquarters through the salary management system. Each store is required to submit employees' salary data to the designated salary management specialist at headquarters timely for centralized processing and reconciliation. This integration allows for standardized and unified salary management, enhancing work efficiency and reducing administrative costs, thus providing a robust foundation for our sustainable development.



We have achieved automated data processing and report generation with the salary management system, reducing manual intervention and enhancing the efficiency of salary management.

The salary management team engages in ongoing dialogue with stores to refine processes while internal training and knowledge-sharing sessions elevate our employees' expertise, securing the seamless execution of payroll duties.

Benefits of Standardized Salary Management

Sun Art Retail provides employees with a series of compensation incentives including 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 THE EMPLOYEE TRUST BENEFIT SCHEMES (ETBS) employee stock ownership plan for eligible employees.

During the reporting period, the headquarters and stores of Sun Art Retail introduced incentive schemes covering store management, business assessments, and other aspects. For instance, we have implemented the Differentiated Products as a Bonus Criterion for Increasing Performance Bonus in the Merchandising Department of Eastern China and the Standards for Loss Prevention Bonus Incentives and Norms for Distributed Work (2024 Edition). The former encourages employees to improve performance while the latter incentivizes them to mutually supervise during daily loss prevention efforts, to reduce unnecessary losses for the Company and receive specific rewards.







#### Employee Welfare Initiatives at Sun Art Retail

**Quality First and** Service Foremost Responsible Supply and Win-win Partnerships

## **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 to further improve employees' professional skills and guide their promotion and development. 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. The Company is committed to unleashing the full potential of its employees by broadening their professional horizons and enriching their job responsibilities. This approach aims to spark their enthusiasm, strengthen their professional capabilities, and empower them to tackle rising business demands efficiently, ultimately enhancing overall work productivity. We firmly believe that promotion should not be determined solely by an employee's tenure. Their attributes, professional competence, and historical performance reviews are equally crucial.

To minimize employee turnover, Sun Art Retail has spared no effort to improve the culture and work environment, striving to provide a more comfortable workplace and more attractive opportunities for development and growth of employees. During the reporting period, the overall employee turnover rate of Sun Art Retail was 29.87%, with details as follows by category:

Indicators	Units	FY2022/2023	FY2023/2024
Total employee turnover rate	%	21.02	29.87
By age			
<30	%	54.70	54.76
30-50	%	16.52	25.88
>50	%	19.61	37.06
By Gender			
Male	%	21.60	29.69
Female	%	20.73	29.96
By region			
East China	%	18.26	24.45
North China	%	28.58	32.01
Northeast China	%	20.75	37.27
Central China	%	25.47	34.47
South China	%	21.79	37.35
Hong Kong, Macao and Taiwan of China	%	16.78	54.37

## **Performance Management**

Sun Art Retail has established a comprehensive performance management system, with evaluation results key to employee promotion and career advancement. We have performance management mechanisms tailored to specific job functions. We're committed to enhancing our performance management system to offer employees a fairer, more transparent, and efficient evaluation standard and feedback mechanism. This initiative aims to boost employee motivation and innovation and create a win-win scenario where individual career growth aligns with the Company's overall advancement.



the performance growth rate of respective region.





During the reporting period, Sun Art Retail optimized and revised the existing performance schemes in multiple departments to better align with the Company's development strategy. During the reporting period, Sun Art Retail revised and optimized its performance schemes across multiple departments to better reflect the Company's development strategy. Consequently, There is an incentive fund to encourage and support store managers and above-level supervisors to forge ahead.

We release and distribute the total bonus pool with the staged profit target within the fascial year realized. Incentives are issued based on the annual growth rates of assessed employees upon approval by the Board of Directors.

• The bonuses for directors and above in procurement are subject to a specific ratio of business growth rate and

• The bonuses for general managers of operation areas are subject to a specific ratio of business growth rate and

• The bonuses for store managers, comprehensive support directors and above-level supervisors are subject to

#### Incentive Fund

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Responsible Supply and Win-win Partnerships

## **Employee Training**

At Sun Art Retail, we prioritize ongoing education and professional growth for our staff, providing them with diverse training programs and growth opportunities. To empower employees, we are committed to enhancing their skills and facilitating career advancement, ultimately maximizing their potential and fostering a collaborative path of mutual growth for both our employees and the Company.

During the reporting period, we integrated the original training systems-Netterm, Auchan HRONE, and Cloud Classroom-into a new platform dubbed "RT-Mart Academy". This overhaul addressed issues such as significant personnel data discrepancies, difficulties in data integration, complex training procedures, and inadequate support for various training scenarios. The unified and standardized training system has enhanced Sun Art Retail's ability to manage and control training across all stages, reduced training costs, and further improved the effectiveness of our training efforts.



Online Performance of the "RT-Mart Academy"

#### Faculty Training

Faculty training is a key pillar in Sun Art Retail's strategy for sustainable growth. In each fiscal year, the Talent Development Department, which reports to the headquarters, organizes internal trainer promotion assessments. During the process, eligible candidates undergo interviews and presentations, which are then rigorously evaluated based on a comprehensive set of criteria.

We have systematically updated training materials for a more efficient internal training system, ensuring the implementation of the traditional mentorship program while maintaining control over the quality of internal training. During the reporting period, 150 employees from various Sun Art Retail stores passed an internal selection process and were certified as trainers. All trainers adhere to Sun Art Retail's internal promotion system, with the opportunity to advance from Quasi-star lecturers to three-star lecturers, four-star lecturers and ultimately to five-star lecturers upon meeting specific criteria.



- 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

Internal Trainer Rating Criteria

#### **Highlight Training Initiatives**

The development of Sun Art Retail is closely related to the learning and growth of employees. We have meticulously designed and developed a series of targeted training programs to align with the Group's overall strategy and cater to the development needs of employees at various stages and positions. These programs emphasize theoretical learning and practical application to enhance employees' competitiveness and support their personal development.



#### **Three-star lecturers**

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



- 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

Quality First and Service Foremost Environment-friendly Operations and Green Development Responsible Supply and Win-win Partnerships

During the reporting period, we have organized various types of training:

### ☐☐☐ Case | Xinli Program

Placing great importance on talent reserve programs, Sun Art Retail initiated the "Xinli Program" during the reporting period to support the Company's future development and strategic implementation and provide promising potential leaders with a broader and better development space. We select promising divisional supervisors from the Xinhai Management Reserve Program and stores, providing them with concentrated training and empowerment. Through professional skill training and management capability enhancement, the program aims to quickly develop these promising reserves into potential departmental managers for the Company. By the end of the reporting period, we have completed the second phase of the Xinli Program training, with a total of 20 departmental managers and 25 divisional supervisors reserved. 14 members have been confirmed in the third phase and the training will commence shortly.



Ongoing Xinli Program

Ongoing Xinhai Program

#### Case | Carrier Training

Each FPPC organizes monthly meetings and related training for carriers.

In each late month to early next month, a communication meeting with carriers is held in Eastern China, mainly to inform them of the operational data, KPI scores, and deduction details of the current month. Discussions are made on the carriers' improvement plans, tailored based on the current month's operational status, with specific operational standards refined accordingly.

Jinan FPPC in Northern China evaluates the delivery time of external carriers monthly, generating a monthly evaluation form for suppliers. Additionally, it organizes twice-yearly training on work processes, safety management, business knowledge,



• Supplier Meeting in Southern China

communication methods, and other aspects for personnel including suppliers' logistics staff, drivers, manufacturers, and loaders.

In Southern China, supplier training exchange meetings are held every even-numbered month, covering 50 manufacturers each time with a total of about 60-80 participants. The meetings aim to help new manufacturers understand the delivery and return process of RT-Mart and introduce the delivery and return trip services of Distribution Centers (DCs) to the manufacturers. In addition, meetings for all carriers during major holidays and festivals are held in Southern China, to prepare for transportation capacity.

During the reporting period, the data related	I to employee training
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Indicators	Units
The number of employees participating in training at the end of the reporting period	Person
Average training hours per employee	Hour/Person
Percentage of employees trained	%
Percentage of male employees trained	%
Percentage of female employees trained	%
Percentage of senior management trained	%
Percentage of middle management trained	%
Percentage of junior management trained	%
Percentage of ordinary employees trained	%
By gender	
Male employees	Person
Female employees	Person
Percentage of male employees trained	%
Percentage of female employees trained	%
Average training hours per male employee	Hour/Person
Average training hours per female employee	Hour/Person
By level	
Senior management	Hour/Person
Middle management	Hour/Person
Junior management	Hour/Person
Ordinary employees	Hour/Person

#### $\square$ Case | Customer Service Staff Training

Sun Art Retail has organized online and offline training for customer service staff. Through various methods such as online "5-minute micro-lectures" and offline "High-potential Customer Service Improvement Courses", it has achieved training for newcomers on corporate culture, rules and regulations, service etiquette, and improvement training for proficient customer service staff, such as bell alert feedback, consumer protection law popularization, and other advanced courses.



was as follows:

FY2022/2023	FY2023/2024
102,770	78,937
54.39	43.54
100	100
100	100
100	100
100	100
100	100
100	100
100	100
34,349	27,278
68,421	51,659
100	100
100	100
55	42
54	44
148	33
75	29
65	47
55	43

**Quality First and** Service Foremos Responsible Supply and Win-win Partnerships

## **Humanistic 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 employee well-being and workplace safety during the operation process, we are committed to creating a safe and healthy working environment for them.

## **Employee Communication and Care**

Communication with and care of employees show our values. We have carried out a series of employee care activities. Attaching great importance to the physical and mental health of employees, we regularly organize the Rock Survey on employee satisfaction and engagement to deepen the two-way communication between the Company and employees, trying our best to understand their difficulties and demands and achieve timely feedback.

Case | Special Care and Support Subsidy

Sun Art Retail Union provides a series of subsidies for its employees, including hospitalization care allowance and death condolence benefit, and celebratory gift money for weddings and births. In addition, the Union pays continuous attention to the family situations of employees, and provides special care and subsidies to employees and their families who have difficulties in life, so as to address their immediate financial concerns.

#### Sun Art Retail Union

Sun Art Retail merged the existing unions of Auchan and RT-Mart during the reporting period to ensure the freedom of association and bargaining rights of workers and to provide a reliable and convenient communication channel for employees. At Sun Art Retail, 100% of employees are represented by the independent Trade Union or covered by collective bargaining agreements. In our daily operations, we invite representatives from both sides to discuss and formulate the Union's structure and content, ensuring open and transparent communication channels and

safeguarding workers' rights and interests. There are a range of communication channels, including regular staff meetings, employee forums, and Email addresses, to help workers voice their opinions and suggestions. These channels enable the Company to promptly understand workers' needs and difficulties and offer them timely assistance. The personnel responsible for collecting and handling complaints are required not to disclose whistleblowers' information in any form.

#### **Rock Survey**

During the reporting period, Sun Art Retail improved the "Rock Survey", with an employee satisfaction survey incorporated. In addition to distributing a detailed survey guestionnaire to employees, we also conducted numerous individual interviews, including executive meetings, middle-management roundtable discussions, and questionnaires for ordinary employees, aiming to cover employees at all levels. The employee satisfaction questionnaire was integrated with a new organizational diagnostic questionnaire, allowing for a comprehensive understanding of employees' feelings about the Company across six dimensions. This survey covered all departmental managers and above in Northeastern China, and all junior workers and above in the Shanghai region.

Incentive

## **Employee Health and Safety**

The Group shoulders a legal 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, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, other relevant laws and regulations, Sun Art Retail has established a sound and comprehensive safety training system and formulated related management rules to enhance the safety awareness of all employees and improve their capability to prevent safety accidents and respond to emergencies.

In FY2023/2024, Sun Art Retail had 5 work-related fatalities; in FY2022/2023, there have been 7 work-related deaths of employees, including 6 deaths from illness, and 1 death from traffic accidents; in FY2021/2022, a total of 7 employees died in work-related injury accidents.

#### **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 daily production and operation activities. To further ensure a safe and healthy workplace, we have designed our facilities with features like properly calibrated lighting and greenery, to effectively safeguard the life safety and physical health of our employees.

During the reporting period, we continued to revise and upgrade the public safety inspection database, continuously optimizing and updating the 3 safety inspection items (divided into three levels: serious, major, and general). We ensure timely and accurate information updates, committed to covering all aspects of our daily operations.





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#### Safety Training

Combining safety learning requirements with the skills needs of employees, we endeavor to establish a systematic and targeted process for employee safety education and training, to comprehensively promote and strengthen the safety assessment.

Safety Education and Training

We organize two online and offline safety education and training sessions specific to all our employees of nationwide stores each year. The training contents include the instruction on use of safety belts, ascending operation procedures and specifications, aiming to reduce safety risks and employee injury rates.

We organize two fire prevention training sessions specific to all our employees and deliverymen each year. The training covers the use of fire equipment, fire-fighting drills, and crowd evacuation exercises, combining knowledge with practical skills to ensure preparedness in the case of a fire emergency.



Anti-terrorism and Riot Drills

We organize two anti-terrorism and riot drills specific to all our employees each year.

Initiatives for Health and Safety Training

We have also organized a series of safety education and training programs for logistics, warehousing, and distribution personnel, aiming at enhancing their safety awareness and proficiency.



Occupational Safety and Health Training for Warehouse and Logistics Employees

As of the end of the reporting period, a total of 13 stores under Sun Art Retail have been awarded the "Model Organization in Firefighting", 27 employees have been awarded the "Model Individual in Firefighting", and 6 stores have been awarded the "Exemplary Organization in Production and Workplace Safety", the "Champion in Firefighting Skill Competition", and other honors. In the future, we will continue to strengthen practical drills on safety precautions to safeguard the safety and health of our employees.



Model Organization in Firefighting (Haimen Store)

During the reporting period, the data related to employee health and safety were as follows:

Indicators	Units	FY2022/2023	FY2023/2024
Number of work-related injuries	/	562	262
Number of work-related deaths	/	7	5
Number of days lost due to work-related injuries	Day	29,568	17,296
Rate of work-related deaths per 100 employees <sup>15</sup>	%	0.006	0.006
Number of work-related accidents per million working hours	Times/million working hours	1.87	1.14
Number of people with occupational illness per million working hours	Persons/million working hours	0	0

<sup>15</sup> In FY2021/2022, there were a total of 7 work-related deaths, resulting in a rate of 0.006% of work-related deaths per 100 employees.





 Model Individual in Firefighting (Yongkang Store)

Champion in Firefighting Skill Competition (Longyou Store)

06

# Embracing Unity and Kindnesses for a Better Future

Sun Art Retail actively shoulders social responsibility, always cares about the public and communities, and persists in charitable and public welfare undertakings. We leverage our industrial characteristics and advantageous resources to engage in long-term public welfare endeavors in various dimensions, thus giving back to the society within our limits.

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## **Spreading Care and Love**

Sun Art Retail has been consistently exploring the possibility of joining hands in public welfare activities while empowering brands based on its unique business format. During the reporting period, we spared no effort to give back to society and fulfill our social responsibilities by spreading our love and care to diverse groups, promoting social health, and providing disaster relief assistance. During the reporting period, the total donation amount from Sun Art Retail in terms of public welfare reached RMB363,200.

## **Contributing to Public Health**

Sun Art Retail focuses on the health issues of different social groups, and partnered with brands to engage in diverse public welfare initiatives in terms of skin health, oral health, etc., calling on consumers to care for social issues and boost public welfare undertakings.

Johnson & Johnson Public Welfare Initiative—Safeguarding Rural Children with Case Chapped Skin and Caring for Growth

RT-Mart, together with its partner Johnson & Johnson, called on people to care for the skin health problems of left-behind children in China. They are exposed to sunlight, stone, sand and dust, and eager for care and companionship. As a special group, left-behind children require more social care.

In this public welfare program, RT-Mart joined hand with Johnson & Johnson Baby to launched "You Buy, We Donate" activity in the store. 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 achieved a revenue of RMB1,346,824 in this initiative and donated a total amount of RMB2,102,491 skincare products, providing left-behind children with access to essential skincare products.



Booth in Store



• Roadshow in RT-Mart at Chunshen Road on September 9-10



Promotional Poster

#### Case | Zhonghua · Safeguarding Chinese Oral Health Donation

To help address high caries rate of permanent teeth among Chinese people, RT-Mart joined hands with Zhonghua to launch the "Safeguarding Oral Health" national public welfare initiative in 2023. During the reporting period, when a consumer bought one piece of any Zhonghua enzyme and anti-glycation children's series products in RT-Mart stores nationwide, Zhonghua, together with RT-Mart, would donate Zhonghua toothpaste to children in remote areas through the Shanghai Charity Foundation.

This initiative generated a revenue of RMB872.591 and donated 1,377 boxes of toothpaste to children in remote areas, worthing RMB1.000.000.

#### **Caring for Diverse Groups**

Sun Art Retail has been engaging in caring activities for different groups for many years. We have gained insight into their needs and provided long-term assistance for them.

### Case | Whisper · "I Am a Girl" "You Buy One, We Donate One" Public Welfare Activity

In February 2023, Whisper and RT-Mart teamed up to launch the public welfare initiative of "I Am a Girl" "You Buy One, We Donate One". When consumers buy any one pack of sanitary napkins at RT-Mart stores nationwide, Whisper and RT-Mart would collectively donate a pack of sanitary napkins to adolescent girls. A total of 544,840 packs of sanitary napkins were donated during the initiative.

Furthermore, Whisper and RT-Mart provided scientific youth class to girls in Jianxin Procter & Gamble (P&G) Hope Primary School in Dadong Township, Lijiang City, Yunnan Province, helping girls understand the changes in their puberty and grow with confidence and health.

Making Progress Together While Putting People First





Chinese Oral Health Campaign Poster



• First Stop of the "I Am A Girl" Public Welfare Activity

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#### **Disaster Relief**

Sun Art Retail always responds proactively to disasters, and delivers aid supplies to disaster-stricken compatriots by leveraging its strong supply chain capabilities.

#### Case | RT-Mart's Donation for Rainstorm in Hebei

In July 2023, Hebei suffered from floods. To help the people in the disaster-hit area to overcome the difficulties, RT-Mart donated two batches of materials to Zhuozhou and Laishui in Hebei.

For Zhuozhou: We gathered 12,000 bottles of drinking water, 5,000 spiced corned eggs, 10,000 packets of biscuits and bread, 5,000 bags of pickles, 250 boxes of milk, as well as other convenience foods, and rushed from Jinan to the disaster-hit area in Zhuozhou in the early morning of the same day.

For Laishui: We gathered 2,816 packs of sanitary napkins, safety pants, over 400 bags of toilet paper, and wet wipes and shipped to Laishui County, which was also severely affected by the disaster.



### Case | Earthquake Relief Supplies Donation to Gansu

In the early morning of December 19, 2023, a 6.2-magnitude earthquake occurred in Jishishan County, Linxia Hui Autonomous Prefecture, Gansu Province, to which the world's heart went out. RT-Mart's Lanzhou store in Central China immediately dispatched 3,000 boxes of supplies (instant noodles, drinking water, and pure milk) worth RMB92,900 to Linxia Hui Autonomous Prefecture.

### Case | "Caring for the Elderly"—Public Welfare Activity on Double Ninth Festival

On October 24, 2023—the Double Ninth Festival, RT-Mart's Doumen store in Southern China Region joined hands with METRO-MALL and the Social Welfare Center in Bing'an Town to spread warm greetings to the elderly in the Bing'an Nursing Home.





#### Case | Unite the Force for Good · Be the Heros of Children

The "Unite the Force for Good" Campaign is a nationwide college students volunteer service initiative co-sponsored by the China Foundation for Rural Development and RT-Mart. This collaborative effort between RT-Mart, universities, and foundation aims to raise funds for purchasing arts kits for primary school students in rural areas, which will improve the quality of arts education in rural schools, enhance children's interests in arts, and help them recognize, discover, and express beauties.

Since its launch in 2011, a total of 759,700 college students have participated in the campaign, spreading care to more than 704,000 primary school students in underdeveloped areas. From 2012 to 2023, the charity experience stations set up by the "Unite the Force for Good" Campaign in physical stores of Sun Art Retail have expanded to more than 70 RT-Mart stores, raising total donations of RMB8.8479 million.

During the reporting period, a total of 78 RT-Mart stores and 70 universities participated in this campaign, raising total donations of RMB 222,347.





College Students Volunteer Service Station







# Appendix

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

Environmental, S	iocial, and Gov	vernance Scope, General Disclosure and Key Performance Indicators (KPIs)	Location (section)	
Environmental				
	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.	3.3 Maintaining Environment- Friendly Operations	
	KPI A1.1	The types of emissions and respective emissions data.	3.3 Maintaining Environment- Friendly Operations	
Aspect A1: Emissions	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).	3.3 Maintaining Environment- Friendly Operations	
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	3.3 Maintaining Environment- Friendly Operations	
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	3.3 Maintaining Environment- Friendly Operations	
	KPI A1.5	Description of emissions target (s) set and steps taken to achieve them.	3.3 Maintaining Environment- Friendly Operations	
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target (s) set and steps taken to achieve them.	3.3 Maintaining Environment- Friendly Operations	
	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.3 Maintaining Environment- Friendly Operations	
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	3.3 Maintaining Environment- Friendly Operations	
Aspect A2: Use	KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	3.3 Maintaining Environment- Friendly Operations	
of Resources	KPI A2.3	Description of energy use efficiency target (s) set and steps taken to achieve them.	3.3 Maintaining Environment- Friendly Operations	
	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.	3.3 Maintaining Environment- Friendly Operations	
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.3 Maintaining Environment- Friendly Operations	

Environmental, S	ocial, and Gov	rernance Scope, General Disclosure and Key Performance Indicators (KPIs)	Location (section)
Aspect A3: The Environment	General disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	3.3 Maintaining Environment- Friendly Operations
and Natural Resources	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.3 Maintaining Environment- Friendly Operations
A	General disclosure	Policies on identification and mitigation of significant climate related issues which have impacted, and those which may impact, the issuer.	3.2 Addressing Climate Chang
Aspect A4: Climate Chang	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.	3.2 Addressing Climate Chang
Social			
Aspect B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer (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.	5.1 Safeguarding Employee Rights and Interests
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	5.1 Safeguarding Employee Rights and Interests
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	5.2 Supporting Employee Development
Aspect B2:	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3 Humanistic Care
Health and Safety	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.3 Humanistic Care
	KPI B2.2	Lost days due to work injury.	5.3 Humanistic Care
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3 Humanistic Care
	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work Description of training activities.	5.2 Supporting Employee Development
Aspect B3: Development and Training	KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	5.2 Supporting Employee Development
5	KPI B3.2	The average training hours completed per employee by gender and employee category.	5.2 Supporting Employee Development
		Information on:	
Aspect B4:	General disclosure	<ul><li>(a) the policies; and</li><li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.</li></ul>	5.1 Safeguarding Employee Rights and Interests
Labor Standards	KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.1 Safeguarding Employee Rights and Interests
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Safeguarding Employee Rights and Interests



Environmental, S	ocial, and Gov	remance Scope, General Disclosure and Key Performance Indicators (KPIs)	Location (section)
	General disclosure	Policies on managing environmental and social risks of the supply chain.	4.2 Guaranteed High-quality Supply
	KPI B5.1	Number of suppliers by geographical region.	4.2 Guaranteed High-quality Supply
Aspect B5: Supply Chain	KPIB5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	4.2 Guaranteed High-quality Supply
Management	KPIB5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.2 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.	4.2 Guaranteed High-quality Supply
		Information on:	2.1 Strengthening Quality and Safety
	General	<ul><li>(a) the policies; and</li><li>(b) compliance with relevant laws and regulations that have a significant</li></ul>	2.2 Selecting High-quality
	disclosure	impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and	Original Products 2.3 Creating Satisfactory
		methods of redress.	Shopping Experience
Aspect B6:	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	2.1 Strengthening Quality and Safety
Product Responsibility	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	2.1 Strengthening Quality and Safety
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	1.4 Corporate Governance
	KPI B6.4	Description of quality assurance process and recall procedures.	2.1 Strengthening Quality and Safety
	KPI B6.5	Description of customer data protection and privacy policies, and how they are implemented and monitored.	2.3 Creating Satisfactory Shopping Experience
		Information on:	
	General disclosure	<ul><li>(a) the policies; and</li><li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering</li></ul>	1.4 Corporate Governance
Aspect B7: Anticorruption	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.	1.4 Corporate Governance
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.4 Corporate Governance
	KPI B7.3	Description of the anti-corruption training provided to directors and staff.	1.4 Corporate Governance
	General disclosure	Policies on community engagement to understand the	
Aspect B8:		needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	6.1 Spreading Care and Love
Community investment	KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture, sport).	6.1 Spreading Care and 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
Environmental, Social and Governance Reporting Guide
Corporate Governance Code
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
Provisions on the Prohibition of Using Child Labor
<i>Law of the Peoples Republic of China on the Protection of Women's Rights and Interests</i>
Regulation on Work-Related Injury Insurances
<i>Unfair Competition Law of the People's Republic of China Unfair Competition Law of the People's Republic of China</i>
Anti-Money Laundering 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
<i>Law of the People's Republic of China on the Prevention and Control of Occupational Diseases</i>
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

#### 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

*Commitment Letter on Integrity and Trustworthiness* 

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* 

Fresh Products Warehouse Quality and Warehousing Management Standards

*Operation Standards on Warehousing and Refrigeration of Fresh Products* 

Matters Concerning the Management of the Packaged Products Expiry Dates of Vegetable and Fruit Division Food Safety RT-Mart Material Abnormality Handling Process (Recalls) Standards on Scrapping of Fresh Products Date Security Specification (Trial) of Concord Investment (China) Co., Ltd V1.5 R&D Procedure of Concord Investment (China) Co., Ltd V2.1 Product Security Checklist of Concord Investment (China) Co., Ltd V1.4 Applets Security Checklist of Concord Investment (China) Co., Ltd V1.0 *Suppliers' Product Security Checklist of Concord Investment* (China) Co., Ltd V1.0 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

Management Rules on Fulfillment of Entity Responsibility for



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