



新世界百貨中國有限公司

New World Department Store China Limited

(於開曼群島註冊成立的有限公司 Incorporated in the Cayman Islands with limited liability)

(香港上市股份代號 Hong Kong Stock Code: 825)



可持續發展報告
SUSTAINABILITY
REPORT 2017





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ABOUT THIS REPORT

NWDS has always been proactively advocating and fulfilling corporate social responsibility. We took the lead to publish standalone sustainability reports well before the Stock Exchange introduced the new ESG Guide. This year, we are pleased to present the *NWDS Sustainability Report 2017*, aiming to provide a concrete framework to better inform stakeholders of the progress of the Group's sustainability efforts. The Report, in turn, inspires us to adopt, reform and optimize our efforts in order to conform to the expectations of the society.



In the past year, New World Department Store China Limited (“NWDS” or the “Group”; Hong Kong Stock Code: 825) focused on upgrading the standards of its sustainability efforts. Thinking out of the box, we launched a “Sustainability Data Management System” (the “Data System”) that fully optimizes and automates the data collection and management process. The System has allowed the Group to monitor the sustainability performance on all fronts, and at the same time improved data accuracy and timeliness. As a result, we are able to make use of more reliable references to complete the *NWDS Sustainability Report 2017* (the “Report”). Concerning data and contents have been sorted, analyzed and concluded in the Report which gives a clear and comprehensive overview of NWDS’ sustainable development to our stakeholders. “Care” is the theme for the Report, representing the Group’s concern from deep inside and its effort to promote caring spirit to consider others in its own place so as to drive sustainable development of the Group and its entire supply chain.

The Report provides updates to the Group’s sustainability initiatives and activities implemented in FY2017 (1 July 2016 to 30 June 2017, abbreviated as “the year under review” or the “Current Year”) in relation to staff benefits and development, operating practices, community services, environmental protection, etc. The contents cover the Group’s retail business in Mainland China, including 36 department stores (including self-owned stores and managed stores) and two shopping malls, direct sales business outlets outside its department stores, as well as Hong Kong Office and Shanghai Management Office*. The Report also illustrates the performance of some of its suppliers and customers.

The Report continues to adopt the Core option of the international framework for sustainability reports — the *Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines* (“G4 Guidelines”) and also meets the requirements of the new *Environmental, Social and Governance (ESG) Reporting Guide* (“ESG Guide”) published by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Upholding our dedication to reliability and credibility, we commissioned SGS Hong Kong Limited to conduct verification of the Report, ensuring the reported contents have fully satisfied the collective requirements of the Core option of G4 Guidelines and the new ESG Guide.

The Report is available for download at the Group’s website at www.nwds.com.hk. For further information, readers can refer to the Annual Reports and other publications of the Group. We welcome all comments and suggestions on the Report or our sustainability performance. Please contact us by email at nwdscad@nwds.com.hk.

* Note: Unless otherwise stated, the Report does not cover Dalian New World Department Store (“Dalian Store”), Ningbo New World Department Store (“Ningbo Store”), and Hong Kong New World Department Store — Shanghai Xinning Branch Store (“Shanghai Xinning Branch Store”) which ceased operation; as well as Yancheng New World Department Store (“Yancheng Store”) which was temporarily closed for business during the year under review.



NEWS

MESSAGE FROM THE CHAIRMAN



The past year saw a mild warm-up of the Chinese economy as well as signs of consumption upgrade and transformation in Mainland China. Against this backdrop, we continued to delve deeply into the domestic retail market and advocated consumer-centric business reform and management innovation. We made innovative changes not only in management structure, but also in staff motivation and store operations. On one hand, we adopted the operations strategy of “One Store, One Strategy” in our department stores, increased the proportion of in-store experiential items, and enhanced our brand portfolio and merchandise mix. On the other hand, we expedited the expansion of our direct sales business and tapped into the joint venture catering sector so as to offer a wider range of merchandise and services to local consumers.

As a responsible corporate citizen, NWDS has stayed at the forefront of promoting sustainable development at both the corporate and social levels. While striving for business growth, we play an equally active role in facilitating the growth of local economies, protecting the natural environment and demonstrating our care when it comes to social rights and interests. We publish our sustainability reports every year to inform stakeholders of the progress of the Group’s sustainability initiatives. This year’s report continued to adopt the Core option of the internationally recognized G4 Guidelines and also meets the requirements of the new ESG Guide published by the Stock Exchange which came into effect during the Current Year.

Our sustainability reports clinched more than 20 local and international awards in the past three years and the Group also performed well in the ESG Disclosure Scores conducted by Bloomberg on all listed companies worldwide. These are testimony to the world-class standard of our information disclosure. To facilitate data collection and improve efficiency, completeness and transparency, we introduced an internet-based “Sustainability Data Management System” during the year under review, which enables us to timely monitor the utilization of energy and other resources across the country. While traditional investors are recognizing the value of corporate sustainability, we firmly believe that the Group’s investment in various sustainability aspects will bring solid benefits to the Group in the long run.

“Care for Our Staff” is the key focus in the Current Year. Staff training and development have always been at the heart of our sustainability goals. During the year under review, we innovated the operating model of “NWDS Management Academy” and developed a full range of training and solutions products under the new Amoeba operating model to suit the needs of both internal staff and external parties in order to enhance overall training quality and effectiveness. In addition, we implemented a trio of career advancement initiatives, among which the “Project Dapeng – NWDS Store Manager Trainees ‘Elite Rookies’ Grooming Program” and “Project Xinpeng – NWDS Management Intern Cultivation Program” offered training and development opportunities to the management talent in our workforce. To foster a positive working atmosphere within the Group, we rolled out various staff incentive schemes such as the All-staff Personal Business Commitment (PBC) Reward Scheme, the Store Manager Incentive Fund and the CEO Award to motivate staff to innovate and excel. A staff caring scheme was also launched to look after employees’ all-round wellbeing and promote their sense of belonging through paid caring leave and over 770 staff caring activities.

To achieve our sustainability goals, it is imperative to have the support and cooperation from our suppliers. We have therefore maintained close communication with all suppliers and formulated specific codes and guidelines to help us monitor their product safety, quality and sustainability performance. During the year under review, another 16 suppliers pledged to comply with our *Supplier Code of Conduct*. To date, we have engaged up to 57 suppliers to play a part in sustainable development. We also heightened our control over the operational workflow and supplier selection for LOL Concept Shop and n+ Natural Taste Plus with an aim to offering diversified choices of merchandise and food products that are safe and reliable to our customers.

On the community services front, we have laid down a new set of values in the hope of inspiring our stores and offices to come up with in-depth sustainability activities that can better serve their local communities. During the year under review, a total of 274 voluntary activities were organized and the average volunteer service hours for single events increased significantly to 7.8% YoY. In addition, we continued to allocate resources to aid under-resourced children. More activities with a focus on children’s welfare and development

were rolled out to boost self-confidence and enhance their extracurricular experience. Specifically, the “@Music – Rainbow Orchestra” scheme under our “@Dream Program” benefited more than 100 children by providing training on up to 14 types of musical instruments during the year under review. Our three operating regions also hosted a variety of activities catered to local community needs to support community development from different aspects.

Following the US government’s announcement to withdraw from the Paris Climate Agreement, China as the world’s biggest carbon emitter will play a leading role in the future dialogues on climate change. During the past year, the Chinese government stated a defined strategic goal to lower the intensity of carbon emission by promulgating the “*Energy Production and Consumption Transition Strategy (2016-2030)*” and the “*13th Five-Year Plan for Energy Development*”. In response, we stepped up our efforts to reduce energy consumption and carbon footprint in the course of daily operations. In a bid to broaden the scope of green management and introduce more green measures, we introduced the “Policy on Replacing LED Lights at Operating Stores”, the *Green Procurement Guidelines* and the *Food Waste Reduction Advice*. Our stores and offices are gradually replacing traditional lights with new technology products to reduce electricity consumption. As compared to FY2012, the annual average electricity consumption per sq.m. by our stores and offices recorded a marked reduction of 19.2%. Major efforts were also made to promote waste paper recycling and green procurement, aiming to alleviate the pressure of solid waste on city landfills. Encouragingly, we saved 57,048.1 kg of A4 paper, A3 paper and paper products during the year under review, representing an impressive reduction of 48.2% YoY. Our private label LOL Concept Shop continued to make green merchandise its priority choice and introduced products from a certified eco-paper gift brand to meet the demand of the new green-conscious generation. Protecting the environment relies on each and every one of us and thus we always strive for wide public engagement in our environmental sustainability activities. During the year under review, we staged up to 420 green activities and encouraged our stores to promote the green concept to the public.

It is impossible that sustainability could be achieved in a single day. Taking this opportunity, I would like to thank every staff member, customer and business partner for their support and contribution to the Group’s sustainability endeavours along the way. I sincerely invite all stakeholders to stay the course with us going forward. Together, we can identify and address the risks and opportunities in-depth on the environmental, social and governance fronts and are well-poised to meet the challenges under the new normal of China’s economy with a positive and motivated mind.

Dr. Cheng Kar-shun, Henry
Chairman

Hong Kong, December 2017

OUR BUSINESS

GOAL



To be China's most influential department store chain operator with the highest efficiency.

MISSION



To create a modern, metropolitan lifestyle with creativity, foresight and efficiency in China.

CONVICTION



Embracing "innovation, foresight, integrity, prudence and respect" in our core values lays a promising development path for NWDS in the future.



Founded in 1993, NWDS is the retail flagship of New World Group in Mainland China. Over the years, we have witnessed China's economic take-off and seized the market opportunities brought by consumption upgrade in the 1980s and 1990s. We led the way by introducing high quality brands from Hong Kong and overseas. This business strategy has placed us amongst the largest owners and operators of department stores in Mainland China. With the emergence of new normal in consumption, we have actively advocated the business approach of "Refocusing on the Core of Retailing". Through listening and responding to the needs of consumers, bringing forth new ideas continuously to innovate business operations, and cultivating deep connections with local communities through sustainability efforts, we confidently envisage a brighter and more promising future.

BUSINESS NETWORK

During the year under review, we optimized our business structure with a focus on the development of the Greater Shanghai, Greater Beijing and Greater South Western Regions. A brand-new managed store, Yibin New World Department Store ("Yibin Store"), was opened in Sichuan Province to enhance the overall operational efficiency by making foray into high-growth third and fourth tier cities. As at 30 June 2017, the Group operated and managed 37 department stores and two shopping malls across 21 major cities in Mainland China, out of which 35 are self-owned stores and the remaining four are managed stores.



▲ Beijing New World Department Store



BUSINESS OVERVIEW

In response to the recovery of Chinese economy and emergence of new normal in consumption, we have brought forth many new ideas to innovate our business operations. These include the introduction of several private labels, enrichment of in-store experiential composition, promotion of online-to-offline integration, etc., in order to capitalize on the upcoming opportunities arising from the third consumption upgrade in Mainland China.

During the year under review, our direct sales business made promising development. Specifically, a brand-new private label, “Xin Shuo Multi-Brands Store”, was launched at Hong Kong New World Department Store — Shanghai Wujiaochang Branch Store, offering an array of original mainland designer fashion brands. LOL (Love • Original • Life) Concept Shop (“LOL”) extended its outreach to Shanghai Joy City successfully, marking an orderly business expansion outside the New World Group establishment. On the other hand, n+ Natural Taste Plus, the high-end bakery brand, introduced peripheral products including coffee and cookies to establish itself as a cross-industry multi-brand store. New moves were also made by incorporating DSQUARED2, a young Italian fashion brand, into the Group’s distribution business of high-end fashion brands which expanded into high-end retail premises in several tier one cities. We will strive for sustainable development of direct sales business with a goal to increase the proportion of sales of goods for direct sales progressively to drive the Group’s revenue.



▲ LOL (Love • Original • Life) Concept Shop



▲ n+ Natural Taste Plus



▲ Xin Shuo Multi-Brands Store

Total Gross Floor Area



To enrich consumers' shopping experience, the Group actively increases its in-store experiential composition. Themed street zones such as "New Territories 88" and "MAX Commune" were introduced in Nanjing New World Department Store ("Nanjing Store") and Changsha New World Trendy Plaza respectively, incorporating spotlight elements such as artistic creation, culture, gourmet and lifestyle to stimulate customers' experiential consumption. We also collaborated with restaurant brands to develop joint venture catering project, and launched "Peter's Meadow" at Hong Kong New World Department Store – Shanghai Pujian Branch Store ("Shanghai Pujian Branch Store") and Beijing New World Department Store in December 2016 and May 2017 respectively, which created a new profit growth point for the Group.



▲ "New Territories 88" in Nanjing New World Department Store



▲ "MAX Commune" in Changsha New World Trendy Plaza

KEY FIGURES

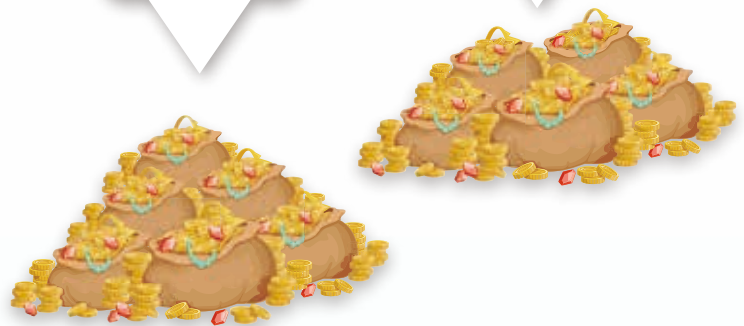
As at 30 June 2017, the Group's total gross floor area ("GFA") was approximately 1,583,880 square meters ("sq.m.") while the total GFA of self-owned stores was about 1,435,680 sq.m.

During the year under review, the Group recorded a revenue of HK\$3,484.3 million and profit for the year was HK\$128.3 million. Our revenue is mainly contributed by four segments: commission income from concessionaire sales, sales of goods for direct sales, rental income, and management and consultancy fees.

Revenue

FY2016
3,660
HK\$ million

FY2017
3,484
HK\$ million



Revenue Contribution Breakdown by Segment

Commission Income from Concessionaire Sales

★ 48.7%

Management and Consultancy Fees

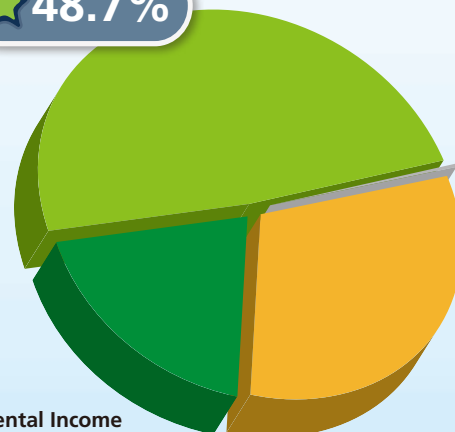
★ 0.4%

Sales of Goods for Direct Sales

★ 31.8%

Rental Income

★ 19.1%



OUR SUSTAINABILITY VALUES



Staying on top of rapid changes in the consumer market, NWDS strives to invigorate its daily business operations and sustainability initiatives with creativity. Such innovation will ensure that while developing new businesses, we can also balance the economic, social and environmental needs of local communities to create values for all stakeholders. Following the publication of new ESG Guide by the Stock Exchange in 2015, we introduced an internet-based Data System to tie in with ongoing sustainability measures and guidelines for higher data collection efficiency and accuracy, which formed a solid bedrock for our future enhancements.

CORPORATE GOVERNANCE

We firmly believe that a sound corporate governance structure is the very foundation for sustainable corporate and business development. With this conviction, the Group has built a robust corporate governance framework to safeguard legal compliance and smooth business operations. Specifically, our Board of Directors ("the Board") is the highest management unit that oversees the Group's business development and operational direction. The Board supervises day-to-day management and operations through the Executive Committee and the management team. Serving under the Board, the Audit Committee, the

Executive Committee, the Nomination Committee, and the Remuneration Committee effectively monitor the overall performance of the Group and the management team. As at 30 June 2017, the Board consisted of nine members, including three non-executive Directors, two executive Directors and four independent non-executive Directors. Clearly-defined accountabilities are in place to ensure a balanced distribution of authorities and mandates between the Chairman and Chief Executive Officer ("CEO").

Under effective supervision by the Board, we have remained in strict compliance with all applicable local legislation and regulations, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, and relevant anti-corruption legislation.

- 1) During the year under review, we kept abreast of amended provisions on risk management and internal control in the *Corporate Governance Code* and *Corporate Governance Report* under the Appendix 14 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*. In light of these new amendments, the Board authorized the Audit Committee in the Previous Year to be responsible for reviewing the effectiveness of our risk management and internal control systems, and report to the Board on a regular basis. Relevant disclosures have been made in the Corporate Governance Report of our Annual Report.
- 2) To avoid any risk of non-compliance, the Group follows a highly efficient management process. All departments are required to report to the Board regularly in accordance with the *Risk Management*

and Internal Control Compliance Certificate. The Audit Committee also monitors the compliance performance of individual departments independently and submits findings to the Board to ensure they all measure up to standards in five components of compliance, namely Control Environment, Risk Assessment and Response, Control Activities, Information and Communication, and Monitoring, and fully abide by all applicable legislation and regulations.

- 3) Meanwhile, in order to adhere to applicable legislation on anti-corruption and fraud in all jurisdictions where we operate, we have developed a code of conduct for our staff to minimize non-compliances resulted from their misbehaviours. We do our utmost to prevent disloyalty, fraud, bribery, conflict of interests and other undesirable situations, to avoid loss arising from violation of anti-corruption laws and material incidents. Any violation will be investigated and disciplinary action will be taken in accordance with internal procedures.

Details on NWDS' corporate governance and risk management can be found in the Group's Annual Report.

SUSTAINABILITY MANAGEMENT AND POLICIES

To ensure smooth implementation and progress of our sustainability direction and goals, the Group set up the NWDS Sustainability Steering Committee (the "SSC", formerly known as NWDS Environmental Committee) in 2010, chaired by the Corporate Affairs Department and

consists of senior managerial staff from various departments. Its subordinate executive committee coordinates, executes and reports on the sustainability work of all departments and stores. The SSC was established with mandate from the Board which provides direction for committee affairs from time to time.



To represent the Group's commitment in sustainability and key initiatives, the SSC formulated the high-level "Sustainability Policy", "Green Office Policy" and other directional guidelines. Following these guidelines, the executive committee introduces suitable sustainability initiatives every year based on our corporate development path, adequacy of resources and social needs. During the year under review, the executive committee held four meetings to direct focused efforts towards the below sustainability initiatives and achieved prominent results.

1) After introducing the *Sustainable Office Guide* and *Waste Measurement Guidelines* in the Previous Year, we continued this line of effort during the year under review. Seeking reference from the *Green Procurement Practice* of the Environmental Protection Department in Hong Kong as well as community food wise schemes, we published the *Green Procurement Guidelines* and *Food Waste Reduction Advice* in mid-2017. These guidelines provide green product specifications as reference and useful suggestions for reducing food waste, which are effective tools for promoting green procurement and food waste reduction to all staff members of the Group.

2) To monitor the Group's sustainability performance more effectively, we launched the internet-based Data System in mid-2017 to facilitate systematic collection of nationwide sustainability data. The Data System not only facilitates timely viewing of the recorded data and tracing of their sources, but also serves as a strong supporting tool for collecting, consolidating and summarizing data for the Report.

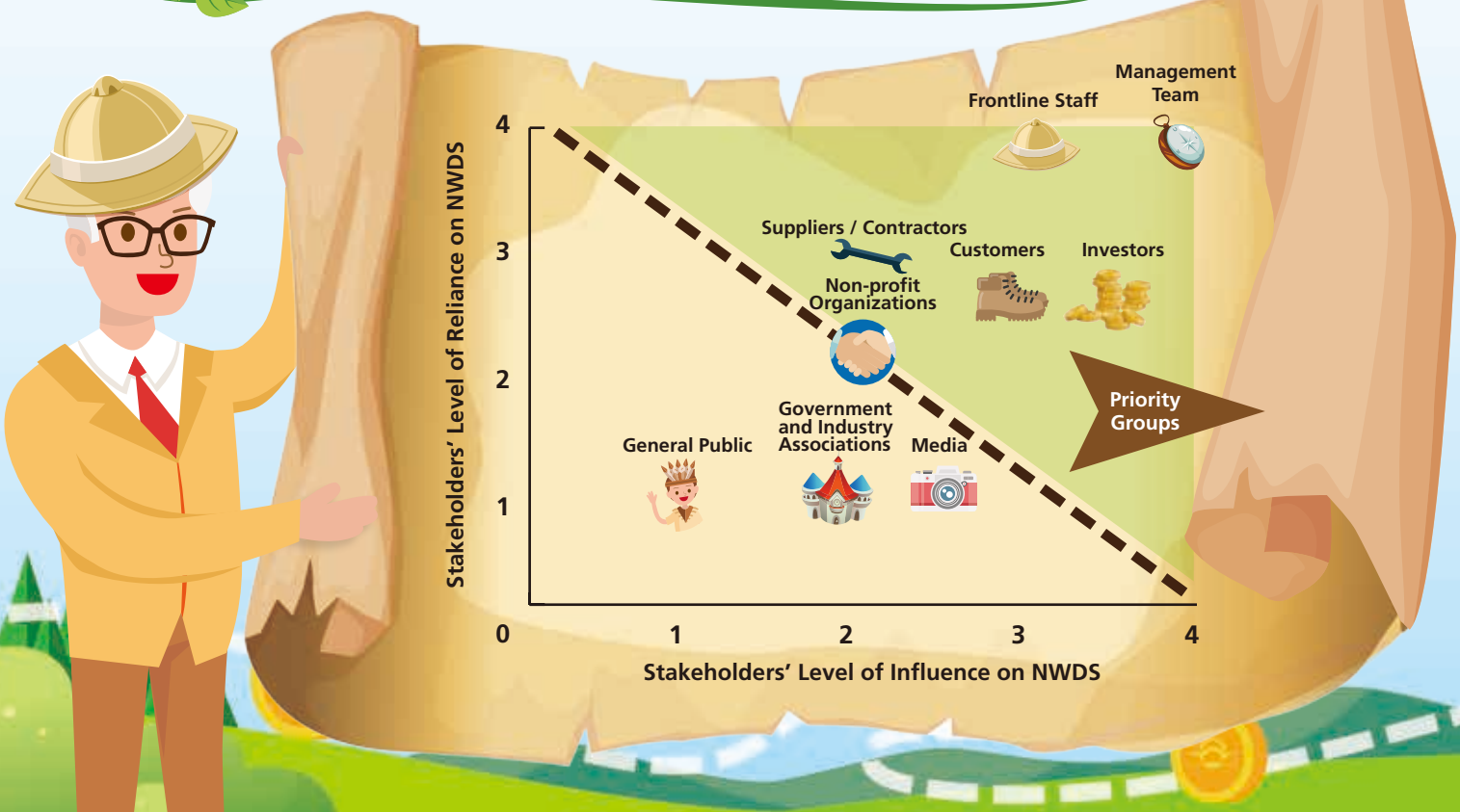


STAKEHOLDER ENGAGEMENT

To optimize our sustainable development roadmap to meet stakeholders' expectations, we are keen on establishing long-term and positive relationships with all stakeholders and listen to their opinions with an open mind. In FY2014 and FY2015, we commissioned the Hong Kong Productivity

Council (the "Consultant") to help define the engagement priority of different stakeholder groups based on the result of a systematic analysis of their influence and reliance on us.

NWDS' Stakeholder Engagement Prioritization Matrix



Based on the results of the above analysis, we continued to enhance the communication channels with all stakeholders to solicit their views and requests in a systematic manner. During the year under review, we rolled out the “Chief

Experience Officer” project and conducted face-to-face interviews with more than 7,000 customers to understand their consumption needs and shopping experience so as to enhance the Group’s merchandise and service quality.

Communication Means between NWDS and Various Stakeholders



Spearheaded by our parent company, New World Development Company Limited (“New World Group”, Hong Kong Stock Code: 17), we organized focused interviews and surveys with some of our stakeholders (including three members of the management team, 22 frontline staff and 22 customers) during the year under review. Their comments and our responses are listed in the table below.

Looking ahead, we will continue to closely communicate with all stakeholders, listen to their opinions and take appropriate follow up actions in order to live up to the expectations of the public and move forward in our sustainability attempts.

Follow-up Report on Stakeholders' Comments and Suggestions in FY2017

Stakeholder Groups	Comments and Suggestions	Our Responses
Management Team 	Sustainability reports enable the public to understand our efforts towards sustainable development and helps strengthen the engagement of our stakeholders	To improve report quality and data accuracy, we introduced the Data System to enhance data management capacity and identify quantifiable sustainability goals
	As the physical retail sector entered a deep consolidation period in 2017, resource allocation for sustainability initiatives became a major challenge, we have to maximize effectiveness with limited resources	<ul style="list-style-type: none"> • Prioritized low-cost and high-effectiveness projects • Continued to promote energy saving and staff motivation initiatives, which are in line with our sustainability values and can reduce operating cost
Frontline Staff 	Launch more staff motivation and caring programs to boost morale and team cohesiveness	<ul style="list-style-type: none"> • Introduced the All-Staff Personal Business Commitment (PBC) Reward Scheme, Store Manager Incentive Fund and CEO Award to encourage positive attitude and sense of honour • Implemented various staff caring measures, such as caring leave, staff family fun scheme, birthday parties and team building activities to show care and concern for our staff
	Provide better training programs for staff to build professional expertise and reinforce corporate competitiveness	Staged the “Project Xinpeng – NWDS Management Intern Cultivation Program” and “Project Dapeng – NWDS Store Manager Trainees ‘Elite Rookies’ Grooming Program” to bolster integrated capabilities and industry knowhow of our staff to build the Group’s management echelon
	Organize more customer engaging green or voluntary activities to promote exchange and interaction between staff and customers	Organized nationwide outdoor green activity “Reaching Out to Nature” to take customers on nature trips to farms and eco-scenic areas
Customers 	Promote paperless office operations	Set up a standardized Enterprise Resource Planning (“ERP”) operating system to promote automated and paperless office operations and encouraged staff to reduce paper consumption
	Highly concerned that whether NWDS has a sound corporate governance and risk management system	We have a sound corporate governance structure and risk management as well as internal control mechanism to ensure business compliance and manage all risks effectively. Public disclosures are made promptly as required
	Hope to know more about NWDS’ performance in sustainable development	We publish our sustainability report every year and actively engage our customers on social media platforms to inform them of our works through different channels







MATERIALITY ASSESSMENT

To ensure that the Report provides adequate information on stakeholders' topics of concern, we commissioned the Consultant in FY2014 and FY2015 to interview various stakeholder groups such as management team, frontline staff, suppliers / contractors, customers, investors and non-profit organizations for a materiality assessment on four major areas, namely staff benefits and development, operating practices, community services and environmental protection.

Considering that there were no material changes in the Group's operations and stakeholder portfolio during the year under review, we decided to continue using the 19 material aspects adopted in the FY2016 report. We also continued to present our suppliers' charitable and community efforts as well as their performance in energy conservation, waste recovery and recycling, and legal compliance in the Report. For details, please see the analysis results of material aspects and boundaries in the table below.



Analysis Results of Sustainability Material Aspects and Boundaries




Material Aspects		Boundaries	
Aspects	Topics	NWDS	Suppliers
 Staff Benefits and Development	Occupational health and safety	✓	
	Direct communication between staff and management	✓	
	Staff training and support	✓	
	Non-discrimination	✓	✓
	Employment	✓	
	Staff caring and recreational activities	✓	
	Avoiding forced labour	✓	
	Staff grievance mechanisms	✓	
 Operating Practices	Corporate financial performance	✓	
	Honest marketing communications	✓	
	Products on offer with assurance of consumer health and safety	✓	
	Corporate procurement policy	✓	
	Protection of customer consumption data and privacy	✓	
	Indirect economic impacts	✓	
		✓	
 Community Services	Community and charitable activities	✓	✓
	Compliance with social regulations		✓
 Environmental Protection	Waste recovery and recycling	✓	✓
	Energy conservation	✓	✓
	Green products used internally	✓	

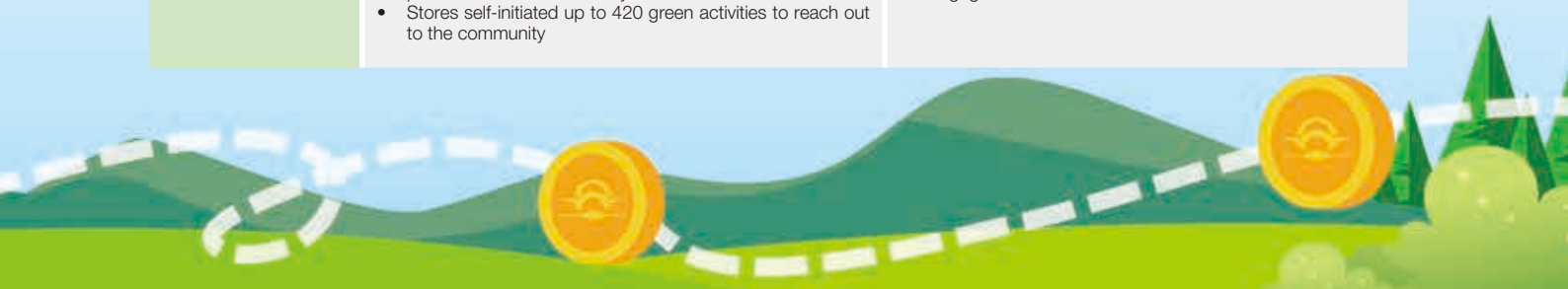


OUR SUSTAINABILITY PROGRESS AND GOALS

Aiming to fulfill the Group's sustainability vision, the NWDS Sustainability Steering Committee and Executive Committee set specific and feasible goals and plans according to the actual progress of various sustainability initiatives every year so as to keep track of and improve the Group's sustainability performance.

Sustainability Aspects	Key Accomplishments in FY2017	Goals and Plans for FY2018
<p>Transparent Governance</p> 	<ul style="list-style-type: none"> • Compiled and published the third standalone sustainability report in accordance with the Core option of G4 Guidelines as well as requirements of the new ESG Guide issued by the Stock Exchange • Introduced an internet-based "Sustainability Data Management System" to enhance the efficiency, completeness and transparency of data collection • Steered by goals and requirements of New World Group, our parent company, we conducted interviews and surveys with the management team, frontline staff and customers. More than 7,000 customers were also interviewed through the "Chief Experience Officer" project to take in customers' views and suggestions regarding our merchandise, services and sustainability performance 	<ul style="list-style-type: none"> • Draft the <i>NWDS Sustainability Vision 2030</i> and make progress in "Green", "Wellness", "Smart" and "Caring" by re-engineering merchandise and services • Draft human rights and whistleblowing policies to foster better protection to human rights and right to appeal of employees, suppliers and other stakeholders • Optimize the "Sustainability Data Management System" by expanding the range and frequency of systematic data collection • Organize the "NWDS Stakeholder Engagement Sessions" to identify topics of concern among stakeholders. The findings will help us further improve the disclosure contents of the Report
<p>Staff Development</p> 	<ul style="list-style-type: none"> • Introduced the All-staff Personal Business Commitment (PBC) Reward Scheme, Store Manager Incentive Fund, CEO Award and other staff incentives to elevate staff proactiveness and creativity • Continued to provide suitable training for staff in various positions and brought the total number of nationwide training projects to 39 • Restructured the "NWDS Management Academy" and introduced a new Amoeba operating model to serve the public market. Courses were enhanced and solutions products were developed • Optimized the Group's management echelon by organizing the "Project Dapeng – NWDS Store Manager Trainees 'Elite Rookies' Grooming Program" and the "Project Xinpeng – NWDS Management Intern Cultivation Program" to cultivate more outstanding managerial staff • Launched a staff caring scheme under which a half-day-per-month paid caring leave is available for staff and funds were allocated to support staff caring activities • Absentee rate significantly dropped 29.8% YoY 	<ul style="list-style-type: none"> • Bring the total number of nationwide training projects to 42 • Strengthen nurturing of new-generation staff and set up the "NWDS New Community" to offer training and career counseling and provide a development platform for potential post-85 staff • Make focused effort to promote the corporate culture internally by organizing a series of culture-related activities to stimulate new thinking

Sustainability Aspects	Key Accomplishments in FY2017	Goals and Plans for FY2018
Operational Efficiency 	<ul style="list-style-type: none"> Formulated clear codes of practice for private labels LOL and n+ Natural Taste Plus to provide guidance for proper supplier selection and management 57 suppliers have agreed to comply with the <i>Supplier Code of Conduct</i> and responded to the <i>Sustainability Self-Assessment Questionnaire</i>, increased by 39% YoY Received 23 completed <i>Supplier Sustainability Disclosure Forms</i>. Many suppliers had a more concrete idea of sustainable development 	<ul style="list-style-type: none"> Continue to refine the workflow of private labels LOL and n+ Natural Taste Plus Invite 15 additional suppliers to pledge compliance with the <i>Supplier Code of Conduct</i> and respond to the <i>Sustainability Self-Assessment Questionnaire</i> Collect 20 completed <i>Supplier Sustainability Disclosure Forms</i>
Community Services 	<p>Volunteer and Community Services</p> <ul style="list-style-type: none"> NWDS Volunteer Team organized 274 voluntary activities and the average volunteer service hours for single events significantly increased 7.8% YoY Staged the "Awards Ceremony for Outstanding Volunteers" to recognize the excellent work of warm-hearted volunteers <p>Supporting Under-resourced Children</p> <ul style="list-style-type: none"> Optimized and promoted "@Music – Rainbow Orchestra" under our "@Dream Program" which benefited more than 100 children by providing training on musical instruments and performance chances to sharpen their musical skills and bolster self-confidence 	<ul style="list-style-type: none"> Line up nationwide voluntary activities under same themes Engage volunteers, their families and friends as well as our customers in volunteer services and commend their efforts <ul style="list-style-type: none"> Encourage benefited trainees to take part in community services and give back to society
Environmental Protection 	<p>Energy Conservation and Emissions Reduction</p> <ul style="list-style-type: none"> Conducted carbon audits in all stores and offices for the third year in a row, maintaining the annual average carbon intensity at a low level Formulated the "Policy on Replacing LED Lights at Operating Stores" to reduce energy consumption of lighting systems Annual average electricity consumption per sq.m. across all stores and offices dropped by 19.2% as compared to FY2012, marking a new low Requested all stores to clean their air-conditioning fan coils and filters and reduced the temperature at air-conditioning outlets by 1.3°C on average, which was proven to be a huge success <p>Waste Management</p> <ul style="list-style-type: none"> Developed the <i>Food Waste Reduction Advice</i> to enhance operational practices of department stores Significantly reduced the total consumption of A4 paper, A3 paper and paper products at all stores and offices by 23.3%, 35.0% and 59.5% YoY respectively <p>Green Procurement</p> <ul style="list-style-type: none"> Introduced the <i>Green Procurement Guidelines</i> to provide stores and offices with solid reference on green product specifications Prepared the "LOL Green Proposal" and asked suppliers to produce proof of their product's green specifications Maintained the sales proportion of eco-friendly merchandise at around 10% at LOL stores and introduced a certified eco-paper gift brand <p>Promoting Green Living</p> <ul style="list-style-type: none"> Online promotion for four nationwide green activities attracted about 68,000 followers or comments and drew public attention successfully Stores self-initiated up to 420 green activities to reach out to the community 	<ul style="list-style-type: none"> Reduce the annual average carbon intensity across all stores and offices by 1% Reduce the annual average electricity consumption per sq.m. across all stores and offices by 1% <ul style="list-style-type: none"> Draft the <i>Food Waste Gauging Guidelines</i> and <i>Food Waste Gauge Sheet</i> to specify the method and details of food waste gauging in order to enhance the Group's waste management performance Reduce the total paper consumption across all stores and offices by 1% to 2% <ul style="list-style-type: none"> Maintain the sales proportion of eco-friendly merchandise at LOL stores at around 10% and continue to source quality eco-friendly brands <ul style="list-style-type: none"> Concentrate resources to enrich the contents of nationwide green activities and encourage wider public engagement



CARE FOR OUR STAFF



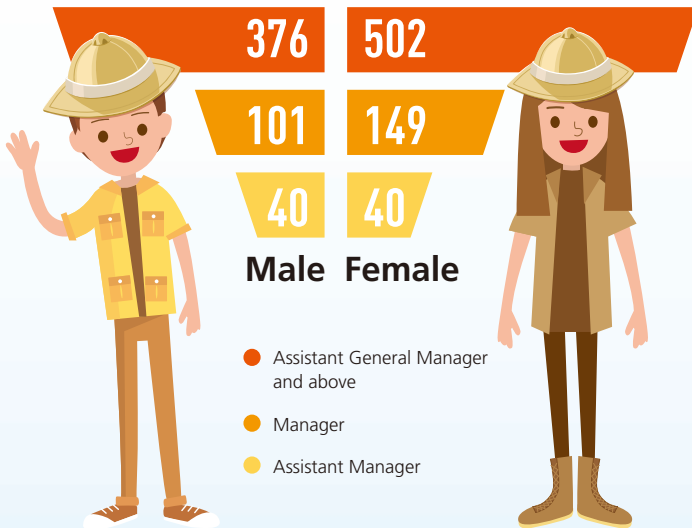
HP UP ▲



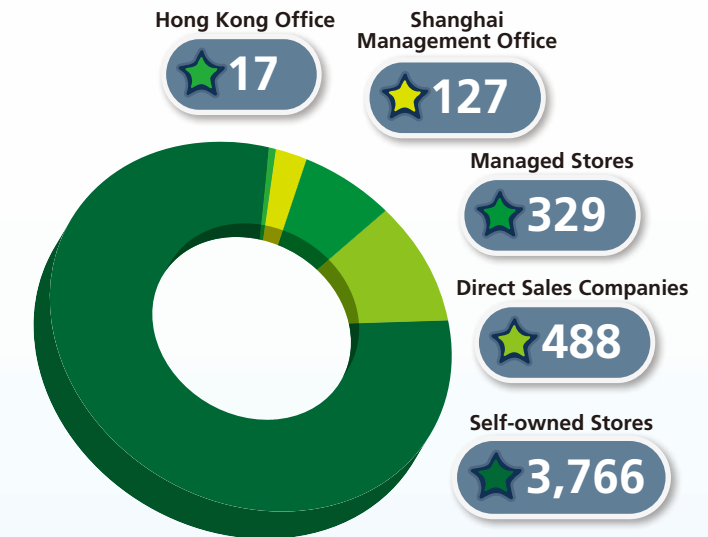
In face of a highly competitive retail market in Mainland China, NWDS makes earnest efforts to attract talent and support staff training and development to build a strong workforce for future challenges. During the year under review, in line with the Group's evolving business operations, we introduced staff incentive schemes and modified the operating model of "NWDS Management Academy" to elevate work performance and drive creativity. A staff caring scheme was also launched to look after employees' holistic wellbeing and enhance team cohesiveness.

According to the data scope covered by the Report, the Group had 4,727 employees working in 38 department stores and shopping malls in 20 cities across Mainland China as at 30 June 2017. During the year under review, we opened Yibin Store which created 210 jobs for the local community.

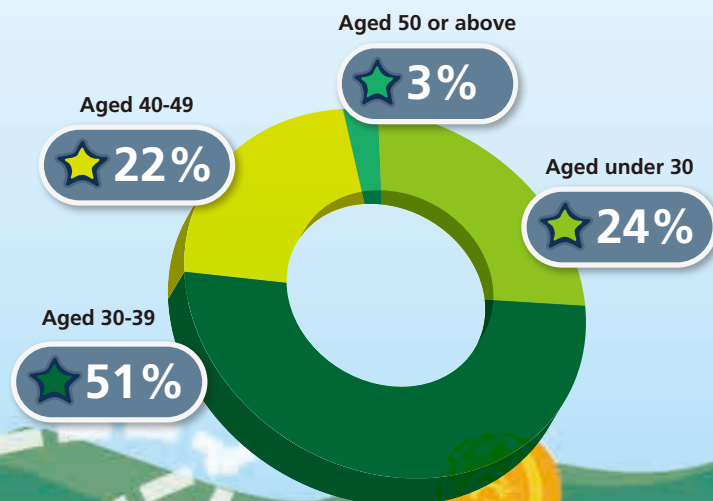
Distribution of Managerial Staff by Gender in FY2017



Distribution of Staff by Work Location in FY2017



Distribution of Staff by Age in FY2017



EQUAL OPPORTUNITIES

As a responsible employer, NWDS advocates equal employment opportunities and makes every effort to foster a harmonious and inclusive workplace. We recruit and retain talent according to an established human resources policy. We also review wages and staff benefits regularly to ensure the overall remuneration and benefits meets the market standards. We adhere to employment laws and regulations in all jurisdictions where we operate, ensuring that every employee is treated with fairness in recruitment, promotion, job opportunities and remuneration, etc. In no circumstances will discrimination or harassment against age, gender, race, religion, physical disabilities, etc. be tolerated. During the year under review, we did not receive any reports of discrimination, and there were no cases of child labour or forced labour violations.

STAFF MOTIVATION

Motivating our staff and raising morale were key focuses during the year under review. Through various staff incentive schemes, we unleashed staff potentials and elevated their proactiveness and creativity. In addition to offering bonus based on the Group's business results as well as individual work performance and attendance, we introduced the All-staff Personal Business Commitment (PBC) Reward Scheme, Store Manager Incentive Fund and CEO Award during the year under review to encourage our staff to innovate and excel. We held two competitions, namely "Outstanding Staff Awards" and "Inspiring NWDS Figures"; and seniority rewards were given to long serving staff members to show our gratitude to their dedication over the years.



Schemes	Descriptions	Rewards
All-staff Personal Business Commitment (PBC) Reward Scheme	Aiming to encourage stores to implement innovative management, motivate their staff to exceed profit targets, thereby creating excess economic effectiveness for the Group	22 stores nationwide reported excess profits and the total reported profit amount is RMB71.4 million
Store Manager Incentive Fund	Frontline staff with outstanding sales performance was awarded by store managers and regional managers to create a positive working atmosphere and build a friendly competition culture	A total of 1,474 employees nationwide were awarded
CEO Award	Teams or individuals who made significant contributions to the Group and had the most outstanding performance during the Year were awarded by the CEO to commend their positive attitude and innovative spirit	Nanjing Store won the award with their cultural and creative street zone project "New Territories 88"

TRAINING AND DEVELOPMENT

Bearing in mind that people are a valuable asset, we place great emphasis on staff training and development. To boost training effectiveness, we modified the operating model of "NWDS Management Academy" (the "Academy") to develop more innovative courses and focused training programs to cope with the new demands from business growth. On the other hand, we organized training to give our staff insight into our corporate branding so that they can better realize our corporate culture and brand spirit during their daily course of duty. During the year under review, the Group launched 39 nationwide training projects while our stores self-initiated 1,521 staff training programs. We recorded 40,788.8 staff training hours in total, averaging 8.6 training hours per employee. The average training hours per male and female employee were 7.7 hours and 9.3 hours respectively.



Innovating the Academy's Operating Model to Strengthen Our Industry Influence

Over the past 12 years, the Academy has been pivoted on training courses, qualified trainers, operations and development to offer professional training to staff members of all grades. As the Academy gains prestige in the industry, the Group strategically modified its operating model during the year under review. A new Amoeba operating model was adopted to transform the Academy from an internal training unit to an institute that serves the market under a profit-making business model. Four major lines of training and solutions products have been developed, covering retail research and studies; professional intensive courses; benchmark visits and market study tours; and management and operating capacity building solutions. These courses and solutions products are open to external applicants to strengthen the Academy's industry influence. During the year under review, the Academy earned high acclaim from industry peers in terms of its training quality. It was accredited as "2016 China's Best Corporate University" by Overseas Education College of Shanghai Jiao Tong University, and ranked "2016 CCFA Top 10 Corporate Universities" by China Chain Store & Franchise Association ("CCFA") respectively.



Cultivating Management Apprentices by a Trio of Career Advancement Initiatives

In consonance with the Academy's major transformation, we reformed our training courses to meet the requirements of the Group's latest corporate strategy and strengthen its market competitiveness. To cultivate management talent, we implemented a trio of career advancement initiatives. During the year under review, we kicked off the "Project Dapeng – NWDS Store Manager Trainees 'Elite Rookies' Grooming Program" to nurture selected managerial staff with good potentials and tailored training plans for them, aiming to refine them into high-calibre store manager trainees. Concurrently, we continued the "Project Xinpeng – NWDS Management Intern Cultivation Program" to cultivate management interns through lecturing, mentoring, job rotation, etc. and provide an experiential platform that combines work and learning.

Aiming for more job-specific training, the Group developed a host of internal courses for different job positions. These include the "Customer Services Training", "VIP Customer Privileges and Consultative Services" and "Dynamic Sales Techniques" programs which sharpen employees' customer services and sales techniques; as well as the "All-directional Managers" and "Situational Leadership" programs which aim to enhance leadership and management skills of managerial staff and guide them on effective allocation and use of corporate resources. In addition to regular training, we also organized a training program entitled "Keeping Abreast of New Spending Trends – How to Develop Experiential Commerce" in relation to innovations and transformations on the operations front to give employees in-depth knowledge of spending scenarios and creative retailing. Morning assemblies and seminars themed "Refocusing on the Core of Retailing, Enlivening Innovation and Improving Efficiency" were hosted to elaborate on the Group's corporate vision and aspirations so that our staff could render adequate support to the Group's business development.

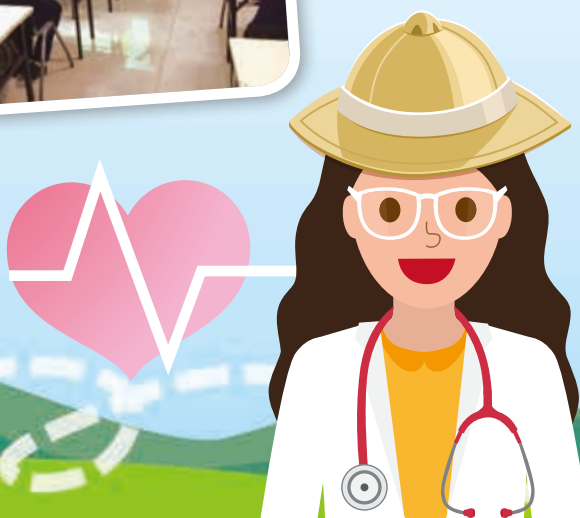
Bringing the Artisanal Movement into Full Play

Apart from skills development and training, the Group places equal emphasis on fostering staff's creative thinking and pursuit of excellence. We advocate an artisanal spirit of giving meticulous attention to details and encourage our staff to cater customers' needs through bespoke services in our daily operations. During the year under review, many stores organized training courses or competitions that incorporated our corporate brand personality "The Artisanal Movement", for example, "I Am A Sales Artisan – Merchandise Display Savoir Faire" organized by Chengdu New World Department Store ("Chengdu Store") and "Artisan Garden" concessionaire counter display competition hosted by Kunming New World Department Store ("Kunming Store"). These events motivated staff to create a hospitable and caring atmosphere for customers with unwavering attention and a will to excel further.



WELFARE AND POLICY

As a family-friendly employer, NWDS strives to provide comprehensive welfare benefits for its workforce. Employees can apply for a range of leave, including birthday leave, marriage leave, maternity leave, paternity leave, family planning leave, leave for injuries and occupational diseases, and compassionate leave to suit personal or family needs. On 1 July 2016, the Group introduced a staff caring scheme under which a half-day paid caring leave is available every month for employees to handle unexpected household situations. The scheme also funds staff activities organized by stores and offices, such as Lunar New Year banquets, birthday parties and team building activities to boost employees' sense of belonging and team cohesiveness. Besides, the Group makes pro-rata contributions to housing provident fund, social insurance for basic medical protection, unemployment insurance, pension, etc. for all full-time staff. It also provides managerial staff with additional personal accident insurance, critical illness insurance and medical insurance, etc.



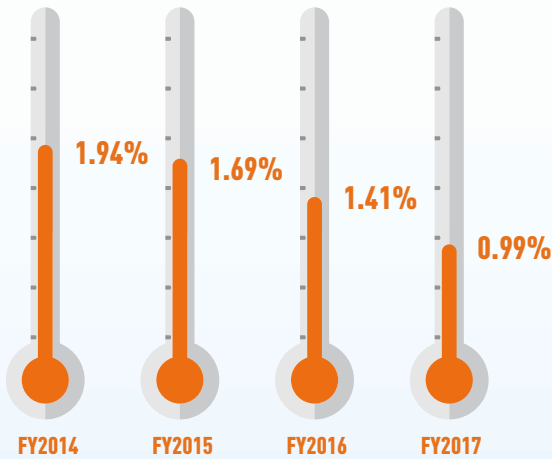


Occupational Health and Safety

The Group has a strong commitment for a safe and healthy work environment and dedicates its efforts to raise staff's awareness for work safety and personal health. We adhere to the occupational safety and health regulations in all jurisdictions where we operate. Clear guidelines on fire safety, facility inspection, electrical hazards and crisis management are in place to minimize the risk of accidents. Updates on disease prevention and personal health are circulated to staff regularly, alongside different types of safety drills, to strengthen their safety awareness and emergency response capacity when dealing with unexpected situations.

During the year under review, there were 18 cases of work-related injuries across the Group (Injury rate: 0.369). Lost work-days totaled 897 (Lost day rate: 18.372) and absentee rate was 0.99%. Absentee rate recorded a significant drop of 29.8% year-on-year ("YOY").

Absentee Rate



COMMUNICATING WITH STAFF

We greatly value the importance of two-way communication with our staff, and we do our best to maintain an unobstructed flow of information so that employees can better perform their duties. During the year under review, we made use of the WeChat official platform to release the latest corporate news and interact with our staff in a timely manner. We also set up the new CEO Mailbox to encourage staff to make suggestions directly to decision makers of the Group. These communication initiatives allowed us to learn the needs of employees in different grades and offer prompt support.

Besides, the Group's internal staff publication, quarterly *Windows of NWDS*, was revamped. Chief editing is now steered by six operating regions in turn. This new arrangement not only can strengthen the connection between staff of different regions, but it can also facilitate the immersion into our corporate culture and create a harmonious working atmosphere at large.



STAFF CARING ACTIVITIES

We fully recognize that only a company that cares about its people will be rewarded by a workforce that gives its best at all times. As such, we actively organize staff caring activities to reinforce internal integration and inclusiveness. Activities such as sports days, eco-tours, festive celebrations and team building sessions contribute to a balance between physical and mental health. Such wellbeing rears a more positive and spirited work attitude. During the year under review, the Group organized more than 770 staff caring activities.



Festive Celebrations

Appreciating our staff's professionalism in carrying out job duties during festive holidays, we often offer gifts and host festive dinner parties to extend our gratitude. For example, five NWDS stores in Wuhan lined up a series of joint celebrations during the Lunar New Year and enhanced networking and exchange through games and shows, while the management team gave a lion dance performance to bring the event to a climax. On Women's Day, many stores presented female staff with flowers, greeting cards, fruits, desserts, etc. to thank for their support and dedication to the Group.



Health and Fitness Challenges

Supporting employees' pursuit of good health and fitness, many stores organized sports competitions to invigorate body and mind. For instance, stores such as Kunming Store, Wuhan New World Department Store – Hanyang Branch Store ("Wuhan Hanyang Branch Store"), Yanjiao New World Department Store, etc. hosted staff sports days during the UEFA Cup and Olympic Games. Employees came together to test their skills in basketball, badminton, tug of war, rope skipping, etc. and had a good time. Wuhan New World Department Store – Xudong Branch Store ("Wuhan Xudong Branch Store") organized a night jogging event named "Passion for Life • Passion for Sports", and Mianyang New World Department Store ("Mianyang Store") staged a vigorous cycling fitness program to look after employees' holistic wellbeing.



Parent-and-Child Interaction

We understand how working parents cherish the time spent with their children. Therefore, parent-and-child activities are organized regularly to promote family interaction and harmony. During the year under review, Wuhan Xudong Branch Store organized "My Lollypop Cake", a family fun event where employees and their children learned how to make desserts together; while Chengdu Store hosted the "Share Love • Succeed Culture" family day. Employees were invited to bring their kids to hobby classes and DIY handicraft workshops in celebration of the Dragon Boat Festival and Children's Day.



CARE FOR OUR OPERATIONS AND SUPPLY CHAIN

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Guided by our business approach of “Refocusing on the Core of Retailing”, NWDS is dedicated to satisfying consumers’ everyday needs. During the year under review, while making efforts to optimize the concessionaire sales operating model, we actively expanded our direct sales business to offer more commodity choices and to gain greater control over product categories and quality, in order to provide consumers with safe and reliable products. We established codes of practice for our private labels LOL and n+ Natural Taste Plus to guide our staff on how to select and manage suppliers. A new private label, “Xin Shuo Multi-Brands Store”, also came on the scene in the hope of disseminating our sustainability values across our supply chain through supporting local and original designs.

OPERATIONS MANAGEMENT

Earnest operations management lays a solid foundation for quality products and services. Therefore, we put through measures to cultivate good staff conduct, influence supply chain business partners positively, and motivate our workforce and business partners to shoulder the responsibility to assure product and service quality with us.



Staff Conduct

The Group has formulated work management policies and guidelines according to the different nature of our businesses. This provides a defined framework with rules and requirements for our staff to follow in order to deliver up-to-standard products and services. We expect all staff members to adhere to the principle of “loyalty, righteousness, honesty and incorruptibility”, and to uphold professional ethics and abide by our code of conduct. We prohibit all acts of misconduct, such as disloyalty, fraud, bribery, dereliction of duty or any transfer of benefits. Soliciting or accepting any unfair advantages by abusing one’s position of power is also strictly forbidden. Our staff have to declare any potential conflict of interests through the established declaration-of-interests mechanism. A whistleblowing mechanism is also in place to receive timely reports of potential non-compliances. All reported cases are handled by the management team and by the Board, as necessary, fairly and in strict confidentiality to protect the whistleblowers.



Product Safety and Liability

As a retailer, the Group sees product safety as a priority issue. For concessionaire sales products, we communicate proactively with our suppliers about the Group’s safety requirements and conduct assessments regularly to ensure all concessionaire sales products meet safety standards. As for direct sales products, we have stipulated safety liability requirements for all product categories, as well as standard procedures for inspecting product test certificates or manufacturers’ business licences and permits. These measures assure that all direct sales products comply with national safety standards.

For example, LOL’s main customer base is made up of those in pursuit of a quality lifestyle. In view of this, we take environmental protection, product safety, etc. into account during product procurement. To facilitate control on product safety, quality and environmental impact, most products sold at LOL stores are sourced by our procurement team directly from manufacturers or through acquiring brand distributorship. Prior to introducing any brand from a new supplier, we always closely communicate with the supplier to fully inform them of relevant safety policies and requirements for that product category.

Key Products’ Safety Liability Requirements



Personal Care Products

Production Licence, Health Licence, Registration Filing of Imported Cosmetics for Non-special Purpose, Administrative Approval for Special-use Cosmetics, Cosmetic Product Safety Report

Home and Health Products

International Safety Standards Certification, Industry Safety Standards Certification, China Certified Healthcare Commodity Quality and Safety Inspection Report, Production Licence



Electronic and Children’s Products


China Compulsory Certification



Food Products

Ingredients and utensils must conform with relevant national requirements and standards for hygiene, Food Safety Law of China

Another example is n+ Natural Taste Plus, a private label launched in the Previous Year. Developed under the concept of natural bakery, we are committed to providing consumers with food products that are fresh, healthy and safe. Therefore, we strictly comply with China's national policies on food safety and quality and establish well-defined workflow for every operational procedure, from procurement of raw materials, production, housekeeping to display and customer service so as to guarantee food quality and safety.




Procurement of Raw Materials

All raw materials must pass tests conducted by laboratories accredited by the China Food and Drug Administration and meet the requirements specified by the Ministry of Health. We also inquire into the industry reputation of suppliers and make site visits to their production lines to ensure that all raw materials are safe for consumption.



Production

No artificial flavours, colours or preservatives are added in the production process. We also require suppliers to submit relevant inspection reports on additives to ensure all finished food products are natural and safe.



Sales

We only sell bakery products freshly made every day. To minimize leftovers, we estimate the following day's production quantity based on the current day's sales. Leftovers and food waste are collected regularly and delivered to local hygiene units for recycling.



Operations in Conformance

Strict compliance with the law is a fundamental social responsibility of all enterprises. As such, the Group does its best to ensure that its business operations fully comply with local statutory requirements and has introduced a sound risk assessment mechanism internally to minimize non-compliance. Complying with amendments to *Corporate Governance Code* and *Corporate Governance Report of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, the Audit Committee under the Board has been assigned with the additional task of supervising management risks to prevent non-compliance and to minimize possible impacts on the Group's financial and business goodwill. At the same time, the Group prepares and publishes sustainability reports to make relevant disclosures as required by the ESG Guide published by the Stock Exchange in December 2015.

The Group attaches great importance to customer privacy. We require all stores to use commercially reasonable security measures to process the personal information we collect from customers during day-to-day operations, and to regularly review their marketing communication channels, so

as to prevent any unauthorized use or leakage of personal information. Backed by a well-defined privacy policy and effective governance, the Group makes its best endeavour to safeguard customer privacy and strictly abides by provisions of the *Personal Data (Privacy) Ordinance (Cap. 486)*. We updated our privacy policy in June 2017 according to the requirements laid down by New World Group, and the policy is available for public perusal on our corporate website. During the year under review, no incident contravening applicable laws or market rules has happened, neither have we received any complaint about infringement of customer privacy or loss of customers' personal information.

SUPPLIER MANAGEMENT

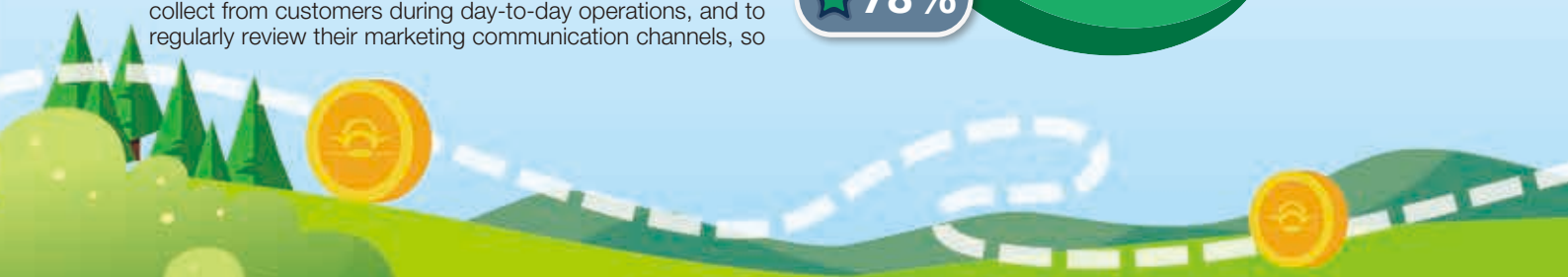
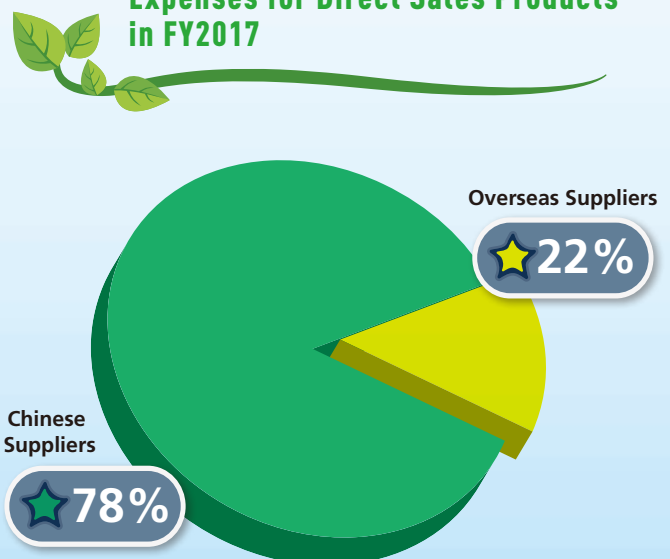
Supplier performance plays a pivotal role in upholding the quality of our products and services, as well as the long-term sustainability of our businesses. We formulated effective policies and mechanisms for the selection and management of our three categories of suppliers, namely department store business suppliers, product suppliers for direct sales business, and product and service providers for daily operations.



Supplier Selection

While quality, cost, delivery and services remain the key criteria for our supplier selection, we use local suppliers whenever possible to support local economic development and reduce freight costs. Based on the estimates from the Group's procurement expenses during the year under review, nearly 78% of direct sales products were procured from suppliers in Mainland China (including Hong Kong), while more than 99% of products and services for daily operations were procured from suppliers in Mainland China (including Hong Kong).

Distribution of Procurement Expenses for Direct Sales Products in FY2017





Interaction with Suppliers

Apart from regular communication through phone calls, emails and meetings, we also keep suppliers abreast of the Group's latest news with the quarterly *NWDS E-newsletters*. Concurrently, we established a vertical "headquarters – region – store" management mechanism and categorized suppliers into three priority levels according to their operating conditions and types of products and services they provide for our targeted management. To enhance suppliers' participation, we continued to invite them to join our nationwide green activities during the year under review. Some stores even engaged concessionaire counters in self-initiated voluntary activities to make concerted efforts towards environmental protection and community development.

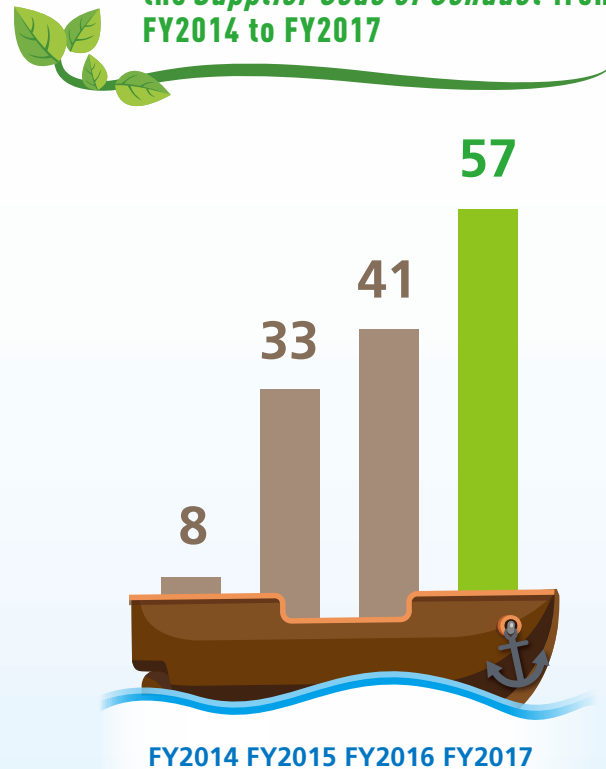


Sustainability of the Supply Chain

We recognize the importance of sustainable development and strive to propagate our sustainability policies at the supplier level. To this end, we rolled out the Supplier Sustainable Development Program in 2013, under which the *Supplier Code of Conduct* (the "Code") and the *Sustainability Self-Assessment Questionnaire* (the "Self-Assessment Questionnaire") were introduced. When bidding for tenders or submitting quotations, suppliers are required to sign the Code and complete the Self-Assessment Questionnaire. By signing the Code, they pledge adherence to the principle of sustainability in compliance, ethics, staff remuneration, environmental protection and other areas. To date, a total of 57 suppliers (mainly department store business suppliers) have endorsed the Code, representing a 39% increase YoY.

Signing the Code is only the first step in supporting sustainability. To motivate continuous improvement, we invite all suppliers to complete the *Supplier Sustainability Disclosure Forms* (the "Forms") every year to report their latest progress in energy saving, waste management, charitable and community services, anti-discrimination, and law compliance. During the year under review, the Group received 23 completed Forms. Many suppliers already developed a more concrete idea on sustainability, and started to adopt energy saving or waste reduction measures.

Number of Suppliers who Endorsed the *Supplier Code of Conduct* from FY2014 to FY2017



During the year under review, the scarves sold by a supplier at Wuhan Hanyang Branch Store failed to pass a random quality check by the Wuhan Municipal Bureau for Quality and Technical Supervision. Besides, the clothing labels of two types of garments sold by a supplier at Shanghai Pujian Branch Store were also found to be in poor quality during a random check by the Shanghai Pudong Market Superintend Management Bureau. The suppliers concerned did not raise any objection to the inspection results and paid the fines in due course. Though fewer quality failure cases were found during the year under review, they remained a cause for concern and the Group will keep close contact with the suppliers involved to prevent similar incidents in the future.

CARE FOR THE COMMUNITY

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With its businesses firmly rooted in the community, NWDS carries through the ethos of “giving back to society” and makes efforts to push forward community works. During the year under review, we delved deeply into social and livelihood needs while grasping every chance to serve the community and promote sustainability programs so as to offer focused assistance to those in need and foster sustainable development in the society.

Our stores cover 21 major cities in Mainland China, each with its unique set of livelihood demands. To fully understand the needs of local communities, we maintain close ties with non-profit organizations and establish new values for community services. We also encourage stores to initiate and organize sustainability activities to better serve their communities.

We mobilize volunteers from all stores and offices to organize and participate in community activities, encouraging them to fulfill civic responsibility by contributing to the society. During the year under review, volunteers from various regions organized a wide range of caring initiatives. These include donation scheme “Spread Love and Warmth with Used Clothes”, charity sale event “Love from Car Boot Sales”, visits to elderly nursing homes, health promotion event “Say No to Smog with Green Travel” and charity sale for children with autism, etc.. These caring initiatives benefited people of different age groups, social classes and backgrounds. In addition to lining up community services and activities, the Group made approximately HK\$137 thousand of donations to charitable organizations during the year under review.

Our Vision



NWDS Volunteer Team

Since its establishment in April 2013, NWDS Volunteer Team has been serving the community with four focuses, namely education aid, caring for the elderly, helping under-privileged groups and assisting the disabled, and comes to the aid of the needy with pragmatic actions. During the year under review, we organized 274 voluntary activities and contributed 6,407 total volunteer service hours. The average volunteer service hours for single events increased 7.8% YoY.

Our Main Service Scope



To commend members of the NWDS Volunteer Team who serve the community with passion and enthusiasm, many stores and offices hosted “Awards Ceremony for Outstanding Volunteers” during the year under review. The admirable work of “Outstanding Volunteers” and “Outstanding Volunteer Nominators” was duly recognized in order to motivate staff and their friends and family to realize NWDS’ spirit in serving the community and caring for all social groups.



Voluntary Activities:
274



Total Volunteer Service Hours:
6,407 hours



Caring for Future Pillars of Society

Appreciating that children are the future pillars of our society, we have genuine concern for under-resourced children and strive to meet their needs and support their balanced development. Riding on the huge success of the “@Dream Sustainable Development Program” (“@Dream Program”),

we continued to allocate resources during the year under review for more events which promote children welfare and development in order to boost children’s self-confidence, enhance their extracurricular experience and prepare them for future contributions to the society.



Interests Workshops

“@Dream Program” Supports Children’s Holistic Development

The “@Dream Program”, our nationwide sustainable development program, was launched in July 2013. Since then, it has benefited under-resourced children by offering diversified training to support their physical and intellectual growth. For the fourth consecutive year, we co-organized “@Music – Rainbow Orchestra” with Shanghai Fengxian Education Bureau and commissioned more than ten professional tutors from Shanghai Film Art Academy to teach over 100 children to play up to 14 types of musical instruments. In addition to music theory and musical training, the orchestra also arranged public performances for children, such as a new year charity performance at the Jinhui Town Home for the Elderly, the “Learn from Lei Feng” event at the Fengxian District Welfare Home, and a musical show at Jinhui Town Sunshine Home during the Dragon Boat Festival to support the mentally disabled. Through “@Dream Program”, we hope to empower children so that they can spread the message of love with music.



Charity Sales and Donations

To promote the flow of positive energy within the community, NWDS stores conveyed the message of love through a wide range of charity sales, fundraising and donation activities. For example, in December 2016, stores from the Central Western China Region jointly organized the donation scheme “Spread Love and Warmth with Used Clothes” with Wuhuibao Green Services for the second year running. 38 boxes of unwanted garments were collected and donated to children from villages and rural areas of Huarong District in Ezhou City, Hubei Province, to fill winter with love and warmth. In November 2016, Beijing New World Trendy Department Store hosted the “Love from Car Boot Sales” charity sale event at the storefront plaza where charity sale goods were offered to customers and passers-by. All sale proceeds were donated to Beijing United Charity Foundation to improve the living conditions of workers’ children and migrating minors in Chaoyang District. During the Mid-Autumn Festival, volunteers from Beijing New World Qianzi Department Store (“Beijing Qianzi Store”) visited migrant workers’ children at Jinshun Hope Primary School with mooncakes, stationery and learning tools. They recited classical poems and textbook articles with the children and shared mooncakes to send warm festive wishes.



Outings

Outdoor experience is crucial to children’s balanced development. Therefore, we encourage all stores and offices to organize experiential activities for children to enrich their life experience by discovering the great outdoors and acquiring extracurricular knowledge. In April 2017, volunteers from Shenyang New World Department Store – Zhonghua Road Branch Store and Shenyang New World Department Store – Jianqiao Road Branch Store took a group of children and their parents on a field trip to Yangzhengzhai. They were delighted by an enriched outdoor experience in picking fresh strawberries and learning about strawberry farming. In October 2016, the Hong Kong Office volunteer team co-organized “Sharing My Happiness with You”, a fun day out at Noah’s Ark Hong Kong theme park, with HKFYG Jockey Club Kwai Fong Youth S.P.O.T. About a dozen children participated in a series of interesting games, smile challenge and circles painting session, which helped build teamwork and a positive mindset.





Driving Community Development

The Group strives to fulfill its new values for community services and encourages stores to jointly-organize community activities that suit specific local needs in order

to maximize impacts and results. During the year under review, our three operating regions launched events under the themes of “Caring for the Elderly”, “Caring for the Patients” and “Community Health in Focus” respectively in order to maintain close connections with their local communities.

Northern China Region

Advocating the tradition virtue of respecting and caring for the elderly, volunteer teams from the Northern China Region visited the elderly of their local communities from time to time. In particular, the volunteer team of Yantai New World Department Store gave festive greetings and gifts to the elderly at nursing homes before the Lunar New Year. The volunteer team of Anshan New World Department Store, on the other hand, had a lunch date with the seniors in the rural area. Volunteers prepared dumplings, provided hairdressing and massage services and gave entertaining performances. Volunteers from Beijing Qianzi Store joined hands with Yibin Community to organize a sports day and variety show for senior members of the community. The elderly players took active part in the games and enjoyed the event.



Eastern China Region

The Eastern China Region practiced the Group’s ethos of caring for the patients. From March to April 2017, all Shanghai “Ba Li Chun Tian” branded department stores collaborated with numerous organizations for children with autism in Shanghai to host charity sales for the 10th World Autism Awareness Day. This series of activities gained great support from kind-hearted people. A total of 290 desk calendars made by autistic children were sold to raise RMB15.7 thousand to support medical and living expenses of these young patients.



Central Western China Region

To promote healthy living, stores in the Central Western China Region rolled out relevant health education activities. For example, Mianyang Store launched a health promotion event “Say No to Smog with Green Travel” in December 2016. Free masks and anti-smog leaflets were handed out to the public to improve their knowledge and concern for smog. In March 2017, Wuhan New World Trendy Plaza teamed up with Wuhan Friendship Hospital to offer free medical care to customers, including blood pressure measurement and blood glucose tests. Chinese herbalists and obstetricians were on site to answer questions and give consultation to the public to raise their awareness for diseases.



CARE FOR THE ENVIRONMENT



100%

Power UP ↑



NWDS has always protected the environment with a sense of obligation. We set carbon reduction targets and green guidelines every year to facilitate execution by all stores and offices to promote green management across the Group. During the year under review, we developed the “Policy on Replacing LED Lights at Operating Stores” to reduce energy consumption of lighting systems and *Green Procurement Guidelines* to motivate all stores and offices to adopt green procurement. As the Group tapped into the catering sector, we devised the *Food Waste Reduction Advice* to optimize the operating model of our department stores and further improve our performance in waste reduction. We also made use of our extensive store network to offer new green products and flag low carbon living ideas to our customers, encouraging the public to practice green in their everyday lives.

NWDS GREEN MANAGEMENT WORKFLOW



1. Formulating Green Policies and Guidelines

To steer the Group’s green operations in the right direction, a clearly defined green policy is indispensable. After publishing the “Green Office Policy” in FY2016, we launched the “Policy on Replacing LED Lights at Operating Stores” (the “LED Policy”) during the year under review to reduce energy consumption of lighting systems and standardize the use of energy efficient LED lights at our stores. We also introduced other initiatives to facilitate green procurement and food waste reduction, namely the *Green Procurement Guidelines* and *Food Waste Reduction Advice*. These documented guidelines provide a firm base for all stores and offices to put the green policy into practice.

2. Setting Environmental Protection Targets

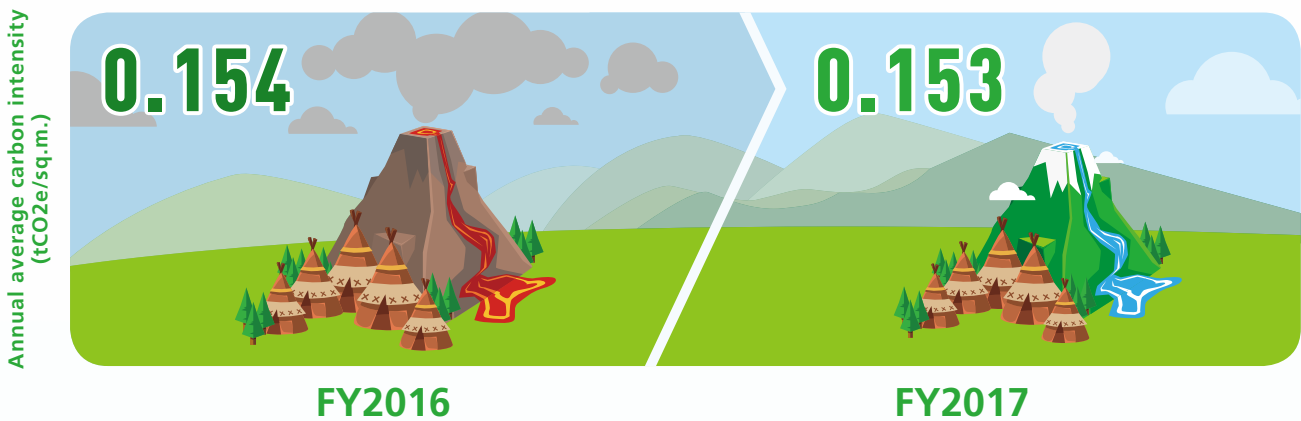
Seeking continued improvement in our green operations, we set quantitative environmental protection targets every year. During the year under review, we set targets to reduce electricity consumption, paper consumption and carbon footprint, etc. We also maintained close communication with all stores and offices through the SSC to ensure all targets could be met as scheduled.



3. Collecting Environmental Data

Accurate data are essential to the effective monitoring of our green performance. To improve efficiency and transparency of the data collection process, we introduced an internet-based Data System during the year under review. All stores and offices were required to input environmental data in the system periodically so that the headquarters could monitor the use of energy, materials and water resources timely. To familiarize frontline and back-office staff with the system, we co-organized two internal training sessions in the first half of FY2017 with the system supplier. We also compiled two sets of *Operation*

Manual for Sustainability Data Management System outlining the different procedures for data entry and data audit for the reference of all stores and offices. Moreover, we conducted carbon audits in all stores and offices for the third consecutive year. The Group recorded 229,809.3 tonnes of total carbon emissions for the year under review, of which indirect carbon emissions (referring to electricity consumption only) accounted for 96.3%. Annual average carbon intensity dropped 0.7% YoY to 0.153 tonnes of carbon dioxide equivalent/square meter ("tCO₂e/sq.m.") and maintained at a low level.



Remark: Direct carbon emissions refer to emissions from operations owned or controlled by the Group, whereas indirect carbon emissions are emissions arising from electricity and gas purchased or acquired for internal use (including heating, cooling and steam production). No full-year operational data are available for Yibin Store which came into operation; Dalian Store, Ningbo Store and Shanghai Xinning Branch Store which ceased operation; as well as Yancheng Store which was temporarily closed for business during the year under review. As a result, these stores are not included in the chart above.

4. Implementing Green Measures and Reviewing Performance

ENERGY CONSERVATION AND EMISSIONS REDUCTION

In view of the increasing impact of global warming, we made it our priority to save energy and reduce emissions. During the year under review, we introduced the LED Policy to set operational standards

for indoor and outdoor lighting at our stores and rolled out the following measures to further reduce the carbon footprint of our business operations.

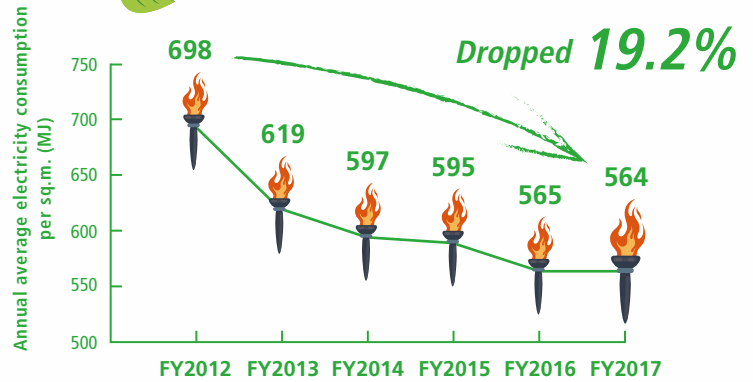
Energy Conservation and Emissions Reduction Measures

Department Stores	<ul style="list-style-type: none"> Regularly inspect, maintain or replace energy-intensive equipment to maintain the highest energy efficiency Evenly distribute emergency lights which are lit at all times at stores to meet fire service and safety requirements with the lowest power consumption Use energy efficient LED lights when replacing or installing new lighting Manually turn on outdoor advertising illumination according to local sunset time to avoid electricity wastage in daytime Flexibly control in-door temperature to a level of body comfort When outdoor temperature is lower than indoor, use fresh air for heat exchange to cut down on electricity consumption for cooling Optimize the operational efficiency of in-store equipment (e.g. lifts, air-conditioners) to reduce the number of installations
Offices	<ul style="list-style-type: none"> Divide the lighting system into different zones so that staff can turn the lights on or off as needed Remind staff to turn off unnecessary lights and electrical appliances to save electricity

To keep air-conditioning systems in good working order, we requested all stores to clean their air-conditioning fan coils and filters thoroughly in addition to routine maintenance in the first half of FY2017. According to the data provided by 32 stores, temperature at air-conditioning outlets dropped by 1.3°C on average and average electricity consumption went down by 579 kWh, accounting for 7.3% of average electricity consumed by air-conditioning systems. The practice was proven to be a huge success.

Overall speaking, our full range of energy conservation and emissions reduction measures achieved very good results. The annual average electricity consumption per sq.m. during the year under review dropped by 0.2% YoY and recorded a significant reduction of 19.2% as compared to FY2012 prior to the large-scale lighting revamp project, marking a new low.

Total Electricity Consumption in Stores and Offices



Remark: No full-year operational data are available for Yibin Store which came into operation; Dalian Store, Ningbo Store and Shanghai Xinning Branch Store which ceased operation; as well as Yancheng Store which was temporarily closed for business during the year under review. As a result, these stores are not included in the chart above.

Nationwide Green Activity 1: "Earth Hour" and "Unplugged Concerts" Promote Energy Conservation and Emissions Reduction

NWDS took part in WWF's "Earth Hour" lights-off campaign for the eighth consecutive year and 38 stores nationwide switched off non-essential lights for one hour at 8:30 p.m. on 25 March 2017. Three stores staged "Unplugged Concerts" in collaboration with local bands and used music as a medium to raise awareness for energy saving and emissions reduction. A "Sing-to-Advocate-Green" check-in wall was set up for the first time for customers' green pledges to draw public attention towards global warming. Our online publicity campaign attracted nearly 28,000 online users to read, forward, and like our posts.



LIGHTS OFF

LIGHTS ON



WASTE MANAGEMENT

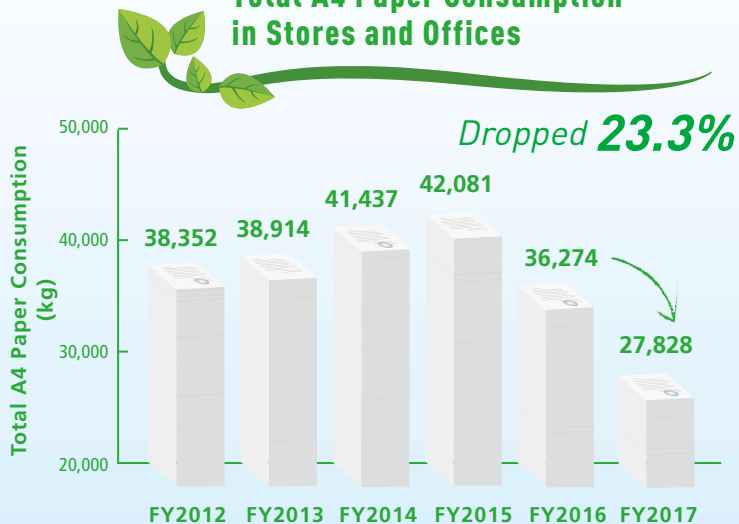
Embracing the principle of “use less, waste less”, the Group published the *Guidelines on Waste Reduction at Offices* and *Waste Measurement Guidelines* in FY2015 and FY2016 respectively. Staff were guided to cherish natural resources and monitor their consumption. As food and beverage outlets took up a larger proportion of business composition in our department stores and the Group is expanding its joint venture catering business, we developed the *Food Waste Reduction*

Advice during the year under review with reference from community food waste schemes to encourage stores and offices to launch their own food waste reduction initiatives. During the year under review, the Group reduced consumption of A4 paper, A3 paper and paper products by 23.3%, 35.0% and 59.5% respectively. Total savings amounted to 57,048.1 kg, representing an impressive reduction of 48.2% YoY.

Waste Management Measures

Department Stores	<ul style="list-style-type: none"> Introduce electronic payment methods such as Alipay, WeChat Pay and 99bill to accelerate paperless verification process Promote via online marketing channels to reduce printed matters Organize waste recycling campaigns, leveraging on our extensive store network to advocate waste reduction and recycling Assign dedicated party to collect reusable office supplies for modification or upcycling; and encourage waste recycling and reuse Commission authorized recyclers to collect old books, carton boxes, aluminium cans and plastic bottles regularly
Bakeries	<ul style="list-style-type: none"> Commission authorized recyclers to collect and dispose of food waste and used oil daily and record the amounts recycled Order raw materials according to sales status to avoid over-stocking and wastage
Offices	<ul style="list-style-type: none"> Set up a standardized ERP operating system to promote office automation and paperless operations Encourage staff to save paper through double-sided printing

Total A4 Paper Consumption in Stores and Offices



Remark: No full-year operational data are available for Yibin Store which came into operation; Dalian Store, Ningbo Store and Shanghai Xinning Branch Store which ceased operation; as well as Yancheng Store which was temporarily closed for business during the year under review. As a result, these stores are not included in the chart above.

Nationwide Green Activity 2: “Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign” Educates Public to Use Less, Waste Less

To promote the concept of turning trash into treasure, NWDS presented the sixth “Green Mid-Autumn Festival – Moon Cake Box Recycling Campaign” between 14 and 30 September 2016. Almost 1,200 idle mooncake boxes were collected, bringing the grand total since initial launch to close to 26,200. Concerning wastage that often occurs during festivals, we introduced the first “Be a Blessed Giver – Moon Cake Donation Drive” to give nearly 950 unconsumed mooncakes to recyclers or social welfare organizations. Stores across the country also developed a wide range of festive green events that suit the needs of their local communities. These include family DIY workshops where customers turned mooncake boxes into art pieces, and home visits to the elderly offering free mooncakes. While promoting the green cause, these activities filled the community with love. Nearly 2,000 online users spiced up the campaign with their green messages online.



GREEN PROCUREMENT

Materials and products might incur impacts on the environment during production and application phases. Thus, we insist on procuring materials and products that meet specific quality standards, and make environmentally-sound products our first choice whenever possible.



Adoption of Green Materials

We formulated our “Green Procurement Policy” in 2009, and all stores and offices are required to adhere to our green procurement principles, e.g. choosing high energy efficient products and bio-degradable products, etc. During the year under review, we developed the *Green Procurement Guidelines* to provide stores and offices with reference on green product specifications based on the *Green Procurement Practice* published by the Environmental Protection Department in Hong Kong. When selecting decorative materials for general projects, we give priority to green choices for a better indoor and outdoor setting at our stores. Furthermore, we print our financial reports and sustainability reports on certified eco-friendly paper with soy ink to reduce their impacts on the environment.



Procurement of Merchandise

Our private label, LOL, mainly offers quality lifestyle products sourced from different channels. To actualize LOL’s green vision, we prepared the “LOL Green Proposal” to indicate our preference for green merchandise before the start of collaboration with any suppliers and ask them to produce proof of their product’s green specifications. During the year under review, LOL introduced a range of eco-friendly DIY products made by original Hong Kong brand “Team Green”, including 3D puzzles and a series of products made with certified eco-friendly raw materials, which were greatly welcomed by lifestyle- and environment-conscious customers. Other green products launched include environmentally-sound cork accessories and leather goods, as well as eco-resin children’s goods. We maintained the sales proportion of eco-friendly merchandise at around 10% at LOL stores. In the future, we will continue to source new green products to inspire our customers to embrace the green lifestyle.



LOL Green Proposal

We sincerely thank all suppliers for their continued support to LOL (Love • Original • Life) Concept Shop (“LOL”) under New World Department Store China Limited.

LOL always makes eco-friendly products its priority procurement choice, which include merchandise made with green materials, products with green packaging, future product design concepts and jointly promoted eco-products. We call on all suppliers to embrace LOL’s green vision.

We appreciate if all suppliers could produce relevant certification documents before settling themselves with LOL.

**New World Department Store
China Limited**



PROMOTING GREEN LIVING

To solicit wider engagement in the green cause, we hosted a series of green activities during the year under review to encourage our staff, customers and the public to make positive changes in their personal behaviour and lifestyles so as to combat climate change hand in hand.

Nationwide Green Activity 3: “Reaching Out to Nature” Educates Customers to Care for the Nature

To enhance the eco-awareness of its customers, NWDS organized the third “Reaching Out to Nature” nationwide outdoor green activity from 22 April to 1 May 2017. Echoing with the theme, stores led close to 3,200 customers to scenic nature spots like Huanglongxi in Chengdu, Xianglu Mountain in Harbin, Xiaodian Village in Shuangmei, Anning and East Lake Greenway in Wuhan, etc. Customers had a chance to care for the nature through picking fresh fruits, tree planting and cycling in the countryside. Some stores also set up nature zones where customers could have close encounters with small animals. Graffiti workshops were also organized to encourage kids to express their aspiration of a green world with art, so that customers could relish the beauty of nature even if they could not take part in the outdoor activities. Online promotions under this theme attracted close to 38,000 followers, successfully mobilizing green power in the community.



Nationwide Green Activity 4: “GO GREEN with NWDS” Advocates Low Carbon Living

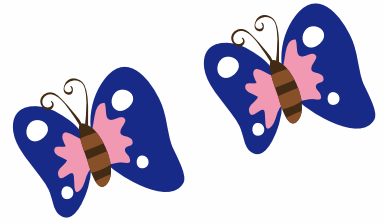
The sixth “GO GREEN with NWDS” activity was held from 2 to 11 June 2017 and was strongly supported by nearly 25,000 customers. During this campaign, all stores rolled out “Green Rewards GO GO GO” to encourage customers to wear green when shopping at the stores. Almost 19,000 potted plants, reusable bags and green beverages were given away to customers as tokens of appreciation. To advocate low carbon dieting, we organized the first “Low-carbon Food Festival • Special Rewards for Early Birds” campaign. Over 20 in-store restaurants offered low carbon menus in support. We also hosted the new “Loving Patchwork for the Environment” workshop to teach customers how to make handicraft gifts with cloth remnants for donation to charitable organizations. Actions like these combined environmental protection efforts with community care.



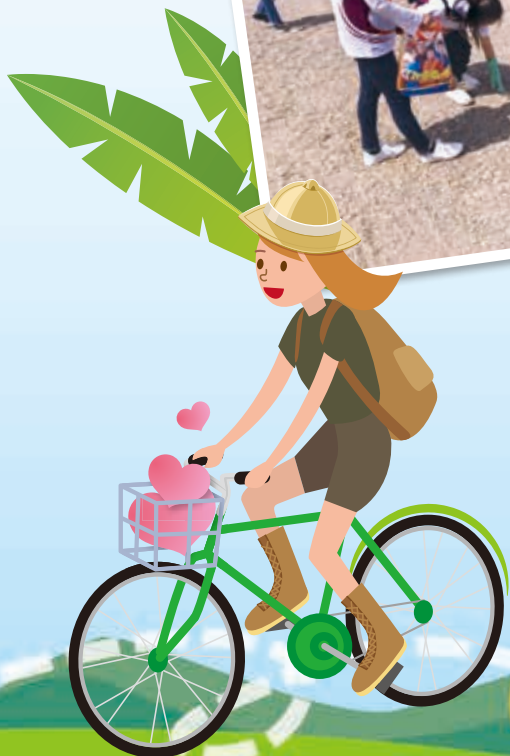


Reaching out to the Communities to Promote Green Concept

In addition to our yearly nationwide green activities, we encourage stores to roll out their own green activities to promote the green concept. During the year under review, our stores self-initiated up to 420 green activities to reach out to the community.



Green Activities	
Beijing New World Qianzi Department Store	Organized "Share the Same Blue Sky, Plant for a Better Home" tree planting day for the sixth consecutive year to enhance the natural environment with customers
Lanzhou New World Department Store	Hosted the "Protect Our Mother River" activity and mobilized volunteers to clean up rubbish and debris at the riverside and educate litterers not to litter, in order to raise public eco-awareness
Xi'an New World Department Store	Jointly organized the "Rainbow Ride for Charity and Green Cause" activity with a bike sharing operator, which kicked off at Xi'an Store's plaza and promoted low carbon living through healthy cycling
Yantai New World Department Store	Promoted forest fire prevention at Yantai University in support of the Yantai Municipal Forest Fire Prevention Superintendent to strengthen students' awareness on forest fire prevention and environmental protection



HONOURS AND RECOGNITIONS



NWDS strives to fulfil its corporate social responsibility and its outstanding performance was highly recognized. During the year under review, it garnered 21 international and local awards in various aspects such as corporate governance, staff benefits and development, community services and environmental protection. We treasure such commendation and will continue to drive and contribute to the sustainable development of the Group and the society at large.

CORPORATE GOVERNANCE

The Asset Corporate Awards 2016

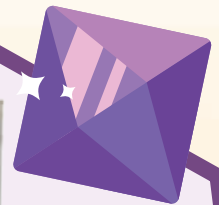
- ◆ Gold Award in the category of "Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations"

2016 "Golden Hong Kong Stocks Awards"

- ◆ Most Socially Responsible Listed Company

7th Asian Excellence Recognition Awards

- ◆ Best Investor Relations Company (Hong Kong)
- ◆ Best Investor Relations Professional (Hong Kong)



STAFF BENEFITS AND DEVELOPMENT



Home Affairs Bureau & Family Council

- ◆ Family-Friendly Employer
- ◆ Special Mention (Gold)

Overseas Education College of Shanghai Jiao Tong University

- ◆ 2016 China's Best Corporate University

China Chain Store & Franchise Association

- ◆ 2016 CCFA Top 10 Corporate Universities
- ◆ 2016 CCFA Retail Innovation Award



COMMUNITY SERVICES



The Hong Kong Council of Social Service

- ◆ 2016 / 17 5 Years Plus Caring Company Logo
- ◆ 2016 / 17 Business for Sustainability Logo

Hong Kong Productivity Council

- ◆ "Corporate Citizenship Logo" in the category of "Enterprise"
- ◆ "Corporate Citizenship Logo" in the category of "Volunteer"

Social Welfare Department

- ◆ Bronze Award for Volunteer Service

Agency for Volunteer Service

- ◆ Hong Kong Community Volunteers (Corporate Member) Certificate of Appreciation

Hong Kong Family Welfare Society

- ◆ Corporate Volunteer – Certificate of Appreciation



ENVIRONMENTAL PROTECTION



Environmental Campaign Committee

- ◆ "Hong Kong Green Organisation" certificate
- ◆ "Basic Level" Energywise Certificate


World Green Organisation

- ◆ "Green Office" Label
- ◆ UNMDG's "Better World Company" Label




DATA TABLES

STAFF BENEFITS AND DEVELOPMENT

 Number of Employees (GRI G4-10)

		Total	Gender		Region	
			Male	Female	Hong Kong	China
Type of Staff	Permanent	4,711	2,004	2,707	39	4,672
	Contract	16	8	8	0	16
Type of Employment Contract	Long-term Contract	2,000	907	1,093	39	1,961
	Fixed-term or Temporary Contract	2,727	1,105	1,622	0	2,727
	Full-time	4,724	2,012	2,712	37	4,687
	Part-time	3	0	3	2	1

 Staff Establishment Breakdown (GRI G4-LA12)

	Male	Female
Assistant General Manager and above	40 (0.8%)	40 (0.8%)
Manager	101 (2.1%)	149 (3.2%)
Assistant Manager	376 (8.0%)	502 (10.6%)
Back-office Officer and below	1,050 (22.2%)	602 (12.7%)
Frontline Officer and below	446 (9.4%)	1,421 (30.1%)
Total	2,013 (42.6%)	2,714 (57.4%)



Average Training Hours per Staff (GRI G4-LA9)

	FY2017
By Position	
Assistant General Manager and above	25.9
Manager	6.6
Assistant Manager	4.8
Back-office Officer and below	5.5
Frontline Officer and below	12.7
By Gender	
Male	7.7
Female	9.3



New Employee Hires and Employee Turnover
(GRI G4-LA1)

	FY2017	
Number of Employees	By Gender	
	Male	2,013
	Female	2,714
	By Age	
	Aged under 30	1,118
	Aged 30-39	2,391
	Aged 40-49	1,058
	Aged 50 or above	160
	By Region	
	Hong Kong	39
China	4,688	
Total	4,727	
New Employee Hires	By Gender	
	Male	390 (8.3%)
	Female	696 (14.7%)
	By Age	
	Aged under 30	528 (11.2%)
	Aged 30-39	459 (9.7%)
	Aged 40-49	96 (2.0%)
	Aged 50 or above	3 (0.1%)
	By Region	
	Hong Kong	9 (0.2%)
China	1,077 (22.8%)	
Total	1,086 (23.0%)	
Employee Turnover	By Gender	
	Male	587 (12.4%)
	Female	1,059 (22.4%)
	By Age	
	Aged under 30	707 (15.0%)
	Aged 30-39	753 (15.9%)
	Aged 40-49	157 (3.3%)
	Aged 50 or above	29 (0.6%)
	By Region	
	Hong Kong	12 (0.3%)
China	1,634 (34.6%)	
Total	1,646 (34.8%)	



Occupational Health and Safety Statistics
(GRI G4-LA6)


	FY2017	
Absentee Rate	By Gender	
	Male	0.20%
	Female	1.57%
	By Region	
	Hong Kong	0.74%
China	0.99%	
Overall	0.99%	
Lost Day Rate	By Gender	
	Male	22.413
	Female	15.375
	By Region	
	Hong Kong	9.862
China	18.444	
Overall	18.372	
Injury Rate	By Gender	
	Male	0.433
	Female	0.321
	By Region	
	Hong Kong	0.000
China	0.372	
Overall	0.369	
Occupational Disease Rate	By Gender	
	Male	0
	Female	0
	By Region	
	Hong Kong	0
China	0	
Overall	0	
Number of Fatalities	By Gender	
	Male	0
	Female	0
	By Region	
	Hong Kong	0
China	0	
Total	0	

Remark: The rates of lost days, injuries and occupational diseases were calculated based on the number of incidents to the total working hours of 100 employees.




ENVIRONMENTAL PROTECTION


No full-year operational data are available for Yibin Store which came into operation; Dalian Store, Ningbo Store and Shanghai Xinning Branch Store which ceased operation; as well as Yancheng Store which was temporarily closed for business during the year under review. As a result, these stores are not included in the full-year statistics below.


 Energy Consumption (GRI G4-EN3)			
Type	Unit	FY2017	
Natural Gas	GJ	124,287	
Gasoline	GJ	4,200	
Diesel	GJ	19,510	
Electricity	GJ (kWh)	846,335 (235,092,941)	
Total	GJ	994,331	


Remark: Energy consumption was calculated with reference to the *Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines*.

 Energy Intensity (GRI G4-EN5)			
Type	Unit	FY2017	
Natural Gas	MJ / m ² / annum	82.7	
Gasoline	MJ / m ² / annum	2.8	
Diesel	MJ / m ² / annum	13.0	
Electricity	MJ (kWh) / m ² / annum	563.5 (156.5)	

Remark: The reported energy intensity and carbon intensity are calculated based on the GFA of the stores with full-year operations during the year under review (i.e. 1,502,018 sq.m.).

 Water Resources Consumption (GRI G4-EN8)			
Type	Unit	FY2017	
Public Water Supply	M ³	1,955,486	
Bottled Drinking Water	M ³	212	

 Material Used (GRI G4-EN1)			
Type	Unit	FY2017	
Paper (A4)	Tonne	27.8	
Paper (A3)	Tonne	0.7	
Paper Products	Tonne	32.8	
Plastic Bags	Tonne	14.1	

 Waste by Type (GRI G4-EN23)			
Type	Unit	FY2017	
Non-hazardous			
General Waste	Tonne	4,273.7	
Paper	Tonne	7.9	
Cardboard	Tonne	464.3	
Plastic	Tonne	14.8	
Aluminium Can	Tonne	0.8	
Scrap Metal	Tonne	3.3	
Glass	Tonne	0.0	
Food Waste	Tonne	8,786.3	
Used Cooking Oil	Tonne	0.8	
Hazardous			
Toner	Tonne	0.2	

Remark: Waste handling methods included disposal to landfills, incineration and recycling. As concessionaire counters and tenants of some stores handled their own sorting and recycling of waste during the year under review, we were unable to capture the amount of waste they handled as a result. In the future, we will continue to regulate our waste management procedures and improve our data collection and classification mechanism in order to provide a more comprehensive set of waste data.

GRI CONTENT INDEX

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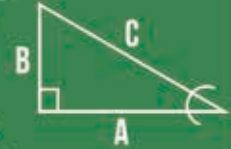


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$$= \lim_{x \rightarrow 0} \frac{e^x - e^{-x}}{\sin x} \left(\frac{0}{0} \right) = \lim_{x \rightarrow 0} \frac{e^x + e^{-x}}{\cos x} = \frac{2}{1} = 2$$

$$\lim_{x \rightarrow 0} \frac{e^x - e^{-x} - 2x}{x - \sin x} \left(\frac{0}{0} \right) = \lim_{x \rightarrow 0} \frac{e^x + e^{-x} - 2}{1 - \cos x} \left(\frac{0}{0} \right) =$$




$$= \lim_{x \rightarrow 0} \frac{e^x - e^{-x}}{\sin x} \left(\frac{0}{0} \right) = \lim_{x \rightarrow 0} \frac{e^x + e^{-x}}{\cos x} = \frac{2}{1} = 2$$





The Report was prepared in accordance with the Core option of the *Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines* and the new *Environmental, Social and Governance (ESG) Reporting Guide* of the Stock Exchange. The below table provides either linkage to the reported section(s) or direct descriptions for each of the disclosure requirements.

GENERAL STANDARD DISCLOSURES

G4 Guidelines General Standard Disclosures	References / Comments of Report Contents	External Assurance	General Disclosures / KPI of ESG Guide	Page(s)
Strategy and Analysis				
G4-1 Statement from the most senior decision-maker of the organization	Message from the Chairman	✓		P. 4-5
Organizational Profile				
G4-3 Name of the organization	Our Business	✓		P. 6-9
G4-4 Primary brands, products and services	Our Business	✓		P. 6-9
G4-5 Location of organization's headquarters	Hong Kong Office Address: 7 / F, 88 Hing Fat Street, Causeway Bay, Hong Kong	✓		
G4-6 Number and name(s) of countries the organization operates	Our Business	✓		P. 6-9
G4-7 Nature of ownership and legal form	Our Business Annual Report – Notes to the Financial Statements (P.128-131)	✓		P. 6-9
G4-8 Markets served	Our Business	✓		P. 6-9
G4-9 Scale of the organization	Our Business Data Tables	✓		P. 6-9 P. 42-44
G4-10 Total number of employees	Care for Our Staff Data Tables	✓	B1.1	P. 18-23 P. 42-44
G4-11 Percentage of employees covered by collective bargaining agreements	Employees are not covered by collective bargaining agreements.	✓		

G4 Guidelines General Standard Disclosures	References / Comments of Report Contents	External Assurance	General Disclosures / KPI of ESG Guide	Page(s)
G4-12 Organization's supply chain	Care for Our Operations and Supply Chain	✓	B5.1	P. 24-27
G4-13 Significant changes during the reporting period regarding size, structure, ownership or organization's supply chain	Our Business Care for Our Operations and Supply Chain	✓		P. 6-9 P. 24-27
G4-14 Explanation of whether and how the precautionary approach or principle is addressed by the organization	Annual Report – Corporate Governance Report (P. 34-42)	✓		
G4-15 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Care for the Environment	✓		P. 32-39
G4-16 Memberships in associations and national or international advocacy organizations	No membership in associations and national or international advocacy organizations.	✓		
 Identified Material Aspects and Boundaries				
G4-17 Entities included in the organization's consolidated financial statements or equivalent documents	Annual Report – Financial Section (P. 66-133)	✓		
G4-18 Process for defining report contents and the aspect boundaries	About this Report Our Sustainability Values	✓		P. 2-3 P. 10-15
G4-19 Material aspects identified in the process for defining report contents	About this Report Our Sustainability Values	✓		P. 2-3 P. 10-15
G4-20 Aspect boundary within the organization for each material aspect	About this Report Our Sustainability Values	✓		P. 2-3 P. 10-15
G4-21 Aspect boundary outside the organization for each material aspect	About this Report Our Sustainability Values	✓		P. 2-3 P. 10-15
G4-22 Explanation of the effect of any re-statements of information provided in previous reports, and the reasons for such re-statement	As the Group started to adopt a new electronic platform to collect sustainability data during the year under review, some definitions and values of data have been updated. Please refer to the data tables for specific updates. In addition, the Report contains no re-statement of information provided in previous reports.	✓		
G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries	Our Sustainability Values	✓		P. 10-15
 Stakeholder Engagement				
G4-24 List of stakeholder groups engaged by the organization	Our Sustainability Values	✓		P. 10-15
G4-25 Basis for identification and selection of stakeholders with whom to engage	Our Sustainability Values	✓		P. 10-15
G4-26 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Our Sustainability Values	✓		P. 10-15
G4-27 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Our Sustainability Values	✓		P. 10-15
 Report Profile				
G4-28 Reporting period	About this Report	✓		P. 2-3
G4-29 Date of most recent previous report	November 2016	✓		
G4-30 Reporting cycle	Annually	✓		
G4-31 Contact point for questions regarding the Report or its contents	About this Report	✓		P. 2-3
G4-32 GRI Content Index, the 'in accordance' option the organization has chosen and the reference to the External Assurance (if any)	GRI Content Index	✓		P. 45-48
G4-33 Policy and current practice with regard to seeking external assurance for the Report	About this Report Verification Statement	✓		P. 2-3 P. 49

G4 Guidelines General Standard Disclosures	References / Comments of Report Contents	External Assurance	General Disclosures / KPI of ESG Guide	Page(s)
 Governance				
G4-34 Governance structure of the organization	Our Sustainability Values Annual Report – Corporate Governance Report (P. 34-42)	✓		P. 10-15
 Ethics and Integrity				
G4-56 Organization's values, principles, standards and norms of behaviour	Our Business Annual Report – Corporate Governance Report (P. 34-42)	✓		P. 6-9

SPECIFIC STANDARD DISCLOSURES

Material Aspects	G4 Guidelines DMA and Indicators	References / Comments of Report Contents	External Assurance	General Disclosures / KPI of ESG Guide	Page(s)
Economic Performance	DMA	Our Business Annual Report – Corporate Governance Report (P. 34-42)	✓		P. 6-9
	G4-EC1 Direct economic value generated and distributed	Care for the Community Annual Report – Financial Highlights (P. 4-5)	✓	B8.2	P. 28-31
Indirect Economic Impacts	DMA	Care for Our Staff	✓		P. 18-23
	G4-EC8 Significant indirect economic impacts, including the extent of impacts	Our Business Care for Our Staff	✓		P. 6-9 P. 18-23
Procurement Practices	DMA	Our Business Care for Our Operations and Supply Chain	✓	B5.2	P. 6-9 P. 24-27
	G4-EC9 Proportion of spending on local suppliers at significant locations of operations	Care for Our Operations and Supply Chain	✓	B5.1	P. 24-27
Materials	DMA	Care for the Environment	✓	A2, A3, A3.1	P. 32-39
	G4-EN1 Materials used by weight or volume	Data Tables No mechanism to separate the calculation of renewable and non-renewable materials used.	✓	A2.5	P. 42-44
Energy	DMA	Care for the Environment	✓	A2, A3, A2.3, A3.1	P. 32-39
	G4-EN3 Energy consumption within the organization	Data Tables	✓	A2.1	P. 42-44
Effluents and Waste	DMA	Care for the Environment	✓	A1(a), A3, A3.1, A1.6	P. 32-39
	G4-EN23 Total weight of waste by type and disposal method	Data Tables	✓	A1.3, A1.4, A1.6	P. 42-44
Employment	DMA	Care for Our Staff	✓	B1(a)	P. 18-23
	G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	Data Tables	✓	B1.2	P. 42-44
Labour / Management Relations	DMA	Care for Our Staff	✓		P. 18-23
	G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	We inform the affected staff in accordance with the <i>PRC Labour Contract Law</i> .	✓		

Material Aspects	G4 Guidelines DMA and Indicators	References / Comments of Report Contents	External Assurance	General Disclosures / KPI of ESG Guide	Page(s)
Occupational Health and Safety	DMA	Care for Our Staff	✓	B2(a), B2.3	P. 18-23
	G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Data Tables	✓	B2.1, B2.2	P. 42-44
Training and Education	DMA	Care for Our Staff	✓	B3	P. 18-23
	G4-LA9 Average hours of training per year per employee by gender, and by employee category	Data Tables	✓	B3.1, B3.2	P. 42-44
Labour Practices Grievance Mechanisms	DMA	Care for Our Staff	✓		P. 18-23
	G4-LA16 Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Care for Our Staff We will confidentially investigate reported cases in a fair, efficient and justice manner. During the year under review, we received six cases, of which five have been resolved. We are also dealing with the remaining case.	✓		P. 18-23
Non-discrimination	DMA	Care for Our Staff	✓	B1(a)	P. 18-23
	G4-HR3 Total number of incidents of discrimination and corrective actions taken	During the year under review, there was no discrimination incident identified.	✓		
Forced or Compulsory Labour	DMA	Care for Our Staff	✓	B4(a), B4.2	P. 18-23
	G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Care for Our Staff	✓	B4.1, B4.2	P. 18-23
Compliance with Social Regulations	DMA	Care for Our Operations and Supply Chain	✓		P. 24-27
	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	During the year under review, there was no case of non-compliance with regulations identified.	✓	B1(a), B2(b), B4(b), B7(b)	
Customer Health and Safety	DMA	Care for Our Operations and Supply Chain	✓	B6(a)	P. 24-27
	G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Care for Our Operations and Supply Chain	✓	B6(b)	P. 24-27
Marketing Communications	DMA	Care for Our Operations and Supply Chain	✓		P. 24-27
	G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications (including advertising, promotion, and sponsorship) by type of outcomes	During the year under review, there was no incident of non-compliance with regulations and voluntary codes identified in relation to marketing communications practices (including advertising, promotion, and sponsorship).	✓	B6(b)	
Customer Privacy	DMA	Care for Our Operations and Supply Chain	✓	B6(a), B6.5	P. 24-27
	G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	During the year under review, there was no incident of substantiated complaint identified in relation to customer privacy.	✓	B6(b), B6.2	



VERIFICATION STATEMENT

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SGS

NATURE AND SCOPE OF THE ASSURANCE

SGS Hong Kong Limited was commissioned by New World Department Store China Limited (hereafter as "NWDS") to conduct an independent assurance of the *NWDS Sustainability Report 2017* (hereafter as the "Report"). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the performance of NWDS from 1 July 2016 to 30 June 2017.

The information in the Report and its presentation are the responsibility of NWDS. SGS has not been involved in the preparation of any of the material included in the Report. Our responsibility is to express an opinion on the text, data, graphs and statements within the mentioned scope of assurance set out below with the intention to inform all NWDS' stakeholders.

The Report has been assured at a high level of scrutiny using our protocols for:

- Evaluation of content veracity;
- Evaluation of the Report in accordance with the Core option of the *Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines*; and
- Evaluation of the Report with reference to the Stock Exchange of Hong Kong Limited, *Environmental, Social and Governance (ESG) Reporting Guide*.

The assurance methodology comprised a combination of pre-assurance research, interviews with the management and employees at the headquarters, documentation and record review.

Financial data drawn directly from independently audited financial accounts have not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

SGS affirms our independence from NWDS, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders. The assurance team was assembled based on the members' knowledge, experience and qualifications for this assignment, and comprised lead auditors of ISO 14001, auditors of SA 8000, ISO 26000 and OHSAS 18001 and Trainer in Sustainability Reporting.

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the Report are accurate, reliable and provides a fair and balanced representation of NWDS sustainability performance. The assurance team is of the opinion that the Report conforms to the Core option of the *GRI G4 Sustainability Reporting Guidelines* and is reference to the Stock Exchange of Hong Kong Limited, *Environmental, Social and Governance (ESG) Reporting Guide*. It can be used by NWDS' stakeholders.

Signed:
For and on behalf of SGS Hong Kong Limited

Ben Tsang
Senior Director, China and Hong Kong
Certification and Business
Enhancement

Jacky Yeung
Lead Assuror
Certification and Business
Enhancement

14 December 2017
www.sgs.com



YOUR FEEDBACK

In order to make continuous improvement in the content of our sustainability reports and associated practices, we would like to cordially invite you to take a few minutes to complete the following feedback form.

- How would you rate the Report ?
 Excellent Good Satisfactory Acceptable
- How useful is the information of the Report ?
 Excellent Good Satisfactory Acceptable
- Based on the content of the Report, how would you rate our sustainability performance ?
 Excellent Good Satisfactory Acceptable
- Does the Report give a clear presentation of information ?
 Very clear Clear Adequate Acceptable
- Which aspect(s) of information you would like us to elaborate in the future? (You can select more than one option)
 Corporate Governance Staff Benefits and Development Operating Practices
 Community Services Environmental Protection Others (Please specify: _____)
- Other comments:

- Which of the following groups do you belong to ?
 Staff Customer Supplier / contractor
 Non-profit organization Investor Listed company
 Media Government agency Industry association
 Academia General public Others (Please specify: _____)

If you would like to receive future reports / information from us, please provide your contact details:

Name: _____ Organization: _____
Telephone: _____ Email address: _____

Please return the completed form to us by:

Email: nwdscad@nwds.com.hk Fax: (852) 2318 0884 Post: 7 / F, 88 Hing Fat Street, Causeway Bay, Hong Kong

All personal information will be used in strictest confidentiality and for communication and statistical purposes only. All personal data are handled in accordance with provisions of the Personal Data (Privacy) Ordinance.

Thank you for your valuable feedback!





