

VIPSHOP CSR REPORT 2018



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ABOUT THIS REPORT

Introduction to this Report

This report marks the fifth consecutive year that Vipshop (VIP.COM, NYSE: VIPS) publishes its Corporate Social Responsibility Report, following the last report on June 2018. This report provides a detailed disclosure of Vipshop’s practice and performance in areas of social responsibility such as environment, society, and governance in 2018, based on the principles of objectivity, normativity, transparency and comprehensiveness.

Reporting Scope

This is an annual report, covering the related data from 1 January to 31 December 2018. To make the report more comparable, some contents may trace back to previous years.

This report covers Vipshop’s operations sites in China from offices to warehouses (i.e., overseas operations are excluded).

Reporting Standard

Global Reporting Initiative (GRI) “Sustainability Reporting Standards”

UN “2030 Agenda for Sustainable Development”

The Chinese Academy of Social Sciences “Chinese CSR Report Preparation Guide (CASS-CSR 4.0)”

Reporting Notes

Vipshop guarantees that this report has no false information or misrepresentation, and the data collection process and calculation method for the same indicator disclosed in the company’s annual report are identical.

To facilitate presentation, Vipshop herein may be referred to as “The company” or “We”.

Publication

This report will be released simultaneously in Chinese and English in June 2019, both online and in print. For online reading or downloads, please visit: <http://blog.vip.com>.

Feedback

Vipshop continues to strive for even better performance for the environment and our stakeholders. Please contact us at vipshop365day@vipshop.com, your comments are highly valued and will be treated in strict confidence.



For online reading or downloads, please visit: <http://blog.vip.com>

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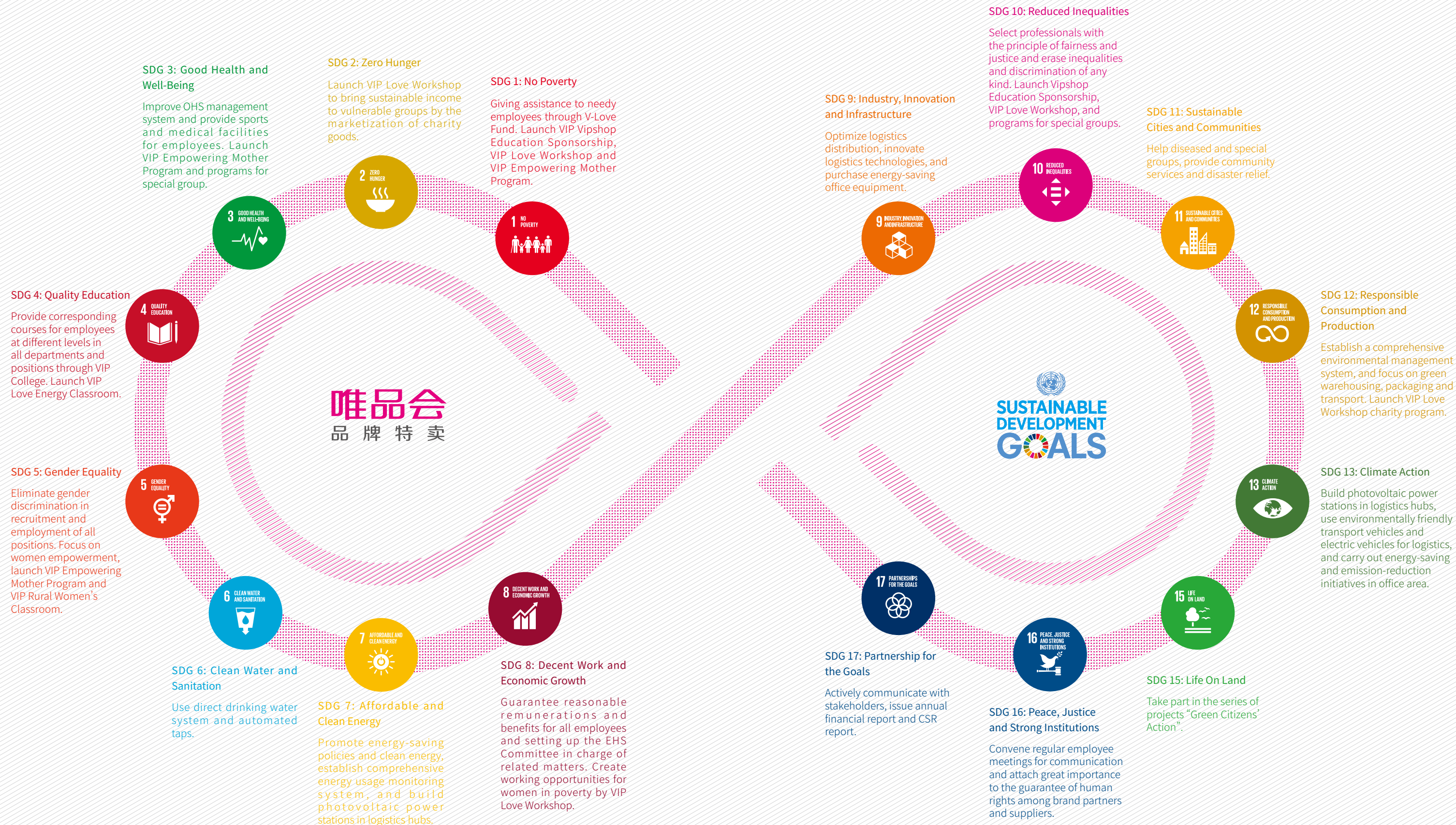
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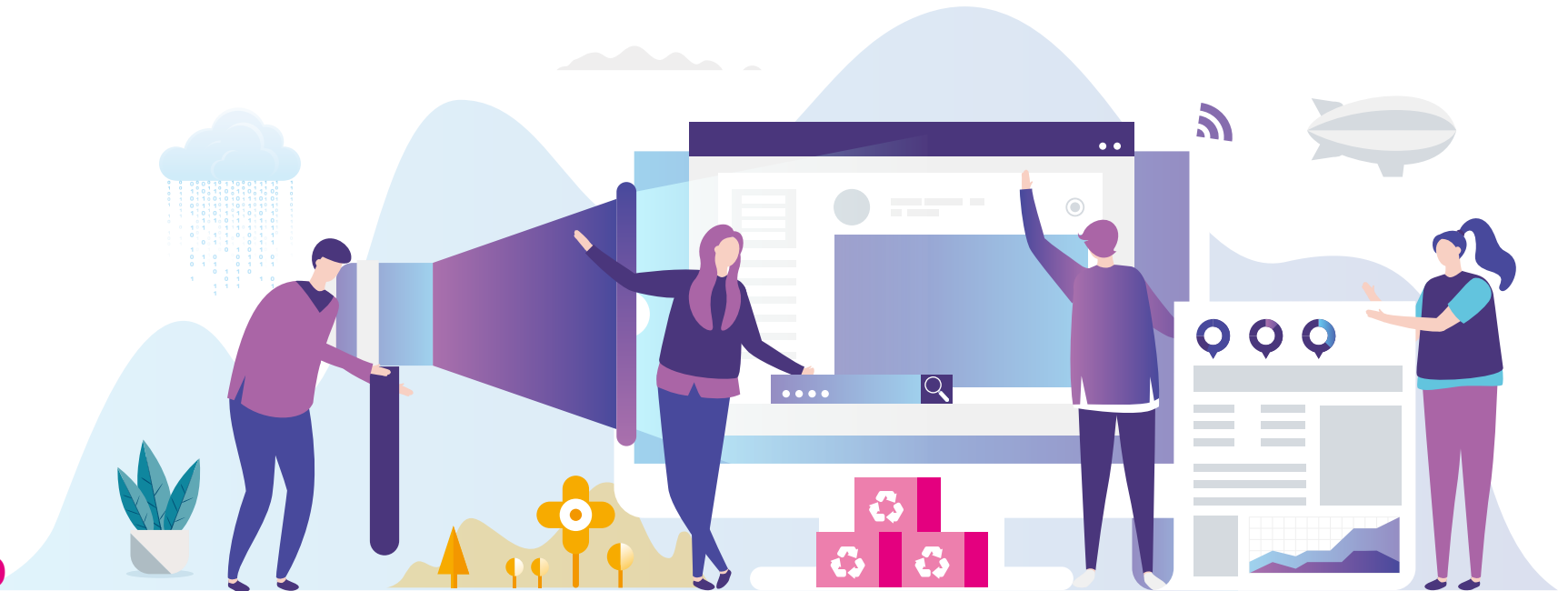
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MESSAGE FROM VIPSHOP

MAKE BETTER LIFE MORE SUSTAINABLE AND CREATE MORE POSSIBILITIES FOR THE WORLD



2018 marked the 10th birthday of Vipshop. Ten years ago, “a website specializing in flash sale” began its journey of entrepreneurship in Guangzhou, a time-honored city of commerce. Today, Vipshop cooperates with over 20,000 brand partners worldwide and takes credit for the improved quality of life of its 330 million members. This achievement is a testament to the Vipshoppers’ persistent pursuit of excellence, as well as the trust and support accorded it by consumers, brand partners and society through the years. For all these ten years, we feel grateful to all of you!

Over the past decade, the internet industry has experienced drastic growth amidst changing hotspots, but Vipshop has remained firm in its belief that the essence of business is value maximization. On the mission of “improving quality of life and enhancing experience of happiness”, our company constantly thinks about its positioning and role as a corporate citizen. This had led us to construct a complete system for responsibility fulfillment and to set clear goals under the guidance of the United Nations’ Sustainable Development Goals and the “13th Five-Year Plan”. Joining hands with our customers, employees

and communities, we shall build a new ecology of innovative collaboration and create new value in the future.

The greatest truths are the simplest. “Flash sale on branded products” lights up a high-quality life. In 2018, Vipshop has received 437 million orders. What we see behind every purchase is consumers’ pursuit of quality life and self-expectations. We regard and treat every contact with customers as an opportunity to help the masses lead a higher quality of life. Having implemented the strategy of “flash sale on branded products” for ten years now, Vipshop no longer just collects cost-effective “good products” worldwide for customers but also creates “good experience” for customers. Evaluation results of the Dow Jones Sustainability Indexes of 2018 shown that Vipshop was adjudged the best in customer relation management in the global retail industry.

Vipshop advances sustainable consumption by empowering brands through the strategy of “flash sale on branded products” while continuing to increase customer satisfaction. By virtue of forward-looking insights into consumption trends and

the innovation advantage of its platform, Vipshop has acted as a bond between brands and customers, helping the former accurately grasp demands and efficiently expand markets, and finally satisfy customer needs, contribute to the success of partners, and pushing sustainable development of itself.

We live together and share common prosperity, as green logistics safeguards the environment. The pursuit of a higher quality of life should not be at the cost of the environment. Vipshop is actively committed in treating green e-commerce as a major part of its strategy. In all the processes involved in its business operations—from office work, to warehousing, to packaging and transportation, Vipshop constantly strives to minimize the impact on the environment. We do not hesitate to employ various means, including energy saving, emission reduction, plastic & waste reduction and the use of clean energy in our green e-commerce strategy. We are proud to tell the welcomed achievements in terms of green logistics: in 2018, we reduced nearly 16,000 tons of carbon emissions through environmentally friendly warehousing and photovoltaic

power generation; we lowered our consumption of paper packing materials by 57% year on year by adopting measures such as eco-packaging and recycling. In the future, Vipshop will continue to strive to make every delivery greener and less energy-consuming to better protect our homeland.

We achieve success, create dynamic workplace and enable win-win career development. We treat every colleague as our business partner. In Vipshop, we not only jointly promote the success of the company, but also help achieve the success of every Vipshoper. We are a young and energetic team facing an ever-changing industry. In 2018, 63.4% of our total workforce was under 30 years old. The enhancement of employees’ occupational ability and ability to learn is vital to the sustainable development of employees themselves and the company. We effectively enhance employee development and help achieve life-work balance through our complete training system and online learning platform, a fair and expeditious channel for career development, a diverse and inclusive working environment, and a humanized benefits system.

Vipshop Charity creates a harmonious future by empowering communities. Vipshop believes that charity is an important approach for a business to create deeper connection with society, and constitutes a major path for a business to create social value. With sustainable development at its core, equitable empowerment as its pivot and cross-sectoral innovation as its innovation engine, Vipshop has gathered the power of love of the masses by “sports + charity” and other mechanisms, developing a unique e-commerce charity model, ever since Vipshop established the first charity foundation among Chinese e-commerce industry seven years ago. We constantly focus on three social issues, namely youth development, women empowerment, and targeted poverty alleviation, which led to the initiation of three flagship charity programs, namely Vipshop Education Sponsorship, VIP Empowering Mother Program, and VIP Love Workshop. We are proud to say that our focus and commitment to these issues have brought practical changes to groups and communities that we helped. Meanwhile, with “My Charity” in Vipshop APP as the bond, Vipshop provides the public with convenient

and diverse ways of participating in charity programs. As of 2018, Vipshop inputted over RMB 168 million in charity, benefiting over 930,000 people in total. “My Charity” in Vipshop App has attracted over 60 million people to participate in “step for love” campaign and collected nearly 1 billion kilometers of love mileage.

After a decade’s test of time, we continue to forge ahead. Driving toward the path of sustainable development, Vipshop pursues excellence in delivering a better life. Moreover, the company has exercised pragmatism with responsibility in mind, joined hands with various stakeholders in innovating and pushing for win-win results in the grand plan of contributing to the building of a harmonious society. Today, upon entering a whole new era, Vipshop will closely link its growth with social development and strive to reach its greater ambition of gaining a new momentum to build an even more lasting business. We look forward to make better life more sustainable and create more possibilities for the world with you.

ABOUT VIPSHOP

COMPANY PROFILE

Based in Guangzhou, China, Vipshop was founded in 2008 and was successfully listed on the New York Stock Exchange on 23 March 2012. We are a pioneer in China that offers fashion flash sales with “Selective Brands, Incredible Prices, Privileged Service”, providing a wide range of products from clothing, shoes and bags, cosmetics, mother and kid products to household items and more. We are currently the largest flash sales platform globally and the third largest online retailer in China. Meanwhile, the Vipshop flash sales model has now become one of the three biggest e-commerce ecosystems in China.

Business Performance

Keeping pace with the changes in market trends, Vipshop regressed, strengthened and consolidated the positioning of “flash sale on branded products” in 2018, and continued to raise operational capacity while expand its market share. By 31

December 2018, Vipshop has over 300 million registered members and over 57,000 employees, fulfilled over 437 million annual orders, established partnership with 20,000 brands in total, and achieved profitability for 25 consecutive quarters.

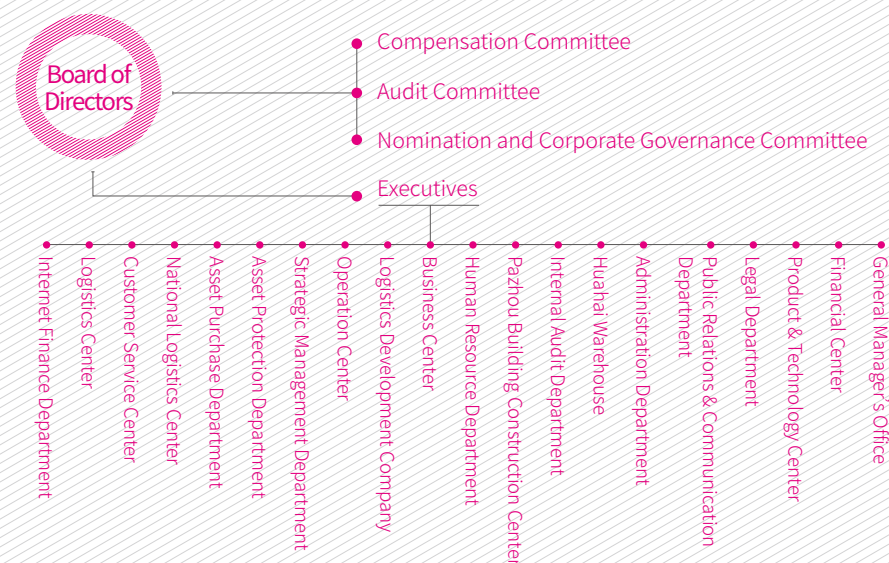
Total Net Revenues (RMB 100 Million)



Total Assets (RMB 100 Million)



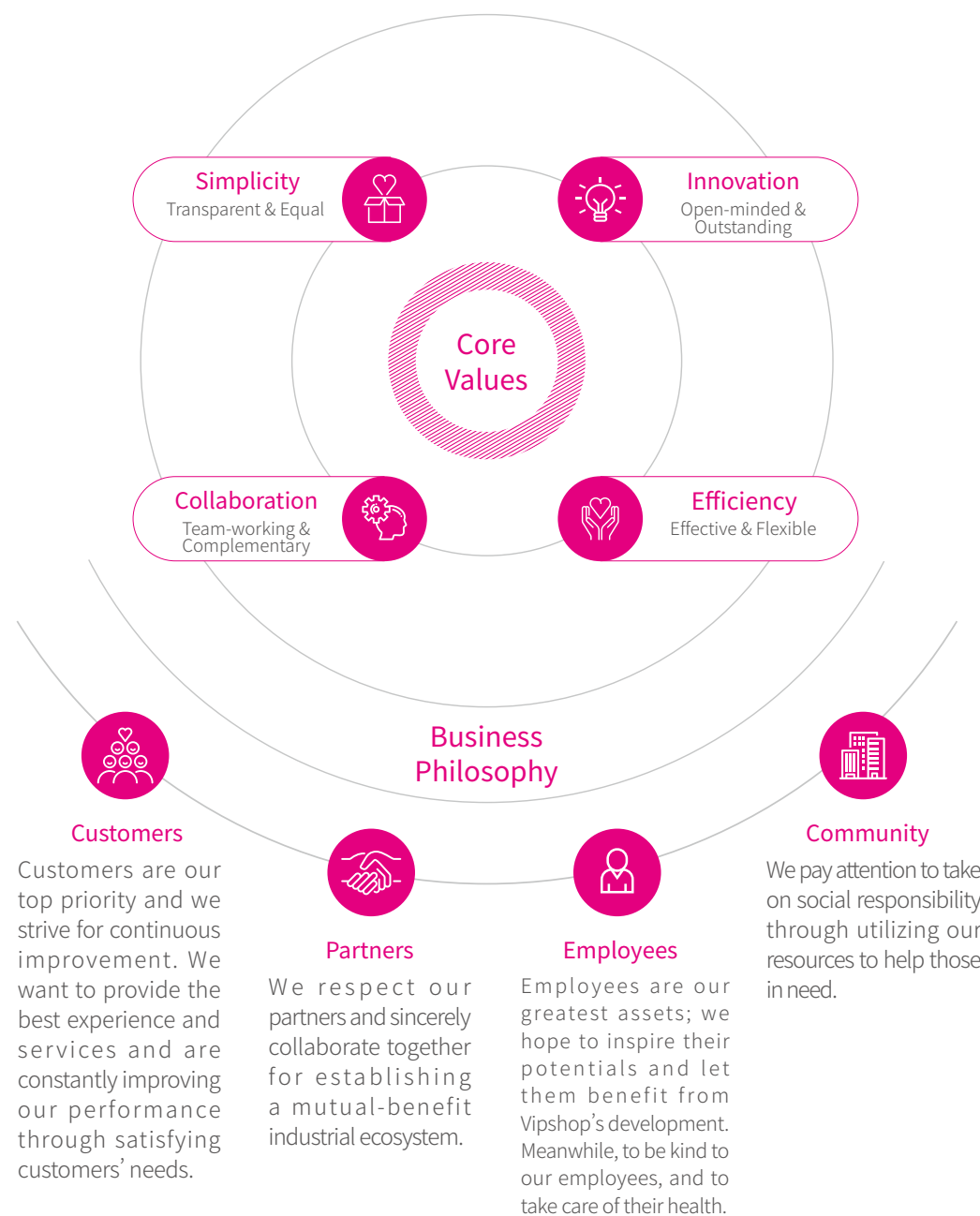
Management Structure



Vision and Mission

Vipshop starts and expands its business in the context of new global business civilization. Guided by the vision to “establish our position as a world-class e-commerce platform”, and the mission of “improving quality of life, enhancing experience of

happiness”, we work closely with customers, partners, employees, and the community, to constantly create values and achieve sustainable development not only for ourselves but also for our stakeholders.



SOCIAL RESPONSIBILITY STRATEGY AND MANAGEMENT

To fulfill social responsibility is one of the strategic objectives of Vipshop, and a key factor in achieving its business sustainability. With well-established social responsibility management system, Vipshop places its CSR focuses on four key pillars of quality e-commerce, staff well-being, environmental conservation and philanthropy.

Social Responsibility Management Structure

Vipshop has divided its social responsibility management structure into three levels:



Materiality Analysis

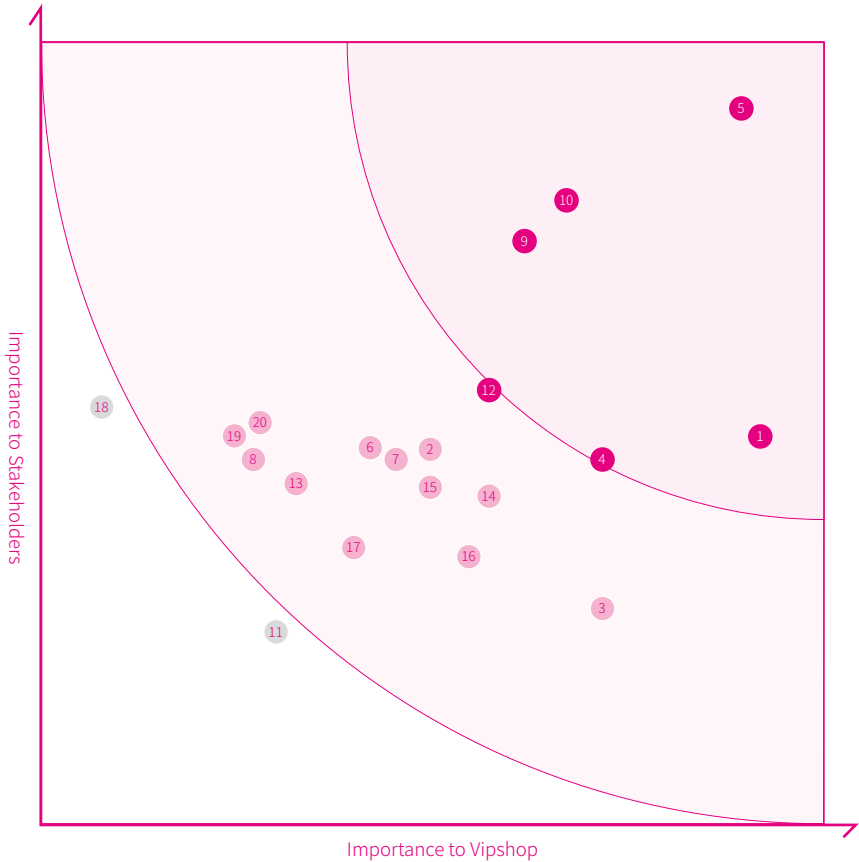
Vipshop considers its stakeholders' expectation and requests as important factors in daily operation towards sustainable development.

In 2018, Vipshop conducted detailed research on hot topics, national policies and industry trends within the year, studied the CSR materiality matrix based on company's actual development status and CSR system,

assessed the material issues from two dimensions (“Importance to Vipshop” and “Importance to Stakeholders”), identified their importance to both Vipshop and the stakeholders, thus determined what to disclose as key points in this report as well as what to pay attention to in future CSR work.



1	Economic Performance
2	Anti-Corruption and Anti-Competitive Behavior
3	Risk Management
4	Strategy of “Flash Sale on Branded Products”
5	Guarantees of Quality and Authenticity
6	Choices of Worldwide Commodities
7	Win-win Cooperation with Brand Partners
8	Technological Innovation
9	Customer Experience
10	Customer Privacy Protection
11	Green Offices
12	Green Logistics
13	Green Packaging
14	Employee Rights Protection
15	Employee Salary and Welfare System
16	Employee Training and Development
17	Employee Communication and Caring
18	Targeted Poverty Alleviation
19	Public Welfare
20	Communication with Stakeholders



Communication with Stakeholders

As the largest flash sales platform in the globe, Vipshop relates itself with extensive stakeholders ranging from governments and consumers, to partners, shareholders, employees, environment, and community. Attaching great importance to the communication with all relevant sectors, we have always committed ourselves to seriously taking the impact of our operations on the stakeholders into consideration, and proactively understanding and addressing their diverse needs. This positive interaction has led not only to solve problems in time, but also promote sustainable development to the company. We also looking forward to our partner’s valuable opinions and suggestions on the development of Vipshop.

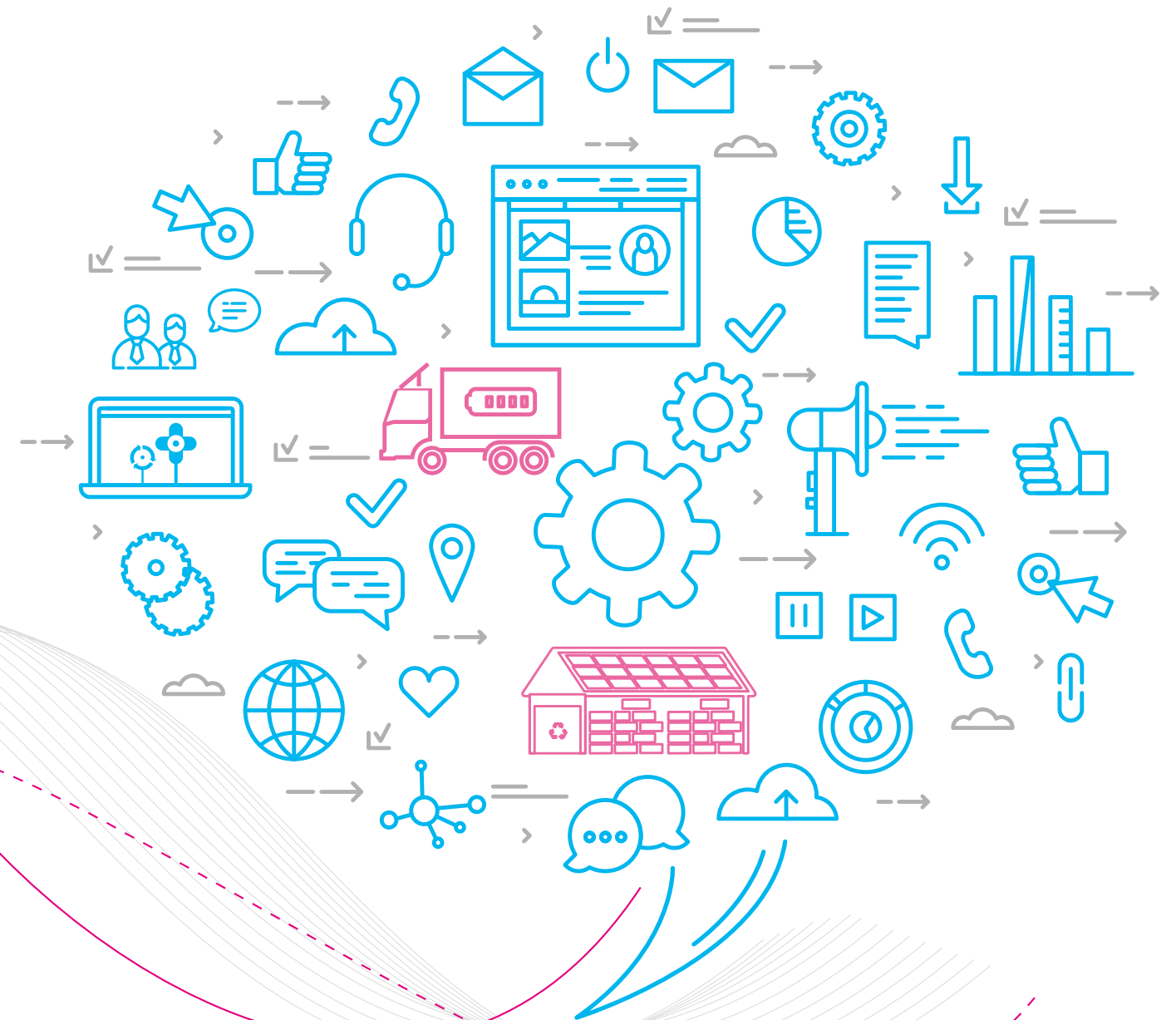
Stakeholders	Concerns	Communications	Stakeholders	Concerns	Communications
Governments	<ul style="list-style-type: none">Honest and law-abidingRatepaying according to lawEnsuring products qualityPromoting economic development	<ul style="list-style-type: none">Improving corporate governancePaying tax proactively according to legal requirementsResponding to governmental policiesCreating job opportunities extensivelyPromoting local development	Employees	<ul style="list-style-type: none">Health and SafetySalary and WelfareTraining and DevelopmentCommunication and Caring	<ul style="list-style-type: none">Improving salary & welfare systemImproving staff training systemConvening employee representatives meetingGuaranteeing employees' health and safetyEnriching staff after-work activities
Customers	<ul style="list-style-type: none">Guarantee of products qualityGuarantee of services qualityGuarantee of information security	<ul style="list-style-type: none">10 Guarantees for Authentic Products9 Articles for Quality ControlMembership systemProfessional customer service teamOfficial Weibo and WeChat	Environment	<ul style="list-style-type: none">Energy saving and emission reductionTackling climate changeResponsible consumption and production	<ul style="list-style-type: none">Green officesGreen warehousingGreen packagingGreen transport
Partners	<ul style="list-style-type: none">Following commercial ethicsOpen and fair procurementCommon development	<ul style="list-style-type: none">Commercial corporationSupplier conferenceSupplier training	Communities	<ul style="list-style-type: none">Solving social issuesPromoting public welfareCaring disadvantaged groups	<ul style="list-style-type: none">Charity programsVoluntary servicesE-commerce for poverty alleviation
Shareholders & Investors	<ul style="list-style-type: none">Improving investment returnPreventing business risksImproving corporate governance	<ul style="list-style-type: none">Disclosing business information regularlyConvening shareholders meetingProtecting shareholders' interests			

Awards & Recognition

- Top 500 Chinese Enterprises (246th)
 - Top 500 Chinese Private Enterprises (80th)
 - Top 500 Chinese Service Enterprises (96th)
 - Top 100 Chinese Internet Enterprises (32nd)
 - E-commerce Demonstration Enterprise in 2017-2018
 - Top 500 Chinese Brands
 - Enterprise of Observing Contract and Valuing Credit in Guangdong Province
 - Top 500 Guangdong Enterprises (32nd)
- Top 100 Guangdong Private Enterprises (13th)
 - Top 100 Guangdong Service Enterprises (13th)
 - Excellent Enterprises in Guangdong Province for the 40th Anniversary of Reform and Opening-up
 - The “Annual Reassuring Enterprise” of 2018 Chinese Reassuring Award by the “Interface”
 - The “National Brands of 20-year Chinese Internet” by the “China Internet Weekly”
 - “Best E-Commerce Platform of the Year” of 2018 Global Excellence Awards by “iiMedia”
 - Two awards in the 14th China Best Public Relation Case Competition:
 - “VIP Love Workshop” won the “Gold Award for Chinese Good Story and Overseas Communication”.
 - “VIP Empowering Mother Program” won the “Bronze Award for Public Welfare Communication”.
- Two awards in the 14th Annual Meeting of China Excellent Enterprise Citizens by the China Association of Social Workers:
 - Vipshop won the “China Excellent Enterprise Citizens”.
 - “VIP Love Workshop” won the “Outstanding Public Welfare Project Award for Chinese Enterprise Citizens”.
 - The “Top 10 Public Welfare Enterprises of the Year” of Action League 2018 Public Welfare Ceremony by Phoenix Public Welfare
 - “VIP Love Workshop” won the “Gold Award for Global Communication” in the 2018 Global Case Selection of Golden Flag Award
 - The “Top 500 Chinese Enterprises on Public Welfare in 2018” and the “Good Chinese Enterprises on Public Welfare in 2018” by the “Enterprise Observer”
 - “Excellent Social Responsibility Award” of Summit Forum of Business Leaders by the “School of Business”

REPORT ON COMMUNICATION WITH STAKEHOLDERS

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FLASH SALE ON BRANDED PRODUCTS FOR DIVERSE CONSUMER NEEDS

Flash Sale on Branded Products Lights up a Better Life
High-quality E-commerce for Protection of Consumer Rights
Respect Customers for Creating a Perfect Service Experience



According to the data from National Bureau of Statistics, in 2018, total retail sales of consumer goods of the Chinese society reached RMB 38.1 trillion, up 9.0% than last year; the contribution rate of consumption to economic growth was 76.2%, increasing by 18.6% than last year. This indicates that China is gradually upgrading from the model of investment-driven economic growth to the model of domestic demand-driven economic growth, and also reflects that adding sustainability to consumption upgrade is not only a major manifestation of the masses pursuing a good life but also a main impetus for the development of the Chinese economy.

In the second half of 2018, the growth of consumption slowed down, resulting in the doubt about

whether China is experiencing “consumption upgrade” or “consumption downgrade”. As an e-commerce company with over 300 million members, Vipshop found by gaining insights into big data on consumers that consumer demands in China are becoming diversified. Specifically, first-tier and second-tier cities gradually tend to rational consumption while third-tier and fourth-tier cities are experiencing consumption upgrade. For this new trend, the keys to tap the potential of sustainable development of consumption have become whether a brand can accurately grasp and respond to consumer needs and whether a consumer can gain efficient access to product and service so as to have better shopping experience.

With “flash sale on branded products” as a bond, Vipshop has been hoping to satisfy customer needs, contributing to the success of partners, and pushing sustainable development of itself, since its establishment. After ten years of intense efforts, Vipshop has won the trust of numerous customers with selective brands and incredible prices. In 2018, Vipshop focused on the strategy of “flash sale on branded products”, made the most of its advantage in big data and pushed the sustainable consumption in two dimensions-empowering consumers and empowering brands.

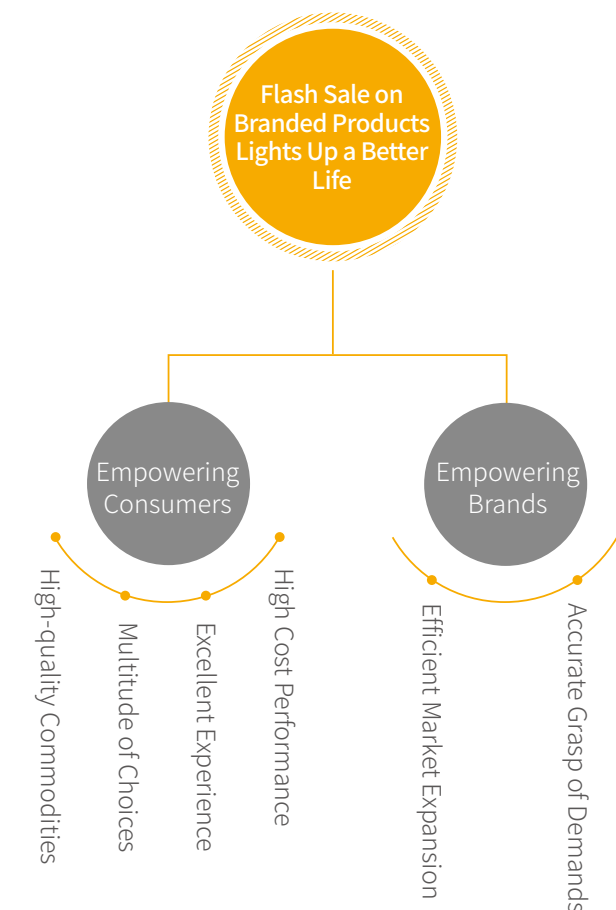
FLASH SALE ON BRANDED PRODUCTS LIGHTS UP A BETTER LIFE

437^{million}
total annual orders

60.5^{million}
active customers

In December 2018, Vipshop and Atom Think Tank of Tencent News co-released the “Chinese Household Smart Consumption Report”, which focused on families, one of the most important groups in China’s consumer market, and found that “cost performance” has become a key factor in the decision making process of online shopping.

An accurate grasp of consumer behaviors brings Vipshop a steadily growing customer base. In 2018, our total annual orders amounted to 437 million, with 60.5 million active customers whose per-capita consumption was RMB 1,937. The repeat customers accounted for 76.1%, and their consumption accounted for 96.6%.



We Regard Cost Performance the Key to High-quality Life

Vipshop realized that after over ten years of rapid growth, the bonus of Internet has come to a limit, slowing growth will become the status quo of e-commerce industry, and the focal point of future competition will be whether we are able to proactively and accurately grasp consumption trends and effectively meet diversified consumer needs. Cities of different tiers from first-tier and second-tier cities to third-tier, fourth-tier and fifth-tier cities as well as villages and towns are all experiencing the changes in consumption pattern. Consumers in first-tier and second-tier cities are returning to rationality and pursuing “buy smart, buy less and buy good”; while consumers in third-tier and fourth-tier cities are pursuing higher quality, which finds expression in their seeking after famous brands at home and abroad and increasing consumption of medium- and high-grade products. In 2018, Vipshop focused on the strategy of “flash sale on branded products”, adhered to floor prices, selected premium products and carefully-chosen global brands to provide consumers with a various choices of cost performance.



We Provide 360° Shopping Service for Customers

In 2018, Vipshop innovatively launched more diverse consumption scenarios based on its strategic cooperation with Tencent and provided consumers with 360° consumption services as well as best experience.



Floor prices for all customers

As the most dominant selling point of Vipshop's flash sale strategy, “floor prices” means no complicated sales condition and allows consumers to know final prices more directly. Meanwhile, besides launching big promotions at special points, Vipshop also provides customers with time-limited special offers of different categories every day via “VIP Snap” and “On Sale Now” columns.



A multitude of choices for worldwide commodities

By the end of 2018, Vipshop has established partnership with 20,000 brands in total. In terms of the selection of brands, Vipshop focuses on international brands and established domestic brands and provides consumers with a multitude of choices. Taking advantage of the 1st China International Import Expo held in 2018, Vipshop energetically expand its partnership with foreign brands, established strategic cooperation with more than 200 top brands worldwide, and invited nearly 3,000 brands to join the Vipshop International.



Buyers team for selected products

Real cost performance means an unrelenting pursuit of high quality while enjoying low prices. A competent buyers team and an efficient supply chain are powerful supporters of Vipshop. Vipshop owns a team made up of over a thousand buyers worldwide, that selects brands in strict accordance with its business strategy as well as consumption trends. We not only ensure the quality and differentiation of commodities but also make sure our consumers are offered the most competitive prices.



We optimize financial services for core customers

As payment in installments is widely accepted by the public, especially young consumers, financial service has become a major component for e-commerce to optimize shopping experience and create the close-loop of consumption services. Responding to younger members, Vipshop Finance, the financial service platform established by the company, offers financial services covering areas ranging from supply chain finance, consumer finance and payment, to money management, insurance and credit investigation, and explores full life circle financial services that are more suitable to the needs of domestic users and serve different growth stages of users. In 2018, the total numbers of users who paid in installments and orders grew by 43% and 71% compared to last year.



We create new consumption scenarios through social media

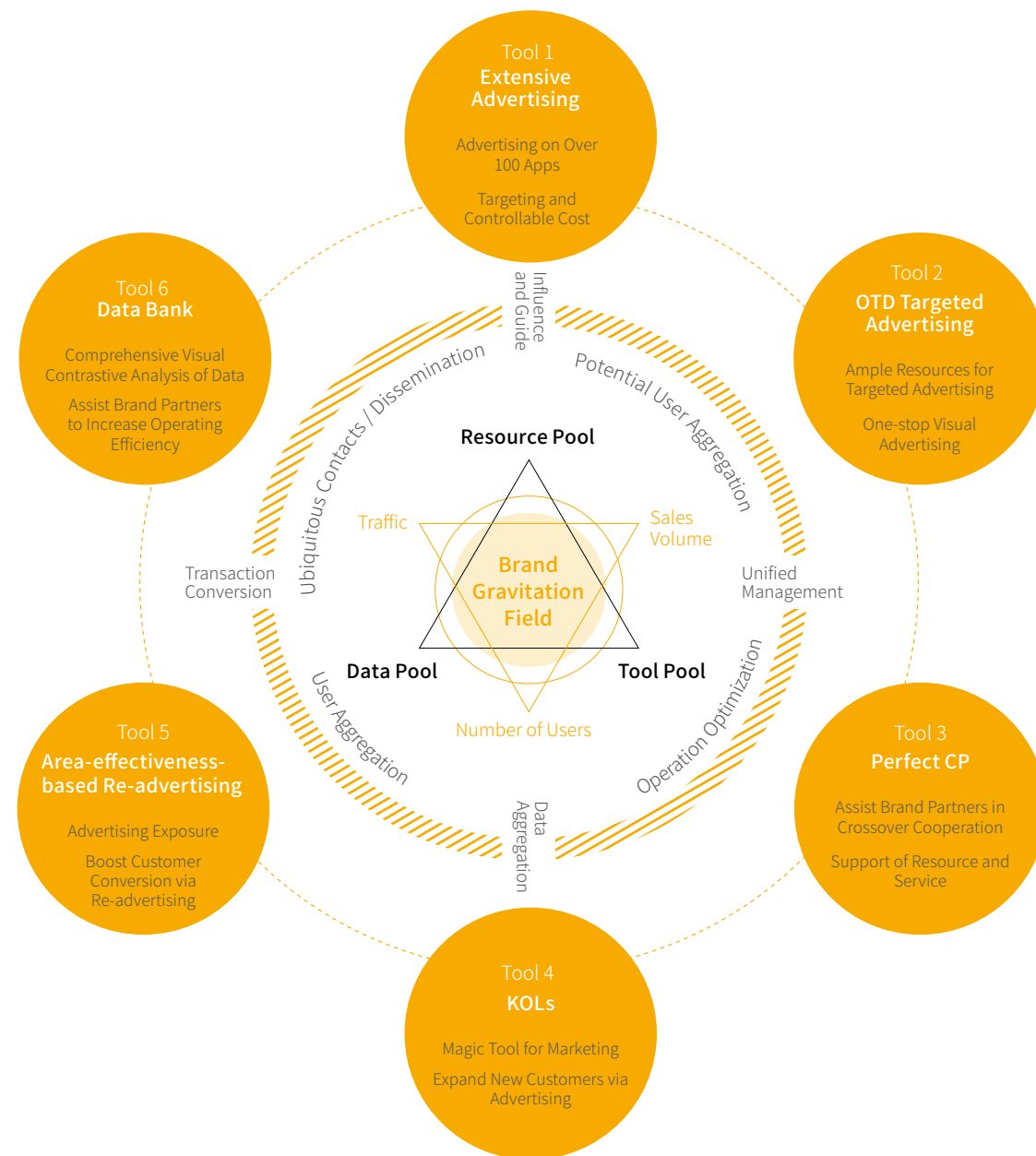
Besides premium commodities, the upgrade of marketing content is more able to directly meet consumer needs. In 2018, Vipshop not only continued to create targeted marketing scenarios but also started whole new explorations in social media, content and premium customer by launching a variety of interesting social campaigns with brand partners, such as WeChat mini programs, online broadcasts, co-marketing, and activities for Super VIPs, to acquire mutual benefits with brand partners as well as to bring more tangible benefits and better experiences to customers.

We Help Brands Grasp Market Trends and Develop in the Right Way

Vipshop is aware that as the e-commerce industry is becoming increasingly mature, brand partners need a more innovative market model and more accurate big data marketing to obtain market shares and satisfy consumers' individual needs. We believe that "consumption upgrade = commodity upgrade + cognition upgrade". And we could perfect our empowerment chain to help brands win the market with our big data resources.

Growth Tool:

Multiple tools to find how to effectively reach marketing objectives



We Launch “Make A VIP Difference” with Insights into the Post-e-commerce Era

For three difficulties of brand marketing, namely under-exploitation of the value of data, prominent limitations of marketing scenarios and unstable and unsustainable marketing effect, Vipshop created an intelligent marketing platform called “Make A VIP Difference” in collaboration with partners like Tencent by virtue of its growing capability of internal data and mature external advertising ecosystem. The platform empowers the sustainable development of brand partners by taking multiple measures including improving product portfolio,

integrating big data resources, individualizing creations, practicing precise data monitoring and diversifying marketing scenarios.

“Make A VIP Difference” integrates different online scenarios and helps brand partners to implement an all-round market strategy. In term of the exploitation of data, the cooperation between Vipshop and Tencent will be made the most of. With big data analysis of Vipshop’s 300 million plus registered users and the research of Tencent’s 1 billion interest tags as base, we help brand partners gain

systematic insights into customers, make targeted marketing strategy and boost the effect of market expansion.

Besides helping brand partners improve targeted marketing, the platform also successfully developed five tools which help brand partners gain insights into consumer demands, enhance communication with consumers, satisfy diverse consumption needs, therefore acquiring better market performance and achieving sustainable development.

We expand clientele while accurately satisfy their needs

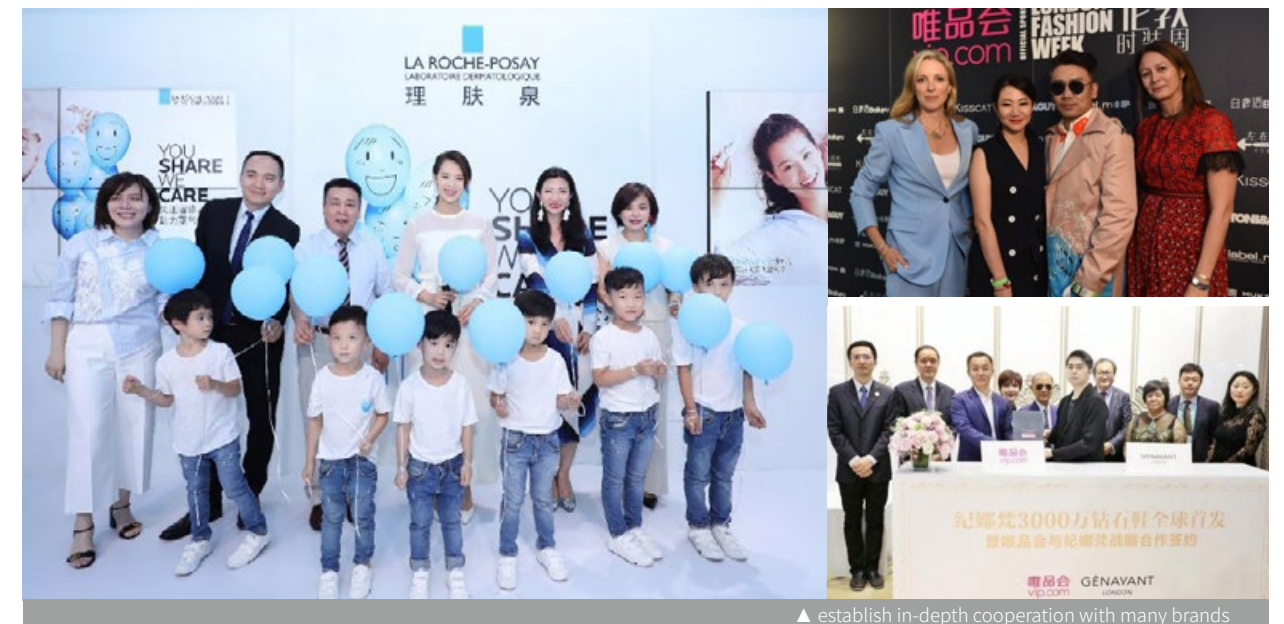
With the upgrade of its strategy, Vipshop can not only help brand partners efficiently destock and optimize turnover of capital, but also provide them with approaches to expand their clientele and optimize product and service strategies with the expansion of consumer base and insights into big data. Many brands of fashion, cosmetics and mother and baby

have begun to customize products or produce custom-made clothes through cooperation with Vipshop to accurately respond to diverse consumer needs. For cooperative brands, a perfect combination of customized new products and effective inventory has become a major channel for brand building and excellent performance.

V-Responsibility & Action: In-depth Cooperation with Mihuang

Offline stores of famous cashmere brand Mihuang are largely concentrated on high-end shopping malls in first-tier and second-tier cities in northern and eastern China. After join hands with Vipshop, Mihuang rapidly touched the middle class in third-tier and fourth-tier cities, filling the void in those cities and the whole Southwestern China. Besides, Vipshop further offered an all-round support in different parts such as product categories, product exhibition, business operation, and logistics management, leading to a 35% or higher increase of sales at Vipshop every year.

《《《 V-Responsibility & Action 》》》



▲ establish in-depth cooperation with many brands

HIGH-QUALITY E-COMMERCE FOR PROTECTION OF CONSUMER RIGHTS

As our living standard keeps improving and ideas of consumption turn gradually mature, the competition focus of online sales has shifted from price to quality. As the baseline for quality and the most important part of consumer experience, authenticity naturally becomes core competitiveness of e-commerce enterprises in the new era. The “E-Commerce Law of PRC” that formally came into force on January 1, 2019 also places the protection of consumer rights at a crucial position, regulating the order of e-commerce operation in various dimensions.

Actively following the changing trend of consumption and national requirements on e-commerce, Vipshop has released such authenticity guarantee measures as “10 Guarantees for Authenticity” and “9 Articles for Quality Control”, with consumer demand for quality as a core goal and authenticity guarantee as the baseline for operation. It dedicated in providing a full protection of consumer rights in every detail of source of the goods, operation process, and after-sales service. By the end of 2018, Vipshop had a quality control team of approximately 1,000 members.

Centered with staff from legal affairs, supply chain and logistics hubs, the team ensures each process is carefully managed by professionals through systematic procedures and implement quality control in the whole closed-loop process which covered stages of “before purchase, before warehousing, in warehousing, after warehousing, sale, and after sale”. These measures are not only of great significance to Vipshop’s development into a high-quality e-commerce platform in the new era, but also an active response to national policies, setting an example worth learning for the industry.

Guaranteed Source of Commodities

Concept & Strategy: direct sourcing from places of origin and in-house operation

Well-established buyers team for selection advantage + in-depth cooperation with brands for authenticity advantage

- Direct Sourcing around the Globe
- First-hand Supply of Goods

Strict Control of Process

Concept & Strategy: self-built and in-house operation in the whole process

Sound supply chain management + strict quality inspections + comprehensive logistics support

- Full Inspection before Sale
- In-house Logistics

Worry-free After Sales

Concept & Strategy: improving shopping experience of customers

offline verification of important commodities + nationwide quality assurance + promised compensation for fake commodities + and 7-day no-reason return policy

- Offline Authenticity Verification
- Promised Compensation for Fake Commodities
- Easy Return

“10 Guarantees for Authenticity” & “9 Articles for Quality Control”, A High-quality E-commerce Platform in the New Era

Guaranteed Source of Commodities

Our first step in creating high-quality e-commerce is to guarantee the sources. Adhering to the concept and strategy of “direct sourcing from places of origin and in-house operation”, Vipshop provides guarantee of sources for consumers based on advantages in selection of commodities by our buyers teams in various countries and regions around the world and in authenticity of commodities through in-depth partnerships with many brands.



Direct Sourcing around the Globe

10 Guarantees for Authenticity: Source Guarantee

To meet the increasing demand of domestic consumers for overseas products, Vipshop goes directly to places of origin, signing purchase agreements with overseas brands and directly transporting commodities to China through 9 overseas in-house warehouses across the world.

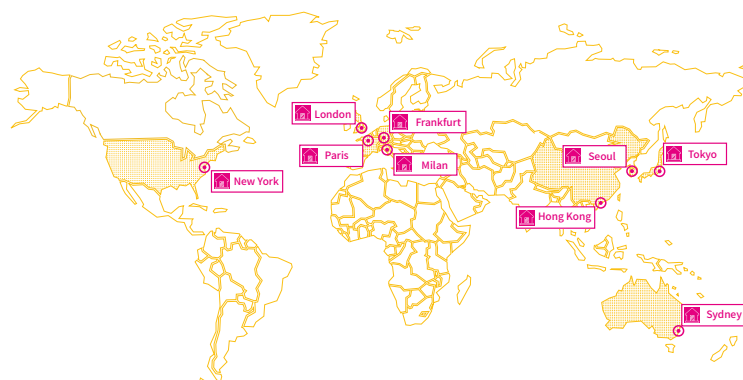


First-hand Supply of Goods

10 Guarantees for Authenticity: Authenticity Guarantee 9 Articles for Quality Control: Official Authorization of Brands

All commodities sold by Vipshop are directly purchased from brand partners through official channels with official authorization. We have carried out field inspections of all brand partners, including certification of places of origin, inspections of factories and workshops, to eliminate fakes and guarantee authenticity from the very beginning.

In-house Warehouses (outside mainland China)



Strict Control of Process

Our second step in creating high-quality e-commerce is to strictly control the process. Adhering to the concept and strategy of “self-built and in-house operation in the whole process”, Vipshop regards quality of commodities to be crucial and realizes strict control process from sound supply chain management to strict quality inspections and to comprehensive logistics support.



Full Inspection before Sale

10 Guarantees for Authenticity: Quality Control Guarantee

9 Articles for Quality Control: On-site Inspections by Professional Institutions, Quality Management System Certification, Inspection on 8 Checkpoints

Though each commodity sold by Vipshop is authentic and traceable, it must also be checked and verified through 5 inspections before sale and 3 inspections during sale respectively. The quality control system of Vipshop covers a wide range and emphasizes the management of such high-risk commodities as electric devices, cosmetics, mother and baby products and food. Since 2018, Vipshop has also introduced third-party quality control organizations, to carry out systematic review on products' quality and certification before sale and only allow those passing the review to be launched online.



In-house Logistics

10 Guarantees for Authenticity: Logistics Guarantee

9 Articles for Quality Control: Traceable Close-loop Service

In 2018, Vipshop continued to push forward the strategic layout of logistics, newly built the Northeast Logistics Hub, and included many brands into its logistics network based on the 6 major logistics hubs across China, to guard the whole process from sources of supply to the last mile delivery, and perfectly solve the problems of coverage and timeliness of delivery. We also provide real-name registration and real-time recording of each procedure of logistics to track commodities at any time, and therefore build a fully traceable logistics system.

Worry-free After Sales

Our third step in creating high-quality e-commerce is to provide worry-free after sales. Adhering to the concept and strategy of “improving shopping experience of customers”, Vipshop provides a worry-free shopping experience through complete and strict measures to guarantee after sales, including offline verification of important commodities, nationwide quality assurance, promised compensation for fake commodities, and 7-day no-reason return policy.



Offline Authenticity Verification

10 Guarantees for Authenticity: Certification Guarantee

Vipshop has launched the Product Warranty Bill jointly with brand partners, supporting offline verification in franchised stores and providing after sales joint warranty by franchised stores across China.



Promised Compensation for Fake Commodities

10 Guarantees for Authenticity: Third-party Guarantee

9 Articles for Quality Control: Multiple Insurance Coverage

Each commodity sold by Vipshop is underwritten by PICC, with promised compensation for purchase of fakes on the platform.



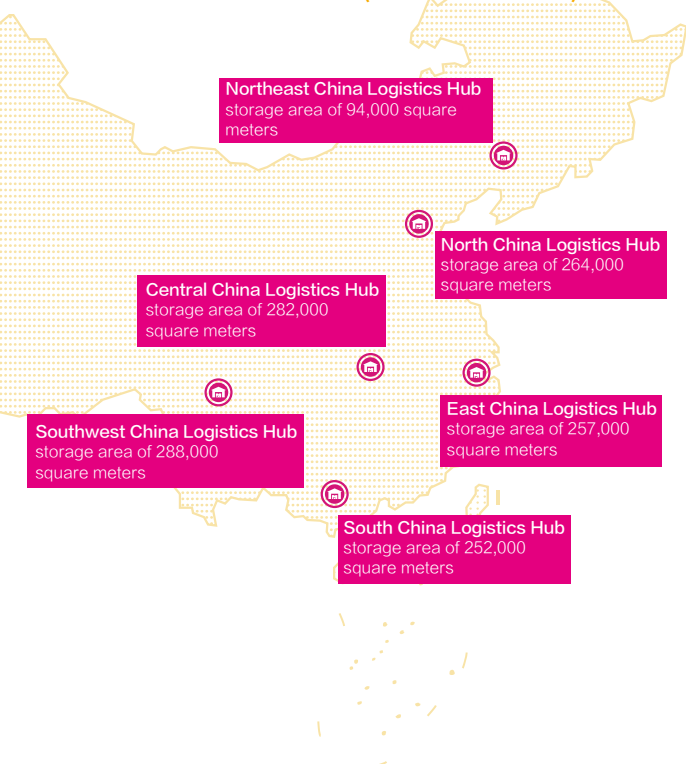
Easy Return

10 Guarantees for Authenticity: After Sales Guarantee

9 Articles for Quality Control: First to Take Responsibility, 7-day No-reason Return or Refund

Vipshop has established a complete after sales refund or replacement system for consumers. Except for providing 7-day No-reason Return commonly seen in the industry, it also provides special policies such as “refunding a coupon of RMB 10 for a return” and expedite refunds or replacement.

In-house Warehouses (mainland China)



It is by taking the three major steps of source guarantee, strict process control and worry-free after sales in creating high-quality e-commerce that Vipshop provides customers with most reliable high-quality commodities and services. With trust from millions of customers, Vipshop has best interpreted high-quality e-commerce in the new era. In 2018, Vipshop won several awards such as Top 500 Chinese Enterprises, Top 500 Chinese Private Enterprises, Top 500 Chinese Service Enterprises, Top 100 Chinese Internet Enterprises and E-commerce Demonstration Enterprise in 2017-2018, as further proof of Vipshop's success in creating high-quality e-commerce.

RESPECT CUSTOMERS FOR CREATING A PERFECT SERVICE EXPERIENCE

Achievements In 2018

The total warehousing space reaches

3 million square meters, of which around
1.9 million square meters is self-built.

Pinjun Express of Vipshop was awarded “Top
50 Express Companies of China” by China
Transportation Association.

Ms. Lu in Alxa League of Inner Mongolia:

“I have been living here for a long time, finding that only Pinjun Express can deliver packages to our yurts. As our yurts are scattered on the grassland, many companies just leave packages in groceries in townships and let us fetch them by ourselves, which is so inconvenient. It really takes great efforts for Pinjun Express to stick to door-to-door delivery”



(((V-Responsibility & Voice)))

In 2018, Vipshop implemented the customer service philosophy of “serving members wholeheartedly”, and dedicated itself in creating a perfect service experience for customers by fulfilling the mission of “improving the experience of happiness” through multiple aspects such as in-house logistics network, intelligent logistics, customer service and information security.



Improve Experience of Last Mile with In-house Logistics Network

Last mile delivery is the last link in the chain of express services, as well as one providing the most direct and intuitive consumer experience. Vipshop persists in creating an in-house last mile delivery capabilities to improve customer experience.

Vipshop actively implements the strategic plan for logistics, established 6 logistics hubs, 8 cross-border logistics centers and 13 distribution centers across major cities in China by the end of 2018. While improving our warehousing ability, the expanding logistic layout enables us to allocate and distribute commodities in advance based on big data analysis, realizing “commodities on the way before orders are made”.

Based on self-owned Pinjun Express, Vipshop has set up an in-house logistics network of 4,500 local stations across China by the end of 2018, with over 30,000 couriers, to not only undertake nearly 95% of the orders, but also make efforts to create an arterial transport and distribution system integrating warehousing, arterial transport and air freight. Pinjun Express covers all the counties, towns and villages in 31 provincial administrative regions across China and gains wide recognition with the standard delivery service process of making appointments by phone, door-to-door delivery, unpacking inspection, signing for receipt face to face, payment on delivery and door-to-door collection of returned commodities.



Guarantee Service Quality through Intelligent Logistics

Vipshop is dedicated to enhance warehousing efficiency and reducing warehousing cost by creating a more intelligent and automatic warehousing system, so as to be more competitive. The delivery records constantly broken on “Double 11” and the anniversary are the best proof of Vipshop’s achievements in intelligent logistics.

In 2018, Vipshop invested a large sum in introducing and upgrading the automatic logistics system in all the 6 logistics hubs across China, developing the automation

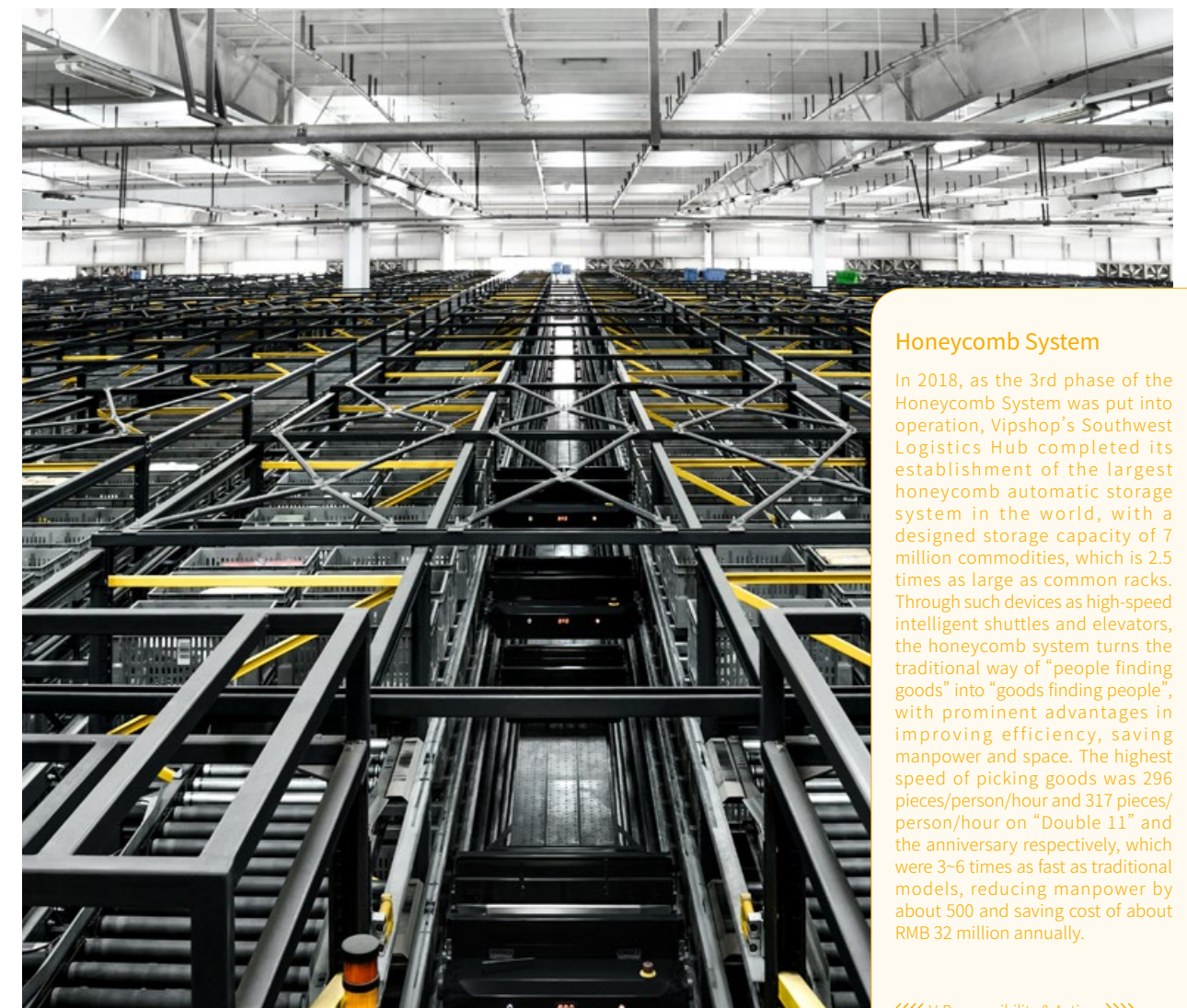
projects such as the transport system, Mini-load goods collection system, commodity sorting system, package sorting system, honeycomb automatic storage system, intelligent AGV transfer robot system, and magic cube dense storage system. Automation is applied in procedures of warehousing, sorting, labeling, transfer, packaging etc. in an in-depth way, to save time and manpower, improve accuracy and lay a firm foundation for efficient logistics and delivery services.

Achievements In 2018

Time for delivering the first order:

12'25"
on “Double 11”

12'28"
on the anniversary



Honeycomb System

In 2018, as the 3rd phase of the Honeycomb System was put into operation, Vipshop’s Southwest Logistics Hub completed its establishment of the largest honeycomb automatic storage system in the world, with a designed storage capacity of 7 million commodities, which is 2.5 times as large as common racks. Through such devices as high-speed intelligent shuttles and elevators, the honeycomb system turns the traditional way of “people finding goods” into “goods finding people”, with prominent advantages in improving efficiency, saving manpower and space. The highest speed of picking goods was 296 pieces/person/hour and 317 pieces/person/hour on “Double 11” and the anniversary respectively, which were 3-6 times as fast as traditional models, reducing manpower by about 500 and saving cost of about RMB 32 million annually.

(((V-Responsibility & Action)))

Achievements In 2018

The coverage of telephone surveys conducted by the Customer Service Center was

47%

with satisfaction degree of

98%;

the coverage of online surveys was

37%

with satisfaction degree of

86.7%;

the settlement rate of enquiries and complaints on commodities and services was

97.5%

The Customer Service Center was awarded “2018 E-commerce Customer Service Center with the Best Word of Mouth” by China Electronic Commerce Association

Improve Customer Relationships through High-quality Services

Vipshop keeps strengthening connections with its members by establishing a growth system and a loyalty system, as well as setting up a monetary reward system for loyal members. With the support of members, approximately 3.2 million customers enrolled in Vipshop's Super VIP Paid Membership Program which was launched in 2017, with a renewal rate of over 70%.

Vipshop continuously improves its customer service system. By the end of 2018, the Customer Service Center had developed into a large team composed of 1,696 professional staff. In 2018, the Customer Service Center implemented the service

philosophy of “speaking for members, becoming a first-class customer service center in the e-commerce industry as well as a professional team of customer experience of new retailing”, and revised “Standards on Service Quality Control”. By adding standards on “communicative services”, the Standard guarantees successful communication with customers in the aspects of affinity, service language etc. Meanwhile, the Customer Service Center also values feedback from customers, and regularly makes surveys on customer satisfaction to provide a basis for improving service quality.

Win Trust of Customers through Information Security

Vipshop attaches great importance to information security of the company and protection of customers' privacy, which is guaranteed by implementing strict processes, applying advanced technology, training and evaluating information security staff, to create a truly trustworthy shopping platform for members. According to “Explanation of Standards for Customer Service Staff to Handle the Requests of Members for Verification of Account Information”, when members contact customer service staff and make requests for verifying account information (such as registration, commodities purchased before, past delivery addresses, and names

of addresses) by providing their phone numbers or email accounts, customer service staff shall let members sign in by themselves to check relevant information rather than directly disclose it to them.

As a pioneer to protect information security in the industry, Vipshop has also specially established VSRC as a window for external exchanges on information security, popularizing knowledge about information security among customers with its WeChat Official Account and training the public in the awareness of privacy protection.

Achievements In 2018

The pageview of the WeChat Official Account of the VIP Security Response Center (VSRC) reached

200,000

Intelligent IVR Project

To improve the problem-solving ability of IVR, the Customer Service Center creates a new intelligent voice system, which enables customers to express what they need by directly speaking up on the phone rather than pressing keys. The project has been put into operation since March 2018, with an accuracy rate of over 92%.

《《《 V-Responsibility & Action 》》》



▲ promote customer relationship management and communication



Ecommerce Security Summit

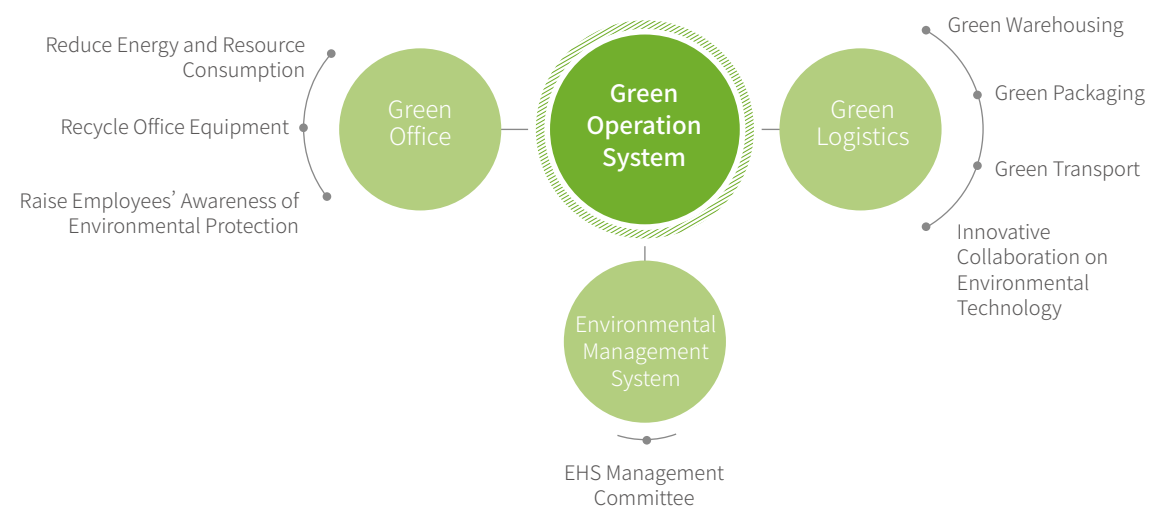
On May 5, 2018, Vip.com Third Internet Ecommerce Security Summit was held in Shanghai. While showing Vipshop's practice and achievements in the important links and stages of building e-commerce information security, the summit also focused on a series of key topics on security which customers concerned the most, such as information security vulnerability defense, cloud security, and security gateway, and discussed further steps in constructing e-commerce information security.

《《《 V-Responsibility & Action 》》》

Environmental Management System
Green Logistics
Green Office



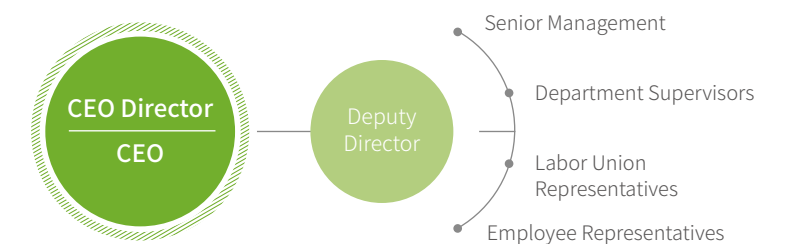
As an e-commerce corporation holding the idea of sustainable development, Vipshop attaches great importance to environmental protection, which is regarded as a part of the company's comprehensive management strategy. Therefore, Vipshop has established a complete green operation system and developed a standard environmental management system. On the one hand, we optimize our environmental performance through big data technology and monitoring; on the other hand, we integrate environmentally friendly methods with the main business and gradually apply the idea of green operation to all departments including office running, warehousing, packaging and transport. In this way, we keep reducing energy and material consumption, improving our environmental performance and pushing forward the green e-commerce of China with practical action.



ENVIRONMENTAL MANAGEMENT SYSTEM

According to the national laws and regulations, as well as the company's "Environment, Health and Safety Policy", Vipshop has developed an environmental management system and established an EHS Management Committee to supervise its implement. Chaired by our CEO, and composed of the senior management, department supervisors and representatives of the Labor Union and employees, our EHS Committee is responsible for pushing forward tasks in environment, health and safety. The committee members are required to meet twice a year to evaluate the EHS-related performance of the company and propose suggestions and plans for improvement.

Vipshop EHS Committee Organizational Structure



To make our environmental management system fit in more with our actual state of operation and better carry out environmental management of the company, we also encourage and motivate front line staff to put forward suggestions and innovative ideas on how to reduce environmental impacts

in office work, logistics and other procedures, promoting continuous optimization of the process and methods of environmental management with their practical experience. An employee will be rewarded if his or her advice is adopted.



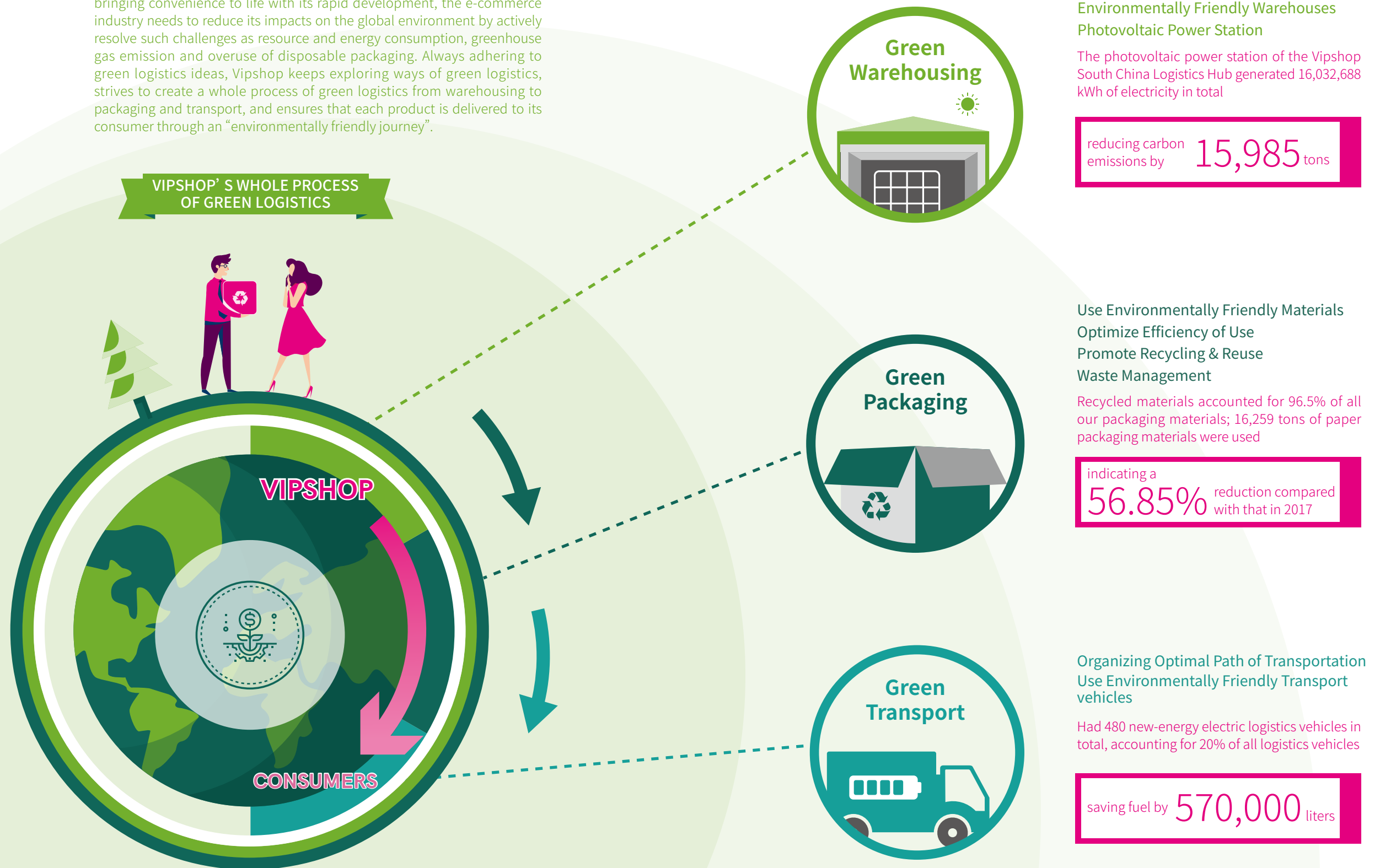
▲ optimize strategic layout of logistics and reduces energy consumption



▲ upgrades the construction of green warehousing

GREEN LOGISTICS

Being one of the important operation procedures for e-commerce enterprises, logistics is also a procedure most related to environmental protection. According to the data of the State Post Bureau, the annual volume of express has exceeded 50 billion pieces in China in 2018. While bringing convenience to life with its rapid development, the e-commerce industry needs to reduce its impacts on the global environment by actively resolve such challenges as resource and energy consumption, greenhouse gas emission and overuse of disposable packaging. Always adhering to green logistics ideas, Vipshop keeps exploring ways of green logistics, strives to create a whole process of green logistics from warehousing to packaging and transport, and ensures that each product is delivered to its consumer through an “environmentally friendly journey”.



Achievements In 2018

The photovoltaic power station of the Vipshop South China Logistics Hub generated

16,032,688 kWh

of electricity in total, reducing carbon emissions by

15,985 tons

Photovoltaic Power Station in Logistics Hubs

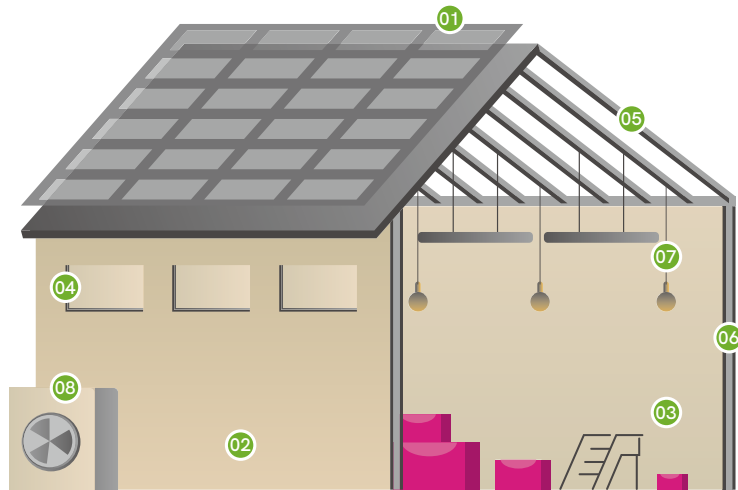
As the first e-commerce logistics hub powered by photovoltaic energy in China, Vipshop South China Logistics Hub (Zhaoqing, Guangdong) started to invest in building a distributed photovoltaic power station in 2016. The project, covering a total area of 230,000 square meters, applies the grid-connected photovoltaic power generation system, and installs solar panels on the rooftops of 12 warehouses in the logistics hub. The photovoltaic power station has a total capacity of about 22 MW. After the first phase of the project successfully completed grid connection in March 2017, the second phase was also put into use in April 2018. In 2018, the Photovoltaic Power Station of the South China Logistics Hub generated 16,032,688 kWh of electricity in total, reducing carbon emissions of about 15,985 tons compared with purchase of electricity externally (equal to planting 360,000 saplings).

In 2017, Vipshop built a photovoltaic power station in the Central China Logistics Hub (Ezhou, Hubei), with a gross capacity of around 41 MW on the rooftops of 29 warehouses, covering a total area of about 520,000 square meters. The project is expected to be put into operation in May 2019, with an estimated daily capacity of over 105,000 kWh power generated on average. In 2018, Vipshop continued to invest in the construction of photovoltaic power stations in all the six logistics hubs across China, to fully achieve green warehousing in terms of energy consumption.

Green Warehousing

Vipshop’s self-built warehouses are constructed in an environmentally friendly way according to the principle and standard of green industrial area and green building. The warehouses are made of environmentally friendly and energy-saving materials interiorly (interior walls and steel members) and exteriorly (exterior walls, roof panels and external windows), while environmentally friendly

and energy-saving measures and equipment are extensively employed in illumination and cooling systems for warehouses. Moreover, we creatively use new energy by building photovoltaic electricity generating systems on warehouse rooftops in logistics hubs, to make best use of solar energy, a cleaner form of energy, as the source of electricity generation.



Vipshop’s Green Warehousing

01 Rooftops

Photovoltaic electricity generating systems

02 Exterior Walls

Aerated concrete, color plates with insulation cotton, and waterproof environmentally friendly wall paint

03 Roof Panels

Color plates with insulation cotton, and variable-frequency fans

04 Exterior Windows

Hollow glass

05 Steel Members

Thin waterborne fireproof coating

06 Interior Walls

ICT environmentally friendly wall paint

07 Illumination in Warehouses

Daylighting bands on the top, smart LED lighting systems in the middle and the bottom, and inductive light tubes

08 Cooling in Warehouses

Use of environmentally friendly air conditioners to replace high-power fans, and evaporative cooling pads for absorption of heat

Green Packaging

To meet national standards of “Packings for Express Service” revised in 2018, Vipshop actively implements the concept of green packaging, joins the “Green Express Packaging Alliance”, and promotes environmentally friendly packaging materials featuring low pollution,

consumption, and emissions, according to the principles of lightweight, green, and recyclable. Specific measures cover the use of environmentally friendly materials, the optimization of use efficiency, the promotion of recycling and reuse, and the waste management.

Vipshop’s Green Packaging	
Actions	Contents
Use environmentally friendly materials	Using packaging boxes made by modern environmentally friendly paper
	Using biodegradable delivery bags and dunnage bags
	Using environmentally friendly ink to print delivery forms
Optimize efficiency of use	Optimizing the structure of packaging boxes and reducing waste of space
	Using light material, and reducing the area of paper for packaging
Promote recycling and reuse	Canceling the purchase of some types of paper boxes, and replacing them with used paper boxes from suppliers and recycled
	Reducing the purchase of disposable plastic woven bags, and replacing them with those from suppliers
	Designing and launching recyclable boxes
Disposal management	Continuously recording and tracking the quantity of packaging materials being used
	Reviewing and improving the packaging material conditions periodically



Achievements In 2018

Recycled materials accounted for

96.5%

of all our packaging materials

16,259 tons

of paper packaging materials were used, indicating a

57%

reduction compared with that in 2017

Pinjun Express, which is owned by Vipshop, was awarded “2018 China Express Social Responsibility Award”.

Green Recyclable Boxes

In August 2018, Vipshop started a pilot project in Shanghai, replacing some cartons with green recyclable boxes which are recycled by couriers on delivery to customers and sent back to warehouses for reuse. Green recyclable boxes are made of new-style thermoplastic resin without discharge of toxic gas or waste water during production, resistant to strike, high temperature and high humidity. They can be reused over 50 times, which are undoubtedly greener and more environmentally friendly compared with disposable cartons. Moreover, green recyclable boxes are designed with detachable anti-theft clasps, and can be quickly shaped with no need of glue or tape, reducing the use of tape while keeping commodities intact. Within a year, Vipshop has cumulatively put over 20,000 green recyclable boxes in use, greatly reducing the number of cartons in use.

Achievements In 2018

Vipshop had

480

new-energy electric logistics vehicles in total, accounting for

20%

of all logistics vehicles, saving fuel by

570,000 liters

Green Transport

Vipshop adopts a green mode of transportation in terms of optimizing the transport process and increasing the number of environmentally friendly vehicles in use, thus reducing environmental impacts of the transport process.

On the one hand, Vipshop continuously optimizes the process of transportation. We have established a new model of delivery base on distribution centers, organizing the optimal path of transportation vehicles with its self-developed vehicle intelligent dispatching system to reduce the transportation mileage and exhaust emissions. Besides, based on strengthening cooperation with brand owners and perfection of the spot check mechanism, we have gradually achieved the direct delivery of quality supplier products to further improve the efficiency of distribution.

On the other hand, Vipshop continuously increases the investment in environmentally friendly transportation and delivery vehicles. We choose Scania trucks

with high fuel efficiency and low exhaust emissions as vehicles in our own fleet, and have increased the use of new-energy electric logistics vehicles in large cities and densely populated areas across China since 2016 to replace some traditional fuel vehicles and meet new vehicle demand. New-energy electric logistics vehicles can save costs of use by about 20% to 30% compared with traditional fuel vehicles, with positive impacts on economic and environmental management of the company.

In 2018, 283 new-energy electric logistics vehicles were added to our logistics hubs and operation sites around the country, bringing its total number to 480, accounting for 20% of the company's logistics vehicles. Within 2018, new-energy electric logistics vehicles reduced fuel consumption by about 570,000 liters compared with traditional vehicles, reducing carbon emissions by about 1,500 tons. In the future, we will also continue to purchase more new-energy electric logistics vehicles.



▲ increases the proportion of environmentally friendly logistics vehicles to achieve green transport

GREEN OFFICE

Achievements In 2018

Guangzhou Headquarters
purchased electricity of

8,849,681 kWh

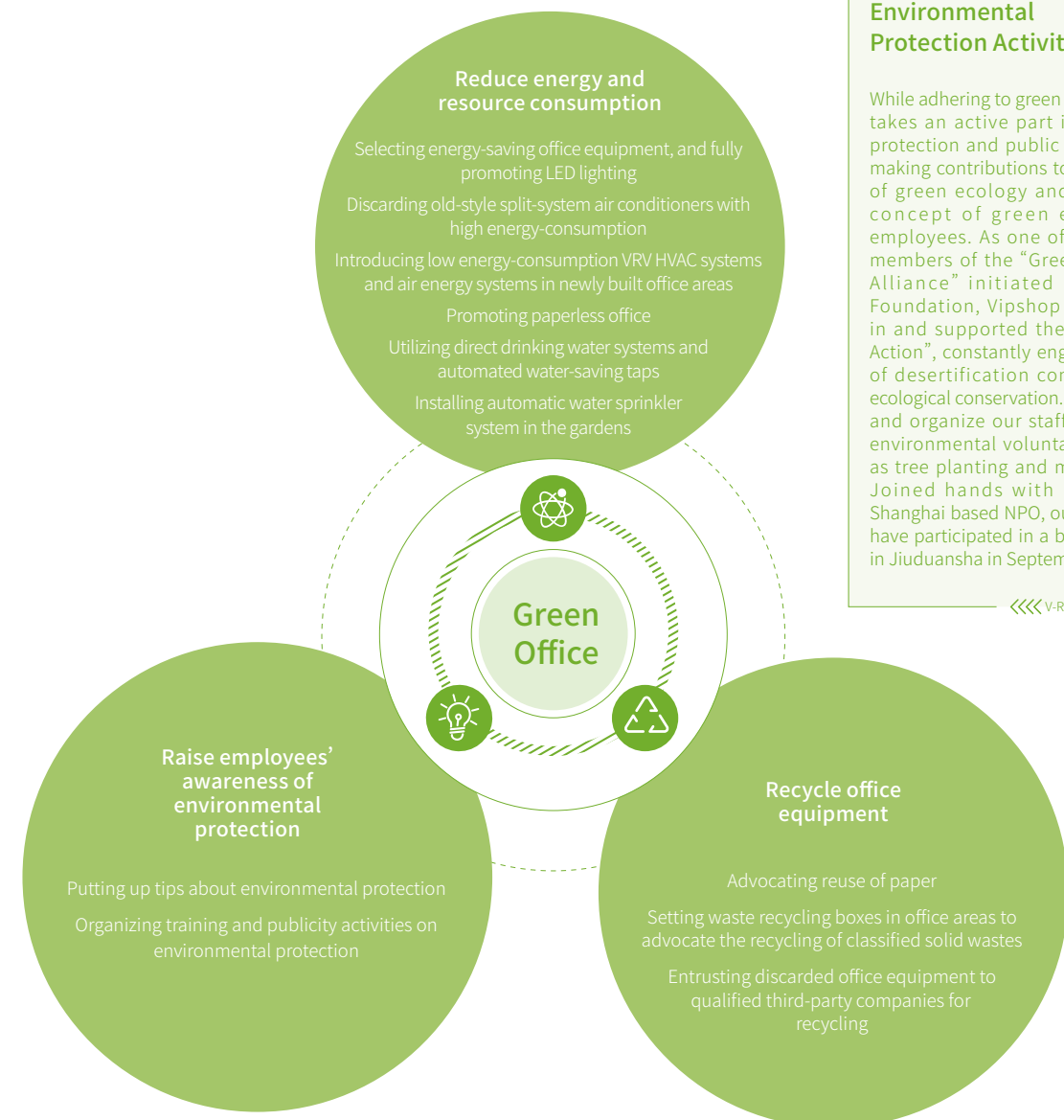
indicating a

10% ▼

reduction compared with that in 2017

In order to reduce environmental impacts caused by its business operations, Vipshop fully promote the paperless, low energy-consumption, less wasteful and recyclable concept of green office, taking a series of measures to create environmentally friendly offices and encouraging employees to practice low-carbon work style. Mainly aimed at offices and dining halls, Vipshop's green office measures include three parts of reducing energy and resource consumption, recycling office equipment and raising employees' awareness of environmental protection.

Vipshop has established a comprehensive monitoring system for energy use, recorded and analyzed the consumption of water, electricity and gas to continuously monitor, evaluate and enhance the company's performance on energy saving and emission reduction. We have set various indicators of environmental performance. By comparing and analyzing these indicators with past ones, Vipshop identifies and improves the deficiencies of its green office efforts.

Dedicated to
Environmental
Protection Activities

While adhering to green operation, Vipshop takes an active part in environmental protection and public welfare activities, making contributions to the development of green ecology and advocating the concept of green ecology among employees. As one of the first verified members of the "Green Public Welfare Alliance" initiated by China Green Foundation, Vipshop has participated in and supported the "Green Citizens' Action", constantly engaging in the work of desertification control and natural ecological conservation. We also encourage and organize our staff to participate in environmental voluntary activities such as tree planting and marine protection. Joined hands with Rendu Ocean, a Shanghai based NPO, our staff in Shanghai have participated in a beach clean activity in Jiuduansha in September 2018.

《《《 V-Responsibility & Action 》》》

JOINTLY PURSUING ACHIEVEMENTS IN CAREER AND LIFE

Equality, Diversity, Inclusiveness and Joint Progress
Comprehensive Empowerment and Development
Comprehensive Welfare System



As an e-commerce enterprise adhering to sustainable development, Vipshop regards every employee as a critical factor to corporate development, making efforts together with employees to achieve joint growth. Based on sound practices of human resources management, we have created an office environment of equality, diversity, inclusiveness and joint progress, a growth platform for integrated empowerment and comprehensive development, and a comprehensive welfare system of “Benefiting, Caring, and Growing Up”. As a result, we have gradually cultivated an innovative, pragmatic, united and enterprising employee team, who are enabled to balance life and work while achieving sustainable career development. In 2018, Vipshop made impressive progress in the construction of a talent pool, with 57,638 employees as of December 31, 2018.



▲ improve employee cohesiveness

EQUALITY, DIVERSITY, INCLUSIVENESS AND JOINT PROGRESS

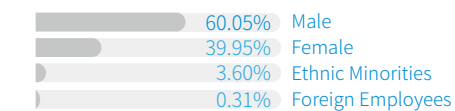
Adhering to the people-oriented philosophy, Vipshop creates a harmonious working atmosphere and sets up a united and collaborative team of employees by various measures including achieving staff diversity and ensuring smooth communication among employees.

Equality among Employees

Vipshop believes an equal and diversified working environment can bring a sense of recognition and creativity to the employee team. Therefore, we strictly abide by relevant laws and regulations, and implement an open, fair and equal recruitment and

employment system, to ensure that candidates and employees do not have to face inequalities or discrimination due to their nationalities, races, genders, religions, backgrounds, sexual orientations, and lifestyles or any other relevant factors.

Percentages of Different Groups of Employees in 2018



Communication with Employees

Vipshop believes that hearing the voice of employees is an important way to improve human resources management and make the employee team stable and coherent. Therefore, we make great efforts to build and perfect communication mechanisms for employees, and collect their requests and suggestions through various

channels such as Luncheons with Chairmen and Quarterly Tea Talk. It helps us in analyzing advantages and deficiencies of current management as well as potential chances and risks during the process of operation, and enable the management process to be more people-oriented and transparent.



COMPREHENSIVE EMPOWERMENT AND DEVELOPMENT

Vipshop embraces a young and energetic team, with up to 63.4% of employees under the age of 30. Vipshop believes that career development of employees plays a crucial role in the long-term development of employees and the company. Therefore, we adhere to building a learning-oriented working environment, provide employees with a platform for growth, and help them maintain sustainable career development with diverse training programs and a smooth career path.

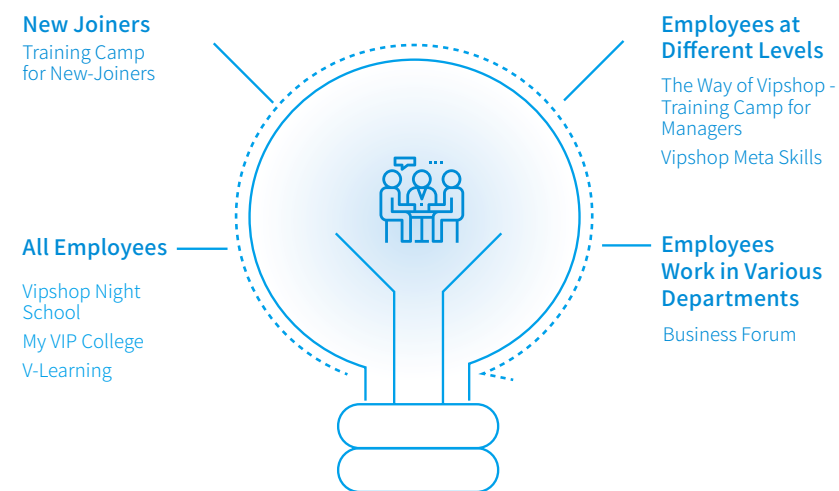


▲ improve the training system for sustainable career development

Employee Training Programs

Vipshop proactively offers employees appropriate learning opportunities to help them improve occupational and managerial skills, thus realizing comprehensive development. We set up a series of occupational training programs to satisfy different demands from employees

in various departments and at different stages of development. Benefited from the launching of V-Learning and other online programs, we organized totally 132,120 hours of training programs for employees in 2018, which is 3.3 times as much as that in 2017.



Vipshop Night School

We work on building a quality platform for employees' learning and growth, thus improving their general skills. Both online and offline training courses are provided, which involve industry and business knowledge.



The Way of Vipshop - Training Camp for Managers

According to the company's requirements on managers, we train and guide them to have clear self-cognition, jointly learn management language, improve basic management capacities, and become competent for management positions.



My VIP College

We encourage employees to actively pursue further study. Qualified employees can apply for education grants. For instance, employees obtaining Master, Doctor, MBA and EMBA degrees or professional certificates can get corresponding grants according to relevant regulations.



Vipshop Meta Skills

In terms of both skills and culture, we help employees at the basic level to grasp general key skills required in their positions, deepen their understanding of the company's core values, and apply these in their practical work.



V-Learning

Over 500 online courses help employees learn and share the freshest experience and skills, with average monthly active users of over 30,000 person times.



Business Forum

Each key business department has launched Business Forum and other special training programs to assist employees in improving professional skills, which stimulates business growth of the company while realizes self-improvement of the employees



Training Camp for New-joiners

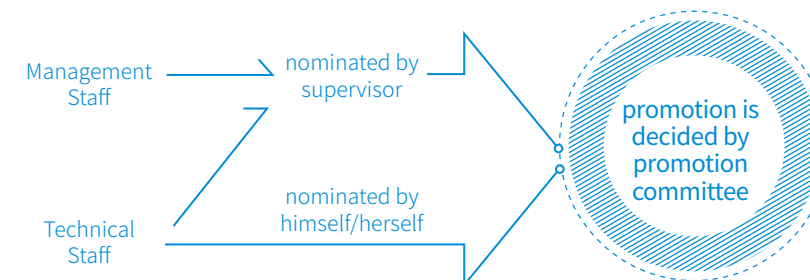
We have corresponding programs for new employees joining through social or on-campus recruitment, internships and management trainees, aiming at helping them adapt to the cultural values, policies, and systems of Vipshop, and quickly fit in with the company.

Development Channels for Employees

Vipshop is committed to providing employees with reasonable and fair opportunities for career development and establishing a dual-track career path for managers and professional staff. The promotion of employees will be reviewed by a special review committee (including technical post evaluation committee, product post evaluation committee and marketing post evaluation committee).

To further help employees learn about their status of career development, the company takes both their performances and the post of key positions into consideration, and conducts a comprehensive performance assessment with evaluation and suggestions. This comprehensive assessment is based on the objective setting at the beginning of the year, the performance

communication and mentoring at the middle of the year, and the performance assessment at the end of the year. On the basis of this comprehensive assessment, the company provides a restricted stock incentive plan for non-executive employees with outstanding contributions, combining employees and the company into a close and long-term combination of shared interests. In 2018, the restricted stock incentive plan covered about 15% of the entire employees, with the option premium reaching USD 97 million in total.



COMPREHENSIVE WELFARE SYSTEM

Adhering to the idea of “making employees and their families happy”, Vipshop has been improving welfare for employees, paying attention to their occupational health, enriching their after-work life, thus enhancing their sense of well-being, identity, and belonging. In 2018, we established a comprehensive welfare system of “Benefiting, Caring, and Growing Up” in accordance with the “Vipshop Management System on Welfare”, to provide considerate care and benefits for employees by a warm and innovative means of operation.

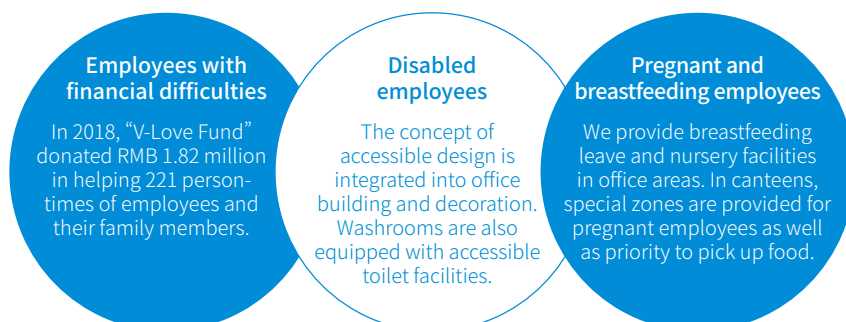


Employee Care and Condolence

Vipshop provides carefully selected and designed gifts on traditional festivals such as the Spring Festival, the Dragon Boat Festival, the Mid-autumn Festival and birthdays of employees; it will present gifts to employees when they get married or give birth; it will present condolence money to employees upon their loss of family members; the company will also provide financial assistance to employees when they are in hospital.

Vipshop established corresponding welfare care measures for special employees including pregnant and

breastfeeding employees, disabled employees, and employees with financial difficulties.



Focus on Occupational Health

In order to guarantee the occupational health and safety of employees, Vipshop has set up a special EHS Committee responsible

for the safety during the company’s daily operation as well as the management of OHS issues.

OHS Management	
Methods	Effects
Organize employees to have physical checkups at designated organizations/hospitals	Learn about the health status of employees
Provide lectures on first aid, lumbar health care, prevention of cancer, scientific health preservation, etc.	Improve employees’ sense and skills in protecting their health
Set up recreational facilities, including gymnasiums, dancing studios, yoga areas, and basketball courts, organize various sports clubs and occasional activities such as long-distance running and hiking	Provide exercise opportunities for employees in their spare time and reduce risks of sub-health
Set up medical clinics and physiotherapy rooms to provide medical treatment, physiotherapy services, acupoint application in hot summer days, and regularly clean and disinfect the office area	Be equipped with basic emergency medical resources and guarantee employees’ safety and health during production
Establish Employee Assistance Program (EAP) with professional psychological consultants offering daily counseling services	Learn about employees’ mental health status and guarantee their mental health
Organize regular fire drills	Improve employees’ awareness of emergencies and relevant skills

Enrich After-work Life

Vipshop attaches great importance to employees’ after-work life. The Labor Union organizes various recreational activities to help employees balance their work and life, as well as promote communication between

employees and their families. In 2018, Vipshop has supported 15 clubs in implementing over 200 activities at its Guangzhou Headquarters with investments of more than RMB 350,000.



▲ various after-work activities for staff

HEART-WARMING CHARITY MAKES LOVE MORE POWERFUL

About Vipshop Charity

Support for Youth Development

Women Empowerment

Targeted Poverty Alleviation

Charity from the Public



Vipshop is a pioneer in carrying out strategic charity programs in a systematic way in the e-commerce industry. Today, as social development is profoundly influenced by the internet, Vipshop hopes to not only lead in commercial value but also bring positive energy to the sustainable development of society with charity programs. With the mission of “improving quality of life and enhancing experience of happiness”, Vipshop actively seeks out the connection between its characteristics and community welfare as well as a way of carrying out charity programs that makes the best of its strengths as an e-commerce business. With sustainable development at its core, equitable empowerment as its pivot and cross-sectoral innovation as its innovation engine, Vipshop has gathered the power

of love of the masses by “sports + charity” and other mechanisms, developing a unique e-commerce charity model.

Adopting this model, Vipshop continues to endeavor in the four focus areas of charity, including the online charity innovation platform, support for youth development, women empowerment, and targeted poverty alleviation, and correspondingly develops three “VIP Love” flagship charity programs, namely Vipshop Education Sponsorship, VIP Empowering Mother Program, and VIP Love Workshop. Meanwhile, Vipshop develops the platform “My Charity” in Vipshop App as a bond to offer fast, convenient and diverse ways of participating in charity programs, thus expanding the public participation.



Vipshop Charity Strategy

ABOUT VIPSHOP CHARITY

Vipshop joins hands with stakeholders in a concerted effort to develop a unique e-commerce charity model, transforming itself from a funder to a builder of charity platform, a leader of innovation, and a motivator for sustainability. In June 2011, Vipshop established

the Guangdong Vipshop Charity Foundation, first of its kind in Chinese e-commerce industry, energetically explores and keeps inputting to lead the public to pay attention to charity undertakings and make charity more common and popular.

Performance of Vipshop Charity

By the end of 2018



Support for youth development:

Vipshop invested over RMB 60 million, helped more than 36,000 impoverished students, and donated for the construction of 6 Vipshop primary schools, 1 Vipshop kindergarten and 12 Love multimedia classrooms in mountainous areas.

Women empowerment and equality promotion:

Vipshop invested around RMB 32.7 million, helped more than 70,000 people.

Motivation for poverty alleviation with intangible cultural heritage:

Vipshop invested over RMB 17 million, established 10 VIP Mothers Artisan Cooperatives, and designed more than 200 types of fashion products covering 30 intangible cultural heritage crafts, bringing over RMB 10 million of labor remuneration for more than 5,000 artisans.

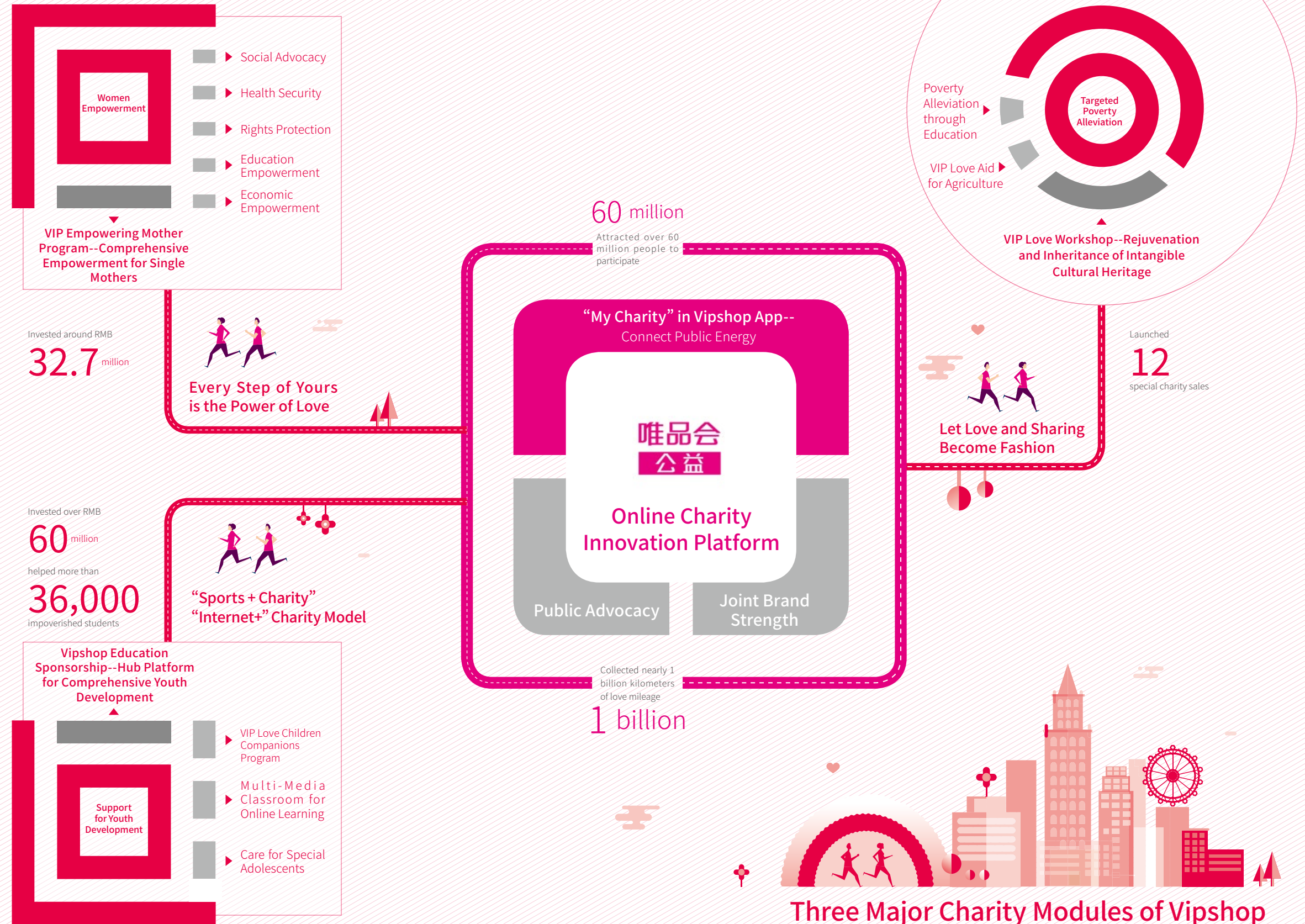
Charity from the Public:

“My Charity” in Vipshop App has attracted over 60 million people to participate in “step for love” campaign and collected nearly 1 billion kilometers of love mileage.



Vipshop Charity Campaigns

Under the guidance of the charity philosophy and focus areas, Vipshop has set up three major charity modules, namely support for youth development, women empowerment, and targeted poverty alleviation. With the strengths of e-commerce, Vipshop constantly drives online charity to create platform value, helps the three charity modules build up charity ecosphere, and introduces various partners to promote the sustainable implementation of related programs. Meanwhile, integrated media model is used to promote social advocacy, draw the public attention and let them participate in it.



SUPPORT FOR YOUTH DEVELOPMENT

Achievements In 2018

Hub Platform for Comprehensive Youth Development

Vipshop invested over RMB **20 million** on Vipshop Education Sponsorship in helping **10,250** impoverished students and joined hands with volunteer teachers teamed up of postgraduates from over **30** key universities as well as brand partners in carrying out VIP Love Energy Classroom.

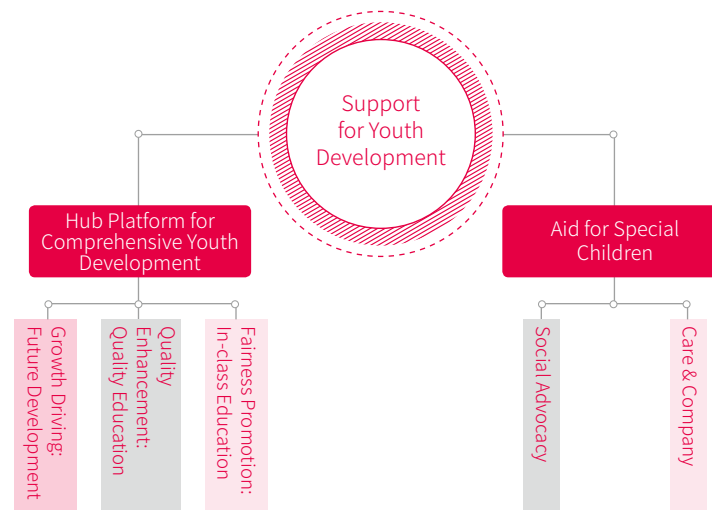
Aid for Special Children

The special charity sale “Little Van Gogh from the Stars” was put online, and hundreds of paintings drawn by children with autism and

thousands of derivatives were sold. All sales revenues were used for sponsoring art therapy programs for children with autism.

The Report to the 19th National Congress of CPC points out: “We will promote the coordinated development of compulsory education in urban and rural areas, while giving particular attention to rural areas. We will improve preschool education, special needs education, and online education, make senior secondary education universally available, and strive to see that each and every child has fair access to good education.” The core idea of Vipshop’s support for youth development is to equip every children with the power to steer

their own future, the opportunity to receive fair education regardless of their economic condition, and the right to be fairly treated regardless of their physical condition. With this idea, we started with two aspects, the Hub Platform for Comprehensive Youth Development and Aid for Special Children. On the one hand, Vipshop helps impoverished adolescents get access to fair and quality education; on the other hand, it helps special children achieve sound growth both mentally and physically.



As Vipshop’s earliest and highest-spending module, Vipshop Education Sponsorship constantly explores and upgrades itself and hence creates a integrated education sponsorship model of sustainability, efficiency and comprehensiveness. In 2018, Vipshop Education Sponsorship was upgraded and transformed from a traditional education sponsorship model to a comprehensive youth development-driven program model. For the purpose of “letting every child have the access to

fair and quality education”, Vipshop developed the Hub Platform for Comprehensive Youth Development, a comprehensive education empowerment system which takes three steps, namely “Fairness Promotion”, “Quality Enhancement” and “Growth Driving”. Fairness Promotion offers impoverished students subsidies via Vipshop Education Sponsorship; Quality Enhancement links those students with superior educational resources via the innovative voluntary teaching model of VIP Love Energy

Classroom; Growth Driving constructs an adolescent social innovation platform and provides college students funded by Vipshop with channels to take part in charity. Via this hub platform, Vipshop joins hands with partners in constructing the Vipshop Education Sponsorship Ecosphere, which provides further support for impoverished adolescents, draws public attention to them and eventually help them achieve integrated and sustainable development.



Vipshop Education Sponsorship Ecosphere



WOMEN EMPOWERMENT

Achievements In 2018

Comprehensive empowerment for single mothers

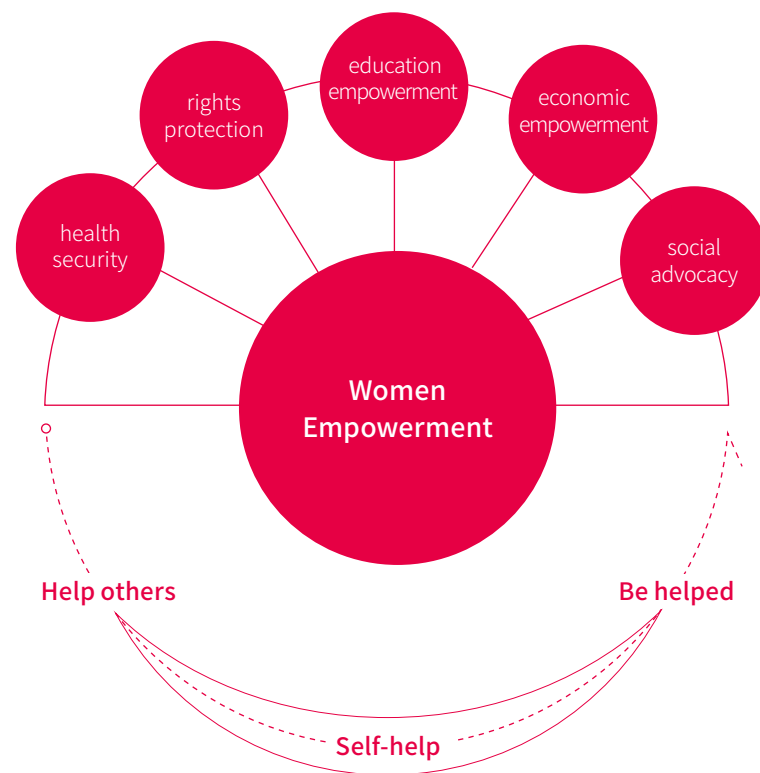
VIP Empowering Mother Program have benefited over **34,000** people with its online and offline services, donated over **10,000** charity insurances, funded **17** local programs, and carried out activities themed on empowerment for single mothers in **18** cities in collaboration with more than **30** partners.

Support for women in predicament

Vipshop assisted the Women's Federation of Guangzhou in launching the 3rd Guangzhou Rose Charity Venture Investment Campaign, directly served **327** people and indirectly served **4,806** people in total.

Over 80% of Vipshop's members are women. We hope not only to satisfy the needs of female customers in product service but also shoulder the mission of "empowering her-power" in the field of female development. With an aim to empower women and promote equitable development for women, Vipshop kept inputting and gathering resources and

carried out a battery of charity programs for women with its characteristics. Targeted at three core groups, namely women in countryside, single mothers, and women in predicament, the programs are launched in five dimensions, namely health security, economic empowerment, education empowerment, social advocacy, and rights protection.



Dr. Zeng Yuwei, a member of VIP Empowering Mother Charity Ecosphere:

"During this year with the program, I have heard the laughter from within mothers in classroom, in songs sung by the chorus, and parents-child campaigns between mothers and their children. More importantly, I have seen beautiful souls that have passed through all kinds of hardships and detours, and became rainbows that lighting up lives of their children and themselves!"

((< V-Responsibility & Voice >))



Vipshop launched the VIP Empowering Mother Program in December 2017, and donated RMB 10 million to the Guangdong Vipshop Charity Foundation to establish the VIP Mothers Special Foundation, the first single mother development fund in China established by an e-commerce enterprise. Besides, Vipshop initiated VIP Empowering Mother Charity Ecosphere in collaboration with the China Women's Development Foundation. The VIP Empowering Mother Program gains insights into the needs of

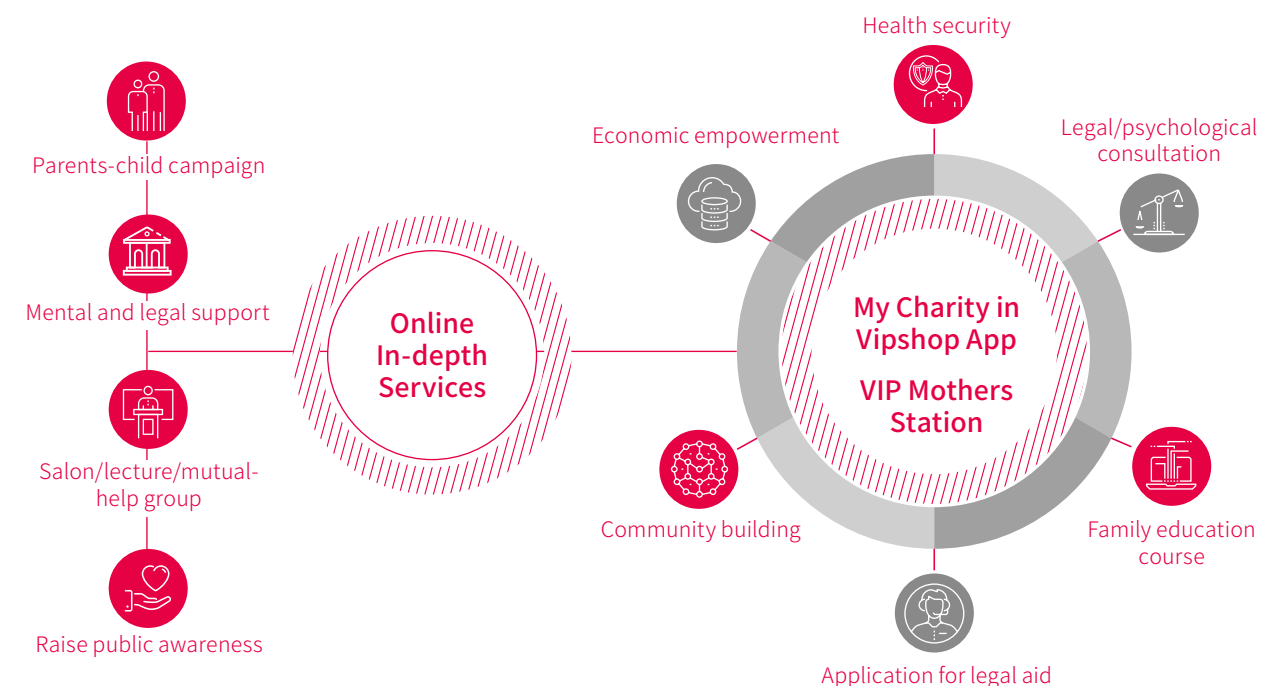
single mothers, endeavors to solve three problems of them, namely personal development, family & parenting, and fitting into society. The program has set up five empowerment modules, namely professional service, economic empowerment, health security, parent-child relationship and social advocacy, and created a model combining online service platform and offline in-depth empowerment. On the one hand, we constructed an online service platform and created an online matrix consisting of VIP

Mothers Station in Vipshop App and VIP Mothers Camp in our WeChat/Weibo official account, allowing single mothers across the country to get the help they need online in time; on the other hand, we have set up a charity ecosphere and joined hands with charity organizations, academic institutions, enterprises and individuals in jointly implementing various offline services, leading single mothers and all members of the ecosphere to empower each other.



▲ bring warmth to single mothers through parent-child charity programs

Online Information Platform (wide coverage) Offline Project Operation (in-depth service)



TARGETED POVERTY ALLEVIATION

Achievements In 2018

VIP Love Workshop

Visited **13** provinces, launched programs in **14** country-level poverty-stricken counties, and designed more than **200** types of fashion products covering **30** intangible cultural heritage crafts in collaboration with over **20** well-known and many designers, bringing over RMB **10** million of labor remuneration for more than **5,000** artisans.

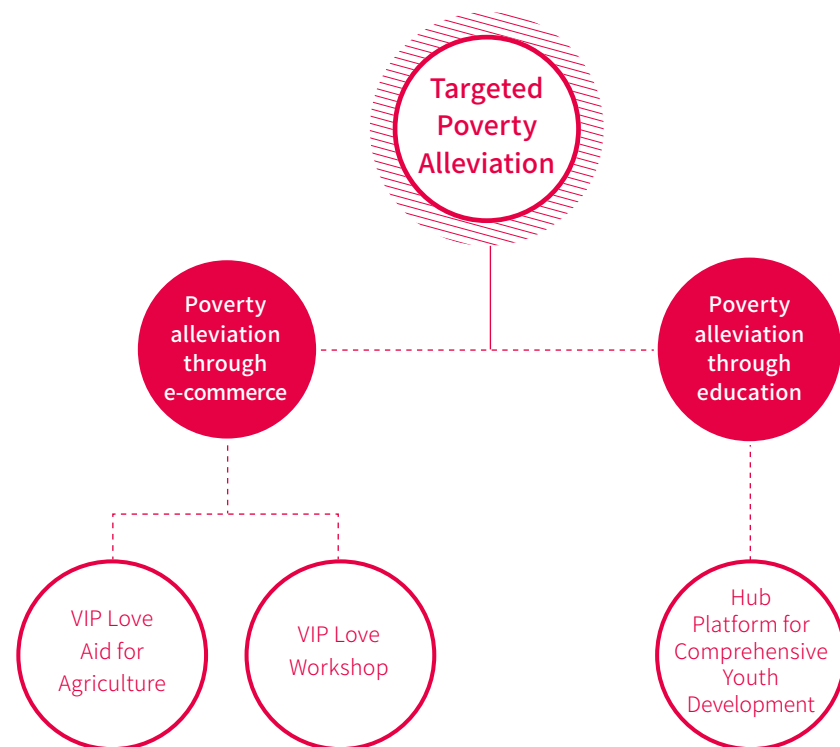
Poverty alleviation through education

Covers **27** provinces and reinforces its support for "three counties and three districts" with over **200** county magistrates and over **300** primary and middle school teachers in poverty-stricken areas participating in the campaign named "Your Nomination, Our Sponsorship".

The 2030 Agenda for Sustainable Development released by the UN has proposed "to end poverty in all its forms and dimensions, including by eradicating extreme poverty by 2030". China attaches great importance to the execution of the Agenda, and has issues accordingly The Decision of the Central Committee of the Communist Party of China on Winning the Battle of Poverty Alleviation, which proposed to "lift rural poor under the current standard out of poverty by 2020". Vipshop believes that the core objective of targeted poverty alleviation is to help impoverished groups acquire the ability of sustainable development and lift themselves out of poverty. With this idea in mind, we have carried out targeted poverty alleviation with the pioneering and driving force of Internet and gradually developed a sustainable model that centers by sustainable empowerment, implements poverty alleviation through e-commerce and education, and realizes quality

consumption and targeted poverty alleviation at the same time.

In terms of poverty alleviation through education, we continue to carry out Vipshop Education Sponsorship. As for poverty alleviation through e-commerce, we hope to change the traditional perception that doing charity is all about donating money and supplies and initiate a win-win charity practice, namely "consuming is charity", to let more people take part in poverty alleviation; besides, fashionable e-commerce attributes of Vipshop were exploited to create targeted poverty alleviation programs with the characteristics of Vipshop. Eventually, Vipshop E-commerce Poverty Alleviation developed two distinctive modules, VIP Love Aid for Agriculture and VIP Love Workshop, not only to bring impoverished people with economic income, but also to motivate sustainable development of them.



In VIP Love Aid for Agriculture, Vipshop exploits its advantages as an e-commerce business, seeks and recommends high-quality agricultural products and shortens the distance between poverty-stricken areas and consumers by connecting production and marketing. The program opened up marketing channels for agricultural products, and therefore increased the income of poor households in rural areas. In June 2018, Vipshop initiated a targeted poverty alleviation campaign called Consumers' Favorite Agricultural Products in collaboration with China Consumer Journal. In January 2019, Vipshop launched the platform of VIP Love Aid for Agriculture alongside with VIP Love Aid for Agriculture: Sichuan Pavilion, the first of its kind, in Chengdu. In the future, Vipshop will seek for more high-quality agricultural products, present them to customers via VIP Love Aid for

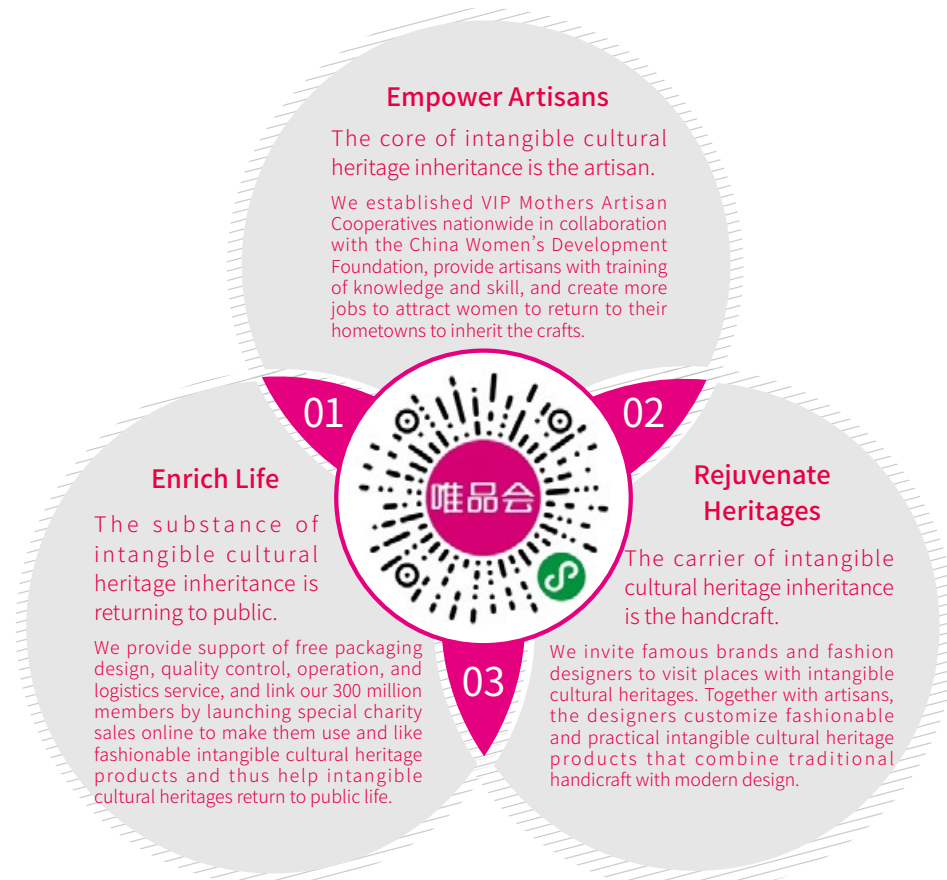
Agriculture, and gather the power of public to promote targeted poverty alleviation and rural rejuvenation.

Created by Vipshop, the VIP Love Workshop is an e-commerce charity platform focusing on the rejuvenation and inheritance of intangible cultural heritage. The workshop aims at helping the artisans while making intangible cultural heritages more common, fashionable and sustainable by taking a number of related measures, including industrial guidance, skill training, fashion products crafting, and on-line selling. Vipshop does not simply open up marketing channels for original products of intangible cultural heritage, rather, it is dedicated to setting up an innovative platform where consumers can enjoy high-quality products while impoverished groups can be directly benefited,

thus creating a new economic model for poverty alleviation with intangible cultural heritage. Base on solid field investigations, the VIP Love Workshop promotes the development of characteristic fashion industry of intangible cultural heritage in multiple locations by virtue of Vipshop's extensive experience in e-commerce operation and marketing network as well as ample resources in fashion business. It introduces designers of famous brands and cultivates upstream and downstream businesses to form up a full-industry chain assistance model of "e-commerce platform & well-known brands & fashion designers & local enterprises", which is implemented by three steps, namely "empower artisans, rejuvenate heritages, and enrich life".



▲ gather resources to jointly promote the new economic model of intangible cultural heritage



Qi Shengmin, leader of the VIP Mothers Artisan Cooperative for Qinghai Coiled Embroidery:

"It was beyond our imagination that our handmade products could sell to consumers across the country on the internet. After earning such income, I have more say in my family."

(((V-Responsibility & Voice)))



VIP Love Workshop is of three-fold social significance. First, it helps impoverished people achieve self-worth. For poverty-stricken craftswomen, the workshop not only brings them improvement in all aspects from economic empowerment to individual sustainable development but also enables them to inherit cultural tradition and way of life that have been handed down from generation to generation while tending to family and ensuring

material life. Second, it drives rural development and facilitates the prosperity of rural areas. For communities in impoverished rural areas, the workshop plays a positive role in relieving the social problem that there is a growing population of left-behind children and empty-nest elderly in rural areas and successfully promotes the sustainable development of rural areas with targeted poverty alleviation. Third, it inherits national culture and boosts

cultural confidence. The workshop has successively invited artisans with intangible cultural heritage crafts such as coiled embroidery, Miao embroidery and batik to attend international fashion events such as London Fashion Week and Paris Fashion Week, which creates chances for the world to feel the charm of the orient, demonstrate China's cultural confidence while give artisans chances to learn about the global trends and get more inspiration.

CHARITY FROM THE PUBLIC

Achievements In 2018

"My Charity" in Vipshop App attracted over
30 million people to participate in "step for love" campaign and collected more than
380 million kilometers of love mileage.

"My Charity" in Vipshop App adopted the "You Walk, I Donate" model and created the mechanism of "sports + charity", which has become a bridge between the public and our charity initiatives. Collaborating with various brands and partners, "My Charity" platform launched a wide range of charity programs and became a port linking Vipshop, brands and partners to promote unified and innovative collaboration in 2018.

We recommend all our staff to be philanthropic and launched the Charity 1+1 program, VIP Love Letter Companion Program and special charity programs for different departments. With these programs, we encourage and support our staff to become volunteers and actively contribute to charity. Charity 1+1 means that each Vipshop staff is entitled to a one-day paid charity leave each year.

Duration of Service by Staff Volunteers (Hour)

2016	44,820
2017	50,934
2018	82,360



Economic Performance	66
Environmental Performance	72
Social Performance	76



ECONOMIC PERFORMANCE

CORPORATE GOVERNANCE

The Importance of This Issue to Vipshop

Clear and sound corporate governance structure and system are beneficial for Vipshop to specify its daily corporate affairs and management responsibilities of decision-making, enhance the transparency of corporate operation, protect shareholders’ interests, and guarantee the realization of sustainable development goals of the company in the long term.

Vipshop’s Management Approaches

Governance Overview

The Vipshop Board of Directors respects and safeguards all shareholders’ rights and is responsible to investors. Under a sound governance framework, the company continuously enhances its market competence and promotes its sustainable development. The Vipshop Board of Directors continues to play its role in strategic leadership, decision-making and risk control, and constantly improves the company’s execution and supervision mechanism involving authority with corresponding responsibility, coordinated operation, and effective check and balance. As of 31 December 2018, the Vipshop Board of Directors consists of nine members: Mr. Eric Ya Shen, Chairman; Mr. Arthur Xiaobo Hong, Vice Chairman; Mr.

Martin Chi Ping Lau and Mr. Jacky Yu Xu, Directors; and Independent Directors: Mr. Chun Liu, Mr. Frank Lin, Mr. Xing Liu, Ms. Kathleen Chien, Mr. Nanyan Zheng.

Vipshop continues to improve the efficiency and performance of corporate governance through predetermined financial return indicators and other financial comparison indicators related to the CEO’s variable pay, including return on assets, return on equity, return on invested capital, total return to shareholders, etc. In addition, Vipshop has established guidelines for CEO on deferred bonuses, deferred cashing and performance cycles for variable pay.

Risk Management

Based on the “Vipshop (Group) System on Risk Management”, Vipshop establishes and implements effective risk management measures to anticipate and identify risks, thus preventing the company from running out of control or having crisis. The company establishes the principles of risk level assessment, management, and control by risk classification and specifies road-maps and plans to provide guidance for risk management progresses in all business lines and subsidiaries of the company. Besides, Vipshop actively conducts assessments on major risks and special assessments on risk of major projects inside the company, implements measures to meet

requirements for risk management and control by descending levels, and establishes regular risk review plan. In addition, the company has also established a corporate firewall to prevent business risks from being magnified internally and thus affecting the overall situation. Moreover, the company also replaces legal representatives of high-risk subsidiaries with their business leaders to reduce or isolate risks.

Internal Control

Respecting and abiding by “Sarbanes-Oxley Act Section 404”, Vipshop establishes a systematic and standard internal control system. This system is risk-oriented, deeply integrated with Vipshop business, and explicitly defines the responsibilities of each business unit. Also, the company embeds risk management and control into its business policies, processes, and systems by business benchmarking, individual responsibilities and solidification of IT support, to ensure the consistency and effectiveness of the system. The company maintains control over its subsidiaries and affiliates through its power mechanism and key personnel including the charter, shareholder meetings, seats in the Board of Directors, etc. Through OA (office automation), the company also controls legal instruments issued by the company, such as documents, certificates and signed agreements.

Compliance Management

Vipshop ensures that the company’s business activities comply with various laws and regulations by formulating various company rules and regulations. Vipshop sets up the Internal Audit Department to carry out regular independent internal audit of each department. The Internal Audit Department has introduced such documents as “Vipshop (Group) System on Risk Management”, “Vipshop Guidelines on Business Operation and Code of Ethics”, and “Vipshop Guidelines on Corporate Governance” to make independent and objective supervision and evaluation in terms of the adequacy, compliance and effectiveness of operating activities and internal control. It provides suggestions which are helpful in strengthening the effect in the process of corporate governance and risk management and control.

Highlights in 2018

• In 2018, there was no fines or other non-monetary sanctions due to violation of socioeconomic laws and regulations within Vipshop. There was also no incidents in which employees used the seals externally thus causing significant losses to the company.

DIRECT ECONOMIC IMPACTS

The Importance of This Issue to Vipshop

Continue creating economic value for the society and proactive paying tax according to law are the fundamental social responsibility of a listed company like Vipshop, and are also the fundamental way of the company to create long-term value for stakeholders.

Vipshop’s Management Approaches

• Strictly abides by relevant laws and regulations on tax in China, operating areas and listing location, Vipshop handles business with integrity, and makes tax payments according to law. The company continues to perfect its tax system and formulates relevant measures for strengthening the awareness of tax risk precaution and establishing and improving various tax management systems and operational guidelines.

• Vipshop discloses its corporate information to shareholders timely and accurately. The company discloses quarterly reports and annual reports in a timely manner. Vipshop Holdings Limited Annual Reports can be downloaded from the SEC website, the company’s IR website or other financial websites.

Highlights in 2018

• By December 31, 2018, Vipshop has achieved 25 consecutive profitable quarters. In 2018, Vipshop’s total net revenue was RMB 84.524 billion, a 15.9% increase compared with the previous year, and its net income attributable to shareholders was RMB 2.129 billion, a 9.2% increase compared with the previous year. For more financial indicators and information including specific operating costs, employees’ remuneration and benefits as well as shareholders’ interest and payments, please refer to “Vipshop Holdings Limited 2018 Annual Report”.

Economic Value

Total Net Revenues (RMB100 Million)



Cost of Revenues (RMB100 Million)



Total Assets (RMB100 Million)



Net Income Attributable to Our Shareholders (RMB100 Million)



Net Earnings per ADS (RMB)



INDIRECT ECONOMIC IMPACTS

The Importance of This Issue to Vipshop

The ever-changing Internet technology has profoundly changed people’s life. While the e-commerce platform has brought continuous incentive and support to the development of society and economy. In addition to the direct economic value created by the enterprises themselves, they can also actively benefit the communities and residents involved through indirect means with their business operations, thus not only improving the company’s brand reputation but also contributing to the company’s long-term sustainable development.

Vipshop’s Management Approaches

- Vipshop strictly complies with local labor laws and regulations and actively supports local employment. All of the employees’ salary standards are reasonably determined according to local market conditions.
- Equipped with extensive experience in e-commerce operation and marketing network as well as ample resources in fashion business, Vipshop has created the VIP Love Workshop, an e-commerce charity platform focusing on the rejuvenation and inheritance of intangible cultural heritage. Based on solid field investigations, the VIP Love Workshop promotes the development of characteristic

fashion industry of intangible cultural heritage in multiple locations. It also introduces designers of famous brands and cultivates upstream and downstream businesses to form up a full-industry chain assistance model of “e-commerce platform & well-known brands & fashion designers & local enterprises”.

Highlights in 2018

- VIP Love Workshop has visited 13 provinces, launched programs in 14 country-level poverty-stricken counties, and designed more than 200 types of fashion products covering 30 intangible cultural heritage crafts in collaboration with over 20 well-known and many designers, bringing over RMB 10 million of labor remuneration for more than 5,000 artisans.

assessment (review on qualification documents), site/project inspection, technical/business assessment and contract fulfillment/performance assessment. Vipshop includes ESG audit factors (product quality, safety production, employee relations, labor disputes, environmental protection, etc.) in its mechanisms of supplier selection, performance evaluation of contract fulfillment, and elimination. Vipshop gives priority to suppliers with the ISO9001 certificate and the ISO14001 certificate, while eliminating or refusing to select unqualified suppliers, thus ensuring stable, reliable and excellent resources in its supply chain. Vipshop conducts an annual CSR survey on each supplier, covering more than 60% of the suppliers we have cooperated with in three years.

- Vipshop has established procurement policies such as “Vipshop Management Procedure on Procurement”, and insists on signing business contracts, confidentiality agreements, and “Vipshop Agreement on Anti-Commercial Bribery” with all brand partners and suppliers.

- Vipshop’s Business Center, Asset Purchase Department, Legal Department, and Financial Center will check the compliance status of brand partners and suppliers annually. Vipshop will terminate its cooperation with those who cannot meet Vipshop’s requirements in terms of customer complaints and compliance of lawsuits.

- Vipshop set requirements on safety and environmental protection measures of the suppliers involved in on-site construction and supervises their operation.

Communication Method

- Vipshop dedicates to establishing a multi-channel, process-efficient and regular communication mechanism with brand partners to achieve mutually beneficial and win-win results. It regularly organizes brand partners to pay visits at the company, and the on-site meeting with KA brands can reach 2 to 3 times a month. The company holds annual or semi-annual conferences for brand partners while each department holds quarterly conferences.

- Vipshop actively enhances communication with suppliers. It holds annual or semi-annual conferences for suppliers and conducts discussions on network security and logistics technology from time to time through on-site meetings.

SUPPLY CHAIN MANAGEMENT

The Importance of This Issue to Vipshop

Vipshop’s supply chain management mainly consists of brand partner management and supplier management. As an e-commercial retail enterprise, its sustainability performance is closely related to the performance of its brand partners and suppliers. By enhancing communication and sharing strengths, Vipshop establishes win-win relationships with its brand partners and suppliers, which will provide effective assistance for the long-term sustainable development of all parties.

Vipshop’s Management Approaches

Management System

- The brand partners of Vipshop refer to those who supply the products sold at Vipshop. Vipshop has developed a KA brand management system to strengthen the cooperation with brand partners and monitoring on the operation. Vipshop’s judgment criteria of the KA brand includes the brand’s sales performance, brand influence, and potential. Meanwhile, according to the characteristics of customers and the strategic direction of the

company, Vipshop chooses brands that are highly consistent with its strategy of “flash sale on branded products”, in order to achieve a win-win situation for customers, Vipshop, and brands.

- The suppliers of Vipshop refer to those who provide Vipshop with Internet Data Center (IDC) server devices, critical logistics equipment, warehouse construction and assistance in its key/strategic projects. Vipshop gives priority to local suppliers when selecting its suppliers.

- The evaluation process of suppliers includes the following steps: qualification

Highlights in 2018

- Based on the existing cooperation, Vipshop established a deeper strategic relationship with many brand partners so as to give full play to each other’s strengths and achieve a strong alliance for win-win development.

- Vipshop created a new brand positioning and changed its corporate slogan to “flash sale on branded products”. It focuses on the goods and

looks for “premium products” with the help of a merchandizing team of over 1,700 members.

- Vipshop upgraded its KA brand management system and adjusted its KA brand rating according to its strategy of “flash sale on branded products”, thus achieving elaborate brand management processes and efficient brand management logic,

improving the empowerment chain, and enhancing brand performance.

- In 2018, about 6% of Vipshop’s suppliers have passed SA8000 certification, while about 18% have passed ISO14000 certification.

Supply Chain Management

Accumulated Brand Partners



Percentage of Brand Partners’ Contracts Compliance



Suppliers



New Suppliers



Percentage of Local Suppliers



Percentage of Suppliers’ Contracts Compliance



MARKETING COMPLIANCE AND FAIR COMPETITION

The Importance of This Issue to Vipshop

It is not only the responsibility of Vipshop but also a respect for all stakeholders to comply with statutory marketing regulations and strengthening the protection of intellectual property. It helps to maintain a fair, open and orderly competition environment, and shall contribute to the long-term sustainable development of Vipshop and the e-commerce industry as well. In 2018, the implementation of the “E-Commerce Law of PRC” and “Notice on Improving the Supervision of Cross-border E-Commerce Retail Import Supervision” also put forward new requirements for the legal and compliance operation of Vipshop.

Highlights in 2018

- In 2018, there was no case of any penalties or other non-monetary sanctions for selling counterfeit products within Vipshop.
- In 2018, Vipshop obtained 35 new patents, bringing the total number of patents to 320, indicating a 12.2% increase compared the previous year. It also acquired 18 new copyrights, bringing the total number of copyrights to 88, indicating a 25.7% increase compared with that in 2017.
- Benefited by the genuine images of pictures and software used by departments, there were 2 cases involving the copyright of Vipshop in 2018, which is 90% lower than the previous year.
- In 2018, Vipshop has passed the acceptance inspection of the Guangzhou E-commerce Intellectual Property Protection Pilot Unit.

Vipshop’s Management Approaches

- Vipshop abides by local regulations and voluntary codes when launching marketing activities (e.g., advertisement, promotion, and sponsorship), and refrains from any marketing practices that involve exaggeration or misleading.
- Vipshop establishes a comprehensive pre-examination mechanism for intellectual property ownership of goods sold on its platform as well as a complaint and investigation mechanism for intellectual property infringement. The company adopts a “zero tolerance” principle on the authorization of counterfeit brand authorization and the sales of counterfeit goods to maximize the protection of legitimate rights and interests of right-holders and consumers.

- In 2018, Vipshop has cooperated with the tax authorities to carry out tax planning related to intellectual property, saving RMB 103 million.
- In 2018, Vipshop has adjusted the legal representative of its overseas subsidiaries, provided a legal review for the compilation of overseas employee handbooks, set up red-line compliance requirements for overseas employees, and assisted in handling various legal affairs of overseas offices, in-house warehouses, and partners. In these ways, Vipshop has effectively maintained the stable operation of its overseas institutions.

- Vipshop continuously reinforces its compliance management in the field of market competition, unifies standards and requirements in the management system and working process, and establishes a compliance review mechanism embedded in its business procedures. It lays emphasis upon preventing legal compliance risks in anti-monopoly, fair competition and the protection of consumers’ rights and interests.
- Vipshop formulates related guidelines on compliance for market competition, giving a detailed explanation of examples involved with unfair competition and monopoly, methods to avoid unfair competition and monopoly, and relevant issues to be noted in daily operation.

Acquirement of Intellectual Property Rights

Trademark Right



Patent



Copyright



ANTI-CORRUPTION

The Importance of This Issue to Vipshop

Corruption cases will bring negative impact on Vipshop’s management philosophy and corporate values, as well as exert a severely adverse influence on the company’s reputation, employee team building, business partnerships, and long-term sustainable development. Therefore, measures should be absolutely adopted for punishment and prevention.

Vipshop’s Management Approaches

- Vipshop has developed and followed a series of anti-corruption policies, including “Red Line for Vipshop’s Management”, “Vipshop Regulations on Employee Honesty and Integrity”, “Vipshop System on Gifts and Bestowal”, “Vipshop Guidelines on Business Operation

and Code of Ethics”, and “Vipshop Agreement on Anti-Commercial Bribery”.

- Vipshop has set up 7 management red lines and zero tolerance for corruption. In strict accordance with the system, any violation will led the employee be expelled.
- The whistle-blowing channels include report email of the internal audit department (via@vipshop.com) which is in charged by the internal audit department, report email of the executives (jubao@vipshop.com) which can be checked merely by the chairman and the vice chairman of the board, and report email of the asset protection department (ci@vipshop.com) which is in charged by the asset protection investigation team.
- The company maintains a communication mechanism with its business partners and

employees from time to time during its daily operations, conveying the principal that Vipshop strictly prohibits non-integrity and unethical behaviors such as bribery.

Highlights in 2018

- In 2018, Vipshop’s anti-corruption training covered 100% of its employees for three consecutive years.
- In 2018, there was no confirmed incident of corruption within Vipshop.

Anti-Corruption

Percentage of Employees Receiving Anti-Corruption Training



Confirmed Internal Corrupt Practices



ENVIRONMENTAL PERFORMANCE

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

The Importance of This Issue to Vipshop

Global warming is causing long-term changes in our climate system, resulting in hundreds of billions of dollars in annual losses due to climate disasters worldwide. Greenhouse gases produced from energy consumption are the main source of climate change. Solutions including promoting reduction of energy consumption, increasing clean energy consumption, and strengthening carbon emission management in its daily operation will not only help Vipshop to reduce cost of operation, but also fulfill green and low-carbon operation, improve capability of sustainable development, and make due contributions to the mitigation of global climate change.

Vipshop’s Management Approaches

- Vipshop has established a comprehensive monitoring system for energy use, recorded and analyzed the consumption of water, electricity and gas to continuously monitor, evaluate and enhance the company’s performance on energy saving and emission reduction. We have set various indicators of environmental performance. By comparing and analyzing these indicators with past ones, Vipshop identifies and improves the deficiencies of its green office efforts.
- Vipshop has renovated the Guangzhou headquarters office by fully promoting LED lighting, discarding old-style split-system air conditioners with high energy-consumption, introducing low-energy VRV HVAC systems and air energy system in newly built office areas. An automatic sprinkler system has also been installed in the garden.
- Vipshop’s self-built warehouses are constructed in an environmentally friendly way according to the principle and standard of green industrial area and green building, and equipped with energy-saving and environmentally friendly devices. It has also equipped photovoltaic electricity generating systems on warehouse rooftops in logistics hubs.
- As the first e-commerce logistics hub powered by photovoltaic energy in China, Vipshop South

China Logistics Hub (Zhaoqing, Guangdong) installed solar panels on the rooftops of 12 warehouses, covering a total area of 230,000 square meters. With a total capacity of about 22 MW, the photovoltaic power station makes full use of clean solar energy and reducing power consumption.

- Vipshop adopts a green mode of transportation to reduce the environmental impact of the transport process. On the one hand, Vipshop has established a new model of delivery base on distribution centers, organizing the optimal path of transportation vehicles with its self-developed vehicle intelligent dispatching system to reduce the transportation mileage and exhaust emissions. It has also gradually achieved the direct delivery of quality supplier products to further improve the efficiency of distribution. On the other hand, Vipshop has continuously increased the use of new-energy electric logistics vehicles in large cities and densely populated areas across China since 2016 to replace some traditional fuel vehicles and meet new vehicle demand.
- Vipshop sets target on the number of new-energy electric logistics vehicles as a quantitative evaluation on the project. The target for 2018 is the number of new-energy electric logistics vehicles to reach 450.

Highlights in 2018

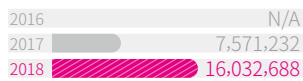
- In 2018, Vipshop’s purchased electricity in its Guangzhou Headquarters was reduced by about 10% from 2017.
- In 2018, Vipshop continued to invest in the construction of photovoltaic power stations in all the six logistics hubs across China. The station of the Vipshop South China Logistics Hub, which has been put into use, generated 16,032,688 kWh of electricity in total, reducing carbon emissions by approximately 15,985 tons compared with using purchased power.
- In 2018, 283 new-energy electric logistics vehicles were added to Vipshop’s logistics hubs and operation sites around the country, bringing its total number to 480, accounting for 20% of the company’s logistics vehicles. This number has fulfilled the target and is continuing to increase. Within 2018, new-energy electric logistics vehicles reduced fuel consumption by about 570,000 liters compared with traditional vehicles, reducing carbon emissions by about 1,500 tons.

Energy Consumption and Production

Purchased Electricity in the Guangzhou Headquarters (kWh)¹



Solar Power Generation (kWh)



Gas Consumption in the Guangzhou Headquarters (m³)^{2,3}



1. In 2018, the unit price for electricity purchased in the Guangzhou Headquarters is RMB0.87 per kWh, making the cost totaled at RMB7,699,222.
2. Gas for heating and the canteens
3. In 2018, the unit price for gas purchased in the Guangzhou Headquarters is RMB4.9 per m³, making the cost totaled at RMB1,234,864.

Carbon Emission¹

Carbon Emissions (Ton of Carbon Dioxide Equivalent)



Indirect Emissions (Scope 2) (Ton of Carbon Dioxide Equivalent)



Direct Emissions (Scope 1) (Ton of Carbon Dioxide Equivalent)²



1. Carbon emission is only calculated in the coverage of the Guangzhou Headquarters.
2. The number of the direct emissions in the previous years have been increased due to the change of calculating methods.



WATER CONSERVATION AND ECOLOGICAL CONSERVATION

The Importance of This Issue to Vipshop

While global warming has accelerated the trend of land drought and desertification, the economic development and urbanization have made the demand for water and the problem of water pollution increasingly serious. As a result, the water shortage has become more and more obvious, restricting the sustainable development of enterprises and society as well as causing a large number of animal species to be extinct or endangered. Water conservation and assistance in the ecological conservation work are the corporate citizenship responsibility of Vipshop and also match the sustainable development concept of Vipshop.

Vipshop’s Management Approaches

- Vipshop advocates the conservation of water and arranges property management personnel to regularly examine water pipes and related equipment during the company’s daily operation to ensure no leakage of water service system.
- Vipshop insists on discharging sewage within an appropriate range. The sewage generated during the operation is discharged into the municipal sewage pipe network to ensure no adverse impacts on the surrounding environment.
- As one of the first verified members of the “Green Public Welfare Alliance” initiated by China Green Foundation, Vipshop has participated in and supported the “Green Citizens in Action” jointly

sponsored by the United Nations Environment Programme, the National Greening Committee, the National Forestry, and Grassland Administration, and the China Green Foundation since 2017, constantly engaging in the work of desertification control and natural ecological conservation.

Highlights in 2018

- In 2018, there was no incident that has significant adverse impacts on water sources due to Vipshop’s water consumption or illegal issue regarding sewage discharge.
- Vipshop’s office area in the Headquarters was equipped with environmentally friendly and energy-saving sanitary fittings.

Water Consumption

Water Consumption in the Guangzhou Headquarters (m³)



PACKAGING MATERIAL CONSUMPTION AND RECYCLE

The Importance of This Issue to Vipshop

In 2018, China issued the serial National Standard Requirements of the “Packings for Express Service-Part 1: Envelopes (GB/T 16606.1-2009)” and “Guidance on Green Packaging for Express Service (Trial)”, which set the objectives of the express industry including standardization, reduction, and recycling of packaging. The 19th Communist Party of China National Congress also clearly pointed out that it is necessary to accelerate the establishment of a long-term mechanism for environmental management and control, and improve the system including environmental credit evaluation, mandatory disclosure of information, and severe punishment. Facing the background of strengthened governance of green packaging and continued attention on environmental protection from the media and the public, Vipshop understands that an e-commerce company who relies heavily on express services in daily operations like itself, must take responsible measures in the use of environmentally friendly materials and the recycling of packaging materials to avoid adverse impact consequences.

Vipshop’s Management Approaches

- Vipshop adheres to green packaging by constantly reducing the amount of packaging materials and prioritizing the use of recycled packaging materials. Pinjun Express uses biodegradable delivery bags and dunnage bags as well as a type of rapid-prototyping recycling box which can be used for multiple times as it will be recycled after delivering. The used cartons from suppliers are also reused with a label of “Vipshop Environmental Protection Box” to save the packaging materials.
- Vipshop develops the “Innovative Management Approaches for the Logistics Hubs” and rewards employees who put forward possible ways to reduce the cost to the environment while improving the quality and efficiency of operations.
- Vipshop sets targets on the performance of green packaging as quantitative evaluations on the issue. The targets for 2018 include: the ratio of recycled materials in packaging materials accounts for 96% or above; the consumption of paper packaging materials reduces for 10,000 tons; and the consumption of sealing tape maintains no more than 1,000 tons.

Highlights in 2018

- In 2018, all the targets we set are fulfilled: the recycled materials accounted for 96.5% of all the packaging materials; 16,259 tons of paper packaging materials were used, indicating a 57% reduction compared with that in 2017; 846 tons of sealing tape were used, which was 14% lower than that in 2017.
- Four types of cartons (No.5, 7, 8, and 9) were no longer purchased and replaced by the used cartons from suppliers and the recycled cartons, reducing the purchase of 30 million cartons and the use of approximately 10,500 tons of base paper within the year.
- Vipshop uses recycled woven bags as well as plastic woven bags recycled from suppliers, reducing the purchase of 5.46 million plastic woven bags and the use of 1,189 tons of plastic raw materials within the year.
- In 2018, Vipshop joined the “Green Express Packaging Alliance”. Pinjun Express, which is owned by Vipshop, won the “2018 China Express Social Responsibility Award” issued by the China Post and the Express News.

Packaging Material Consumption and Recycle

Paper Packaging Materials (Ton)



Plastic Packaging Materials (Ton)



Packing Tapes (Ton)



Proportion of Recycled Packaging Materials



SOCIAL PERFORMANCE

EMPLOYMENT

The Importance of This Issue to Vipshop

Co-operative and well-managed employees are the core element for Vipshop’s sustainable development. Ensuring its behavior in the processes of employees’ recruitment, working and dismissal meet related laws and regulations is the basic requirement of human resources management of enterprises.

Vipshop’s Management Approaches

- Vipshop has strictly complied with the “Labor Law of the People’s Republic of China” and relevant local labor laws and regulations as well as established and implemented the “Vipshop Management System on Salary”, “Vipshop Management System on Welfare” and “Vipshop Management System on Holidays” to ensure that all employees receive reasonable salaries and benefits corresponding to their work and positions.
- Vipshop conducts a comprehensive performance assessment with evaluation and suggestions. This comprehensive assessment is based on the objective setting at the beginning of the year, the performance communication and mentoring at the middle of the year, and the performance assessment at the end of the year. On the

basis of this comprehensive assessment, the company provides a restricted stock incentive plan for non-executive employees with outstanding contributions, combining employees and the company into a close and long-term combination of shared interests.

- Vipshop has established a completely confidential mechanism for employees’ personal information and has set up a human resource archive to keep related files. Permissions made by employees and the procedures of examination and approval are required if there is a need to borrow materials such as the copy of an employee’s ID card. In these ways, data are ensured to be strictly reviewed and used in confidence.

Highlights in 2018

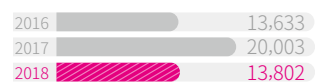
- The percentage of collective contracts of employees in the Guangzhou Headquarters was 100% in 2018.
- In 2018, the restricted stock incentive plan covered about 15% of the entire employees, with the option premium reaching USD 97 million in total.

Employment

Number of Employees



Number of New Employees



Coverage Percentage of Social Insurance¹



1. Employees rehired after retirement are excluded.

ENVIRONMENT, HEALTH AND SAFETY

The Importance of This Issue to Vipshop

A green, healthy and safe workplace not only helps Vipshop maintain the smooth and orderly conduct of its daily operations, but also reflects the company’s philosophy of fulfilling sustainable development, respecting labor rights, and working to build a harmonious and equal working atmosphere.

Vipshop’s Management Approaches

- Vipshop has established a complete EHS system which includes 67 specific systems. It is updated in real time according to factors such as national policies and implementation conditions.
- Vipshop has appointed independent third-party experts to regularly review the company’s EHS in its production, operation and management and issue reports on the results. Besides, the company communicates openly with employees, customers, shareholders, investors, government departments and communities to inform the performance of its EHS implementation.
- Vipshop follows a series of rules and regulations to form a safety management system for production, including “Vipshop (China) Co., Ltd. Policy on EHS”, “Vipshop (Group) System on Safety Production Responsibility”, “Vipshop (Group) Contractor Safety

Management”, “Vipshop (Group) Awards and Punishment System on EHS”, etc.

- Vipshop follows a series of rules and regulations to form a safety management mechanism for emergencies, including “Vipshop (Group) System on Emergency Preparedness and Response”, “Vipshop (Group) Prevention and Treatment on Natural Disaster”, “Vipshop (Group) System on Emergency Team Building and Emergency Duty”, etc.

- Vipshop promises that it will take effective measures in the process of production and operation to prevent its employees from being injured, the environment or its property from being damaged. Our vision is the six “zero”, namely, zero environmental accident, zero fire accident, zero transport accident, zero injury, zero tolerance of unsafe behavior and situation, zero violation of EHS regulations and business ethics.

- According to “Vipshop (Group) System on EHS Management Committee”, Vipshop has set up a special EHS Management Committee responsible for the safety during the company’s daily operation and the management of OHS issues to maintain employees’ occupational health and safety. It provides lectures on first aid, lumbar health care, prevention of cancer, and scientific health preservation. It also regularly organizes training of safety production and fire drills.

- To ensure the health of employees, Vipshop sets up recreational facilities including gymnasiums, dancing studios, yoga areas, and basketball courts, organizes various sports clubs and occasional activities such as long-distance running and hiking. It also provides employees with annual regular physical checkups, regularly cleans and disinfects the office area, and sets up medical clinics and physiotherapy rooms for medical treatment, physiotherapy services, and acupoint application in hot summer days.

- Vipshop established the Employee Assistance Program (EAP) for psychological assessments on employees. It is also equipped with professional psychological consultants to provide daily counseling services so as to ensure the mental health of employees.

- Vipshop developed a professional training system for security personnel to ensure that they do not infringe other employees during their duty.

- Vipshop implements unified management for all logistics vehicles. Most vehicles have driving recorders installed to track the status of vehicles in real time. The company requires all drivers to possess valid driving licenses and wear safety helmets when driving motorcycles or scooters.

Highlights in 2018

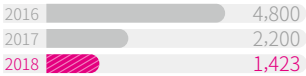
- In 2018, there was no EHS accident including case of fire nor case that violated environmental laws or regulations within Vipshop, which fulfilled our vision on EHS.
- With a coverage rate of 100%, Vipshop conducted environmental monitoring on all projects, including logistics warehouses, distribution centers, office areas and facilities under construction, in 2018.

EHS Performance

Fire Accidents



Investment in Safety Production (RMB10,000)



Employees Participating in Safety Drills (Person-Time)



Proportion of Employees Accepting Physical Checkups



Lost Time Injury Frequency Rate (per million working hours)¹



1. The LTIF Rate is only calculated in the coverage of the Guangzhou Headquarters.



EMPLOYEE TRAINING AND CAREER DEVELOPMENT

The Importance of This Issue to Vipshop

Continuously improving the overall knowledge and skills of all employees helps the company to maintain talent advantages, achieve strategic goals and realize long-term innovation and development. The company provides employees with diverse and substantial training programs tailored to the needs of employees in various departments and at different stages of development, offering them opportunities for continuous learning and self-improvement.

Vipshop’s Management Approaches

- In order to meet the differentiated needs of employees in various departments and at different stages of development, Vipshop offers a variety of training programs, including Vipshop Night School, My VIP College, V-Learning, Training Camp for New-joiners, The Way of Vipshop - Training Camp for Managers, Vipshop Meta Skills, Business Forum, etc. It also actively promotes the onlineization of training programs, thus helping employees enhance professional skills, achieve self-improvement while empower business development at the same time.
- Vipshop is committed to providing employees with reasonable

and fair opportunities for career development and establishing a dual-track career path for managers and professional staff. The promotion of employees will be reviewed by a special review committee (including technical post evaluation committee, product post evaluation committee and marketing post evaluation committee).

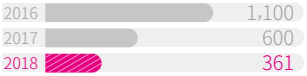
- Vipshop sets target on the training time per employee. The target for 2018 is keep increasing.
- Vipshop sets target on the satisfaction of employee training programs and conducts surveys to verify whether it is fulfilled. The target for 2018 is the satisfaction reaches 90%.

Highlights in 2018

- In 2018, 100% of employees participated in vocational skills training.
- In 2018, benefited from the launching of V-Learning and other online programs, we have fulfilled the target with training time per employee reached 22.8 hours, which is 4.4 times as much as that in 2017.
- In 2018, the satisfaction of Vipshop’s employee training program was 90%, which fulfilled the target.

Training Performance¹

Total Training Expense (RMB10,000)



Training Expense per Employee (RMB10,000)



Total Training Time (Hour)



Training Time per Employee (Hour)



Total Number of Persons Trained



Proportion of Trained Employees



1. Employees of logistics and customer service are excluded from their separate training systems.

EMPLOYEE DIVERSITY

The Importance of This Issue to Vipshop

Eliminating employment discrimination is not only a requirement of laws and regulations but also contributes to economic growth and sustainable development throughout the society. Treating every job seeker and employee equally would help to better discover and attract potential talents, build a dynamic team of employees, and provide an impetus for the future development of the company.

Vipshop's Management Approaches

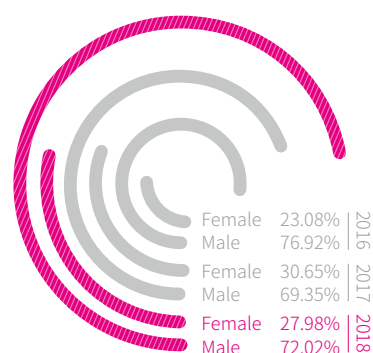
• Vipshop strictly abide by relevant laws and regulations, constantly improves the comprehensive employment system, and implement an open, fair and equal recruitment and employment system, to ensure that candidates and employees do not have to face inequalities or discrimination due to their nationalities, races, genders, religions, backgrounds, sexual orientations, and lifestyles or any other relevant factors.

Highlights in 2018

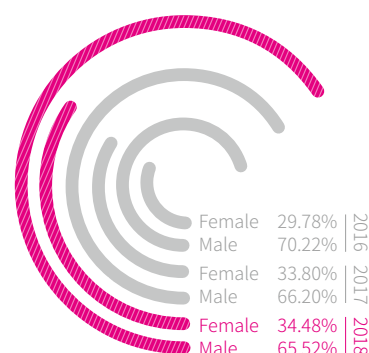
• In 2018, there was no case of discrimination due to nationalities, races, genders, religions, backgrounds, sexual orientations, and lifestyles within Vipshop.

Gender Ratio of Employees in Different Levels

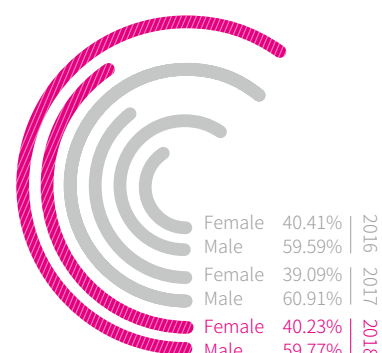
Senior Management



Middle Management



General Employees



Employee Diversity

Percentage of Employees of Ethnic Minorities



Percentage of Disabled Employees



Percentage of Foreign Employees



Age Structure of All Employees

Between 18 and 30



Between 31 and 40



Over 40



Gender Ratio of All Employees

Male Employees



Female Employees



EMPLOYEE COMMUNICATION AND WELFARE

The Importance of This Issue to Vipshop

An unblocked mechanism of employee communication and a sound system of employee welfare help to enhance employees' sense of happiness, identity and belonging, thus promote the stability of human resources structure. Learning employees' demands through different channels and taking a variety of measures to comprehensively improve employee benefits help the company to prevent risks associated with employment and become more attractive.

Highlights in 2018

• In 2018, all the problems collected from employees within the year have been solved.

• In 2018, Vipshop established a comprehensive welfare system of "Benefiting, Caring, and Growing up" in accordance with the "Vipshop Management System on Welfare". It provides employees with considerate care and benefits through warm and innovative means of operations to achieve their perceptions of happiness.

• In 2018, the VIP Love Fund provided 1.82 million donations to employees with difficulties, which was a 28% increase compared with that in 2017.

Assistance to Employees in Difficulties

Donations for Employees in Difficulties (RMB10,000)



Number of Donated Employees in Difficulties



Vipshop's Management Approaches

• Vipshop makes great efforts to build and perfect communication mechanisms for employees, and collect their requests and suggestions through various channels such as Luncheons with Chairmen and Quarterly Tea Talk. It helps us in analyzing advantages and deficiencies of current management as well as potential chances and risks during the process of operation, and enable the management process to be more people-oriented and transparent.

• Luncheons with Chairmen: the two founders of Vipshop will have luncheons once a month with employees from core positions of primary departments. It allows the executives to communicate face to face with the staff, listen to their opinions, and get to know the challenges of different departments.

• Quarterly Tea Talk: the two founders of Vipshop will share opinions on human resources management at the Quarterly Tea Talks with middle and senior managers who are newly appointed or volunteered to attend.

• Communication Meeting on Various Themes: the Catering Committee of Vipshop will hold a communication meeting every month to collect employees' demands on food, give feedback to the canteen and track its settlement. And each department will regularly hold communication meetings discussing the adaptation of new employees.

• Employee Communication Meeting: each department will

collect opinions and suggestions of employees periodically, and solve relevant problems together in internal communication meetings.

• WeChat Official Account of the Labor Union: there is a window for collecting opinions of employees in the WeChat Official Account of the Labor Union, which are classified and submitted to relevant departments, and the settlement of which is tracked.

• Vipshop sets up a legal aid window to provide legal assistance for employees in need.

• Vipshop provides statutory paid annual leave according to their length of service, as well as paid leave such as extra annual leave and sick leave.

• Vipshop sets up the VIP Love Fund, which helps the employees with difficulties or emergencies.

• Vipshop established corresponding welfare care measures for special employees including pregnant and breastfeeding employees, disabled employees, and employees with financial difficulties. We provide breastfeeding leave, as well as maternity rooms equipped with toilet, refrigerator, dining table, air conditioning in the office area. In canteens, special zones are provided for pregnant employees as well as priority to pick up food. We also promote the working experience of working mothers through special lectures and parent-child activities.

INFORMATION SECURITY AND CUSTOMER PRIVACY PROTECTION

The Importance of This Issue to Vipshop

A series of information disclosure incidents exposed on the International Consumer Protection Day has caused widespread concern about information and privacy protection. With its continuous development, Vipshop has an increasing access of customer information. The company needs to adopt more strict methods on techniques and management to avoid management risks brought by leakage of customer information. It is also conducive to guiding and cultivating good consumption behavior as well as contributing to the digitization of life.

Vipshop’s Management Approaches

• Vipshop has obtained the ISO27001 information security system certification, covering various management-related activities such as operation and maintenance of the company’s business systems, computer equipment management, personnel information security, data security, etc.

• Vipshop has developed two first-level documents on information security management, namely the “Information Security Management Manual” and the “Information Security Strategy”, which clarify the company’s policies, guidelines, and strategies on information security management. The relevant documents will be annually reviewed by the information security committee composed of the board of directors and senior leaders to determine the need for revision or updates.

• Vipshop has set up an Information Security Office which is responsible for the company’s information security as well as a Security Emergency Response Center to collect intelligence on cyber threats and dispose them.

• Vipshop carries out corresponding training courses and exams on information security awareness for new recruits and in-service staff, develops a clear reporting process for suspicious matters of information or network security, and incorporates information security into the employee’s performance evaluation.

• Vipshop hires a third-party organization to conduct technical consultation and overall safety risk assessment, and actively cooperates with companies in the same industry in information security construction.

• Vipshop formulates the “Customer Service Specification on Member’s Request for Verification of Account Information” to guide the customer service personnel in terms of customer privacy protection.

Highlights in 2018

• In May 2018, the VIP.com Third Internet E-commerce Security Summit was held in Shanghai. The conference demonstrated the practice and gains of Vipshop in the critical links and key stages of e-commerce information security construction. Meanwhile, it explored further measures for e-commerce information security construction around a series of core security topics that customers are most concerned about, such as vulnerability protection for information security, cloud security, security gateways, etc.

• In 2018, there was no confirmed information security incident within Vipshop.

QUALITY OF PRODUCT AND SERVICE

The Importance of This Issue to Vipshop

The quality of product and service is the operating baseline of a responsible e-commerce business. Protecting the health and safety of customers and bringing no risks to

their health and safety protect the legitimate rights and interests of customers, maintain the stability of social and economic order, and help to avoid operational risks for the company itself. Improving quality of customer service not only provides customers with good

shopping experiences but also helps Vipshop to create a good relationship with customers along with a stable membership system.

Vipshop’s Management Approaches

• Vipshop adopted several measures to guarantee authenticity such as “10 Guarantees for Authenticity” and “9 Articles for Quality Control”, and established a quality control team centered with staff from legal affairs, supply chain and logistics hubs to implement quality control in the whole closed-loop process which covered stages of “before purchase, before warehousing, in warehousing, after warehousing, sale, and after sale”. In these ways, Vipshop comprehensively protects customer rights throughout every detail of the source of the goods, the operation process, and the after-sales service.

• The “10 Guarantees for Authenticity” includes strength guarantee, source guarantee,

authenticity guarantee, quality control guarantee, logistics guarantee, certification guarantee, third-party guarantee, after-sale guarantee, credit guarantee, and authority guarantee.

• The “9 Articles for Quality Control” includes first to take responsibility, quality management system certification, authorization of well-known brands, on-site inspections by professional institutions, inspection on 8 checkpoints, verification of human-machine interactions, traceable close-loop service, 7-day no-reason return or refund, and multiple insurance coverage.

• Vipshop has formulated the “Vipshop Requirements for Verification of 3C Products through CCC Certification System” and cooperated with Certification and Accreditation Administration of PRC to perform verification on

all commodities with CCC marks through the CCC Certification System.

• Vipshop keeps strengthening connections with members, establishes a growth system and a loyalty system for members, and sets up a monetary reward system for loyal members. Vipshop also launched the Super VIP Paid Membership Program in 2017 to promote its service for members.

• According to the customer service concept of “Serve Members Wholeheartedly”, the customer service center sets target on customer satisfaction and verifies whether the target is fulfilled through telephone surveys and online surveys. The targets for 2018 include the satisfaction degree through telephone surveys being no less than 98%, while the satisfaction degree through online surveys being no less than 86%.

Highlights in 2018

• By the end of 2018, Vipshop had a quality control team of approximately 1,000 members.

• Vipshop established a quality evaluation system to conduct comprehensive quality evaluation on brand partners from multiple dimensions. It enables us to realize real-time and strict assessment as well as monitoring of product quality.

• Since 2018, Vipshop had implemented a systematic review on products’ quality and certification before sale. Only products approved by third-party quality inspection agencies will be allowed to go online. And it contains a veto on unqualified goods regarding standard of health.

• Vipshop launched a review service

for brand partners to help them establishing a perfect supply chain quality system by reviewing their quality systems, thus improving the quality of products sold by Vipshop from the source.

• Vipshop jointly compiled and published the group standard of “High Quality Down Garment” with the China Down Industry Association.

• According to the summary analysis of the Beijing Consumer Association’s comparative test results in 2018, 100% sampling products from Vipshop were qualified.

• Vipshop organized 5 special quality training for its brand partners, involving over 500 brand partners and over 800 employees.

• By the end of 2018, customer service center had 1,696 professional staff.

• IVR Project, the intelligent voice system created by the customer service center had been put into trial operation since March 2018. With an accuracy rate of over 92%, it intelligently solves problems for customers and enhances their experience.

• In 2018, the satisfaction degree through telephone surveys conducted by the customer service center was 98%, while the satisfaction degree through Online surveys was 86.7%. Both targets set are fulfilled.

• Approximately 3.2 million customers enrolled in Vipshop’s Super VIP Paid Membership Program, with a renewal rate of over 70%.

Consumer Health and Safety

Proportion of Important Products Received Health and Safety Assessment



Consumer Satisfaction

Customer Satisfaction (through Telephone Surveys)



Customer Satisfaction (through Online Surveys)



HUMAN RIGHTS

The Importance of This Issue to Vipshop

The rapid expansion of enterprises, especially multinational corporations, has caused widespread concern on how corporations handle their issues of human rights. Therefore, a company can demonstrate its attitude in dealing with issues involving the society and various stakeholders by formulating a policy that honors human rights in accordance with the “UN Guiding Principles on Business and Human Rights”).

Vipshop’s Management Approaches

• Vipshop puts emphasis on safeguarding the human rights of employees in its operation. The

scope of the implementation of relevant safeguarding measures covers the company’s internal hiring and evaluation of brand partners and suppliers.

• Vipshop maintains the right of employees to participate in company operations and express opinions. It regularly convenes employees’ representative meetings to explain to employees about incidents involving the interests of them or major changes in the company and solicit advice from employees to improve their participation in corporate governance.

• Vipshop will not introduce or will eliminate brand partners and suppliers who are suspected to have strained employee relations or not concerned about their employees’ health and safety.

• Vipshop resolutely cracks down on human rights abuses including employee exploitation, forced labor, use of child laborers, etc., and strictly applies to the “Provisions on the Prohibition of Using Child Laborers” and relevant local provisions. Brand partners and suppliers that are suspected of human rights abuses listed above will be refused to introduce or will be eliminated by Vipshop.

Highlights in 2018

• In 2018, there was no internal incident involving human rights abuses such as employee exploitation, forced labor, and use of child laborers within Vipshop.

• In 2018, there was no verified incident involving human rights abuses such as employee exploitation, forced labor, and use of child laborers in Vipshop’s brand partners and suppliers.



CHARITY

The Importance of This Issue to Vipshop

As Internet profoundly affects social development, e-commerce enterprises should and could take advantage of its Internet channel in bringing positive energy to the sustainable development of society through charity programs. Meanwhile, these charity programs are also helpful in promoting corporate image and brand value.

Vipshop’s Management Approaches

• Vipshop emphasizes and actively participates in community construction, and established the Guangdong Vipshop Charity Foundation to provide reliable support for charity programs and community development.

• With the mission of “improving quality of life and enhancing

experience of happiness”, Vipshop actively seeks out the connection between its characteristics and community welfare as well as a way of carrying out charity programs that makes the best of its strengths as an e-commerce business. With sustainable development at its core, equitable empowerment as its pivot and cross-sectoral innovation as its innovation engine, Vipshop has gathered the power of love of the masses by “sports + charity” and other mechanisms, developing a unique e-commerce charity model. Adopting this model, Vipshop continues to endeavor in the four focus areas of charity, including the online charity innovation platform, support for youth development, women empowerment, and targeted poverty alleviation, and correspondingly develops three “VIP Love” flagship charity programs, namely Vipshop Education Sponsorship, VIP Empowering

Mother Program, and VIP Love Workshop. Meanwhile, Vipshop develops the platform “My Charity” in Vipshop App as a bond to offer fast, convenient and diverse ways of participating in charity programs, thus expanding the public participation.

• Vipshop has established a comprehensive volunteer management system and actively encourages employees to participate in community development activities. Each employee is entitled to a one-day paid charity leave each year.

• Vipshop sets targets on the effectiveness of charity programs as quantitative evaluation. The target for 2018 include: helping 10,000 poor students by the Vipshop Education Sponsorship, and helping 30,000 people by the VIP Empowering Mother Program.

Highlights in 2018

• In 2018, Vipshop inputted RMB 52.13 million in charity, excluding a administrative cost of RMB 0.43 million.

• The Vipshop Education Sponsorship invested over RMB 20 million, and fulfilled the target with 10,250 impoverished students being helped.

• The VIP Empowering Mother Program funded 17 eco-service projects, linked more than 30 partners to carry out single-mother empowerment activities in 18 cities, and fulfilled the target with 34,000 people being helped online and offline.

Performance of Charity Programs

Employees Participating in Volunteer Services (Person-Time)

2016	18,865
2017	25,025
2018	18,901

Volunteer Service Time of Employees (Hour)

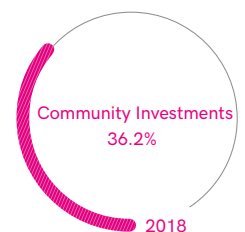
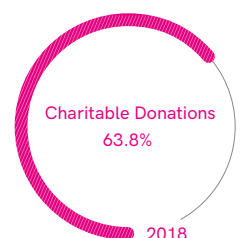
2016	44,820
2017	50,934
2018	82,360

Investment on Charity Programs (RMB10,000)¹

2016	1,405
2017	5,405
2018	5,213

1. From 2018, the calculation method of investment on charity programs has been adjusted from the contracted amount of expenditure to the actual amount, resulting in changes in the data of previous years.

Category of Charity Programs



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