

# 2017 VIPSHOP CORPORATE SOCIAL RESPONSIBILITY REPORT

2017 VIPSHOP CSR REPORT



# ABOUT THIS REPORT

This report marks the fourth consecutive year that Vipshop (VIP.COM, NYSE:VIPS) publishes its Corporate Social Responsibility Report, following the last report on August 2017. This report provides a detailed disclosure of Vipshop's practice and performance in areas of social responsibility such as environment, society, and governance in 2017, based on the principles of objectivity, normativity, transparency and comprehensiveness.

## Report Scope

- This is an annual report, covering the related data from 1 January to 31 December 2017. 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).

## Report Standard

- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- UN 2030 Agenda for Sustainable Development
- Chinese CSR Report Preparation Guide (CASS-CSR 3.0) issued by the Chinese Academy of Social Sciences

## Report 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. All monetary figures shown in this report are expressed in RMB.
- To facilitate presentation, Vipshop herein may be referred to as "The company" or "We".

## Report Publication

This report will be released simultaneously in Chinese and English in June 2017, 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. Your comments will enable us to refine future CSR plans and are therefore highly valued. For any feedbacks and/or input, please contact us at [vipshop365day@vipshop.com](mailto:vipshop365day@vipshop.com). All correspondences will be treated in strict confidence.

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## MESSAGE FROM THE CEO

### Quality Life Oriented New E-Commerce, Open and Cooperative Featured New Ecosystem



2017 marks the year of breakthrough and innovation for Vipshop. Conforming to the trend of consumption upgrading, we have upgraded our brand positioning from "A Website which Expert in Special Offers" to "Worldwide Selected, Authentic Promotion", bringing more options to customers. We have introduced strategic investment partners and joined hands with Tencent and JD.com to create a win-win cooperation ecosystem, promoting openness-driven innovation; we have also created a troika of e-commerce, logistics and finance, providing customers with a whole new experience of quality e-commerce.

All these moves are aimed at better adhering to our mission of "improving quality of life, and enhancing experience of happiness" in the new era. By doing so, we can embark on the way of upgrading Vipshop into a quality e-commerce, and working together with customers, employees and partners to create a win-win ecosystem and new patterns of the future with an open and innovative attitude.

Vipshop, with the hope to be a leading company in business value and a mission-oriented company, is willing to bring positive energy to the society and tap more possibilities for the future. As the fourth CSR Report of Vipshop, we keep in step with the UN Sustainable Development Goals and China's "13<sup>th</sup> Five-Year Plan", to establish a complete social responsibility strategic framework, and constantly review our performance in social responsibility. By doing so, we are able to seek opportunities to create value with stakeholders.

Vipshop hopes to make itself a good partner of customers in promoting quality life, as we regard offering quality products with excellent price the fundamental commitment that we give to them. In 2017, we launched a series of authenticity guarantees such as the Ten Guarantees for Authentic Products, with the aspiration to create a full-process guarantee on authentic product ranging from brands selection to worry-free after-sale service, protecting customer rights from beginning to end, and living up to the expectations for quality life of customers. In the meantime, upholding our customer service concept of "ultimate customer experience", Vipshop will continuously put efforts on the big-data-based service system building, logistics experience improving and customer information security protection, earnestly fulfilling our mission of "enhancing happy experience".

Vipshop hopes to make itself a driving force of partners for sustainable development, as we continue to improve operating capabilities and create fashion e-commerce platform effect. Through big-data-based accurate marketing, efficient logistics and warehousing networks, and resource aggregation platforms, we endeavor to promote cross-border cooperation, so as to help our brand partners achieve better development in China's booming consumer market.

Vipshop hopes to make itself a solid foundation of employees for professional development, as we regard each and every employee a backbone part in the growth of Vipshop. Our employees showed their trust in Vipshop when they chose to join the Vipshop family, and that bring us the responsibility to help them fulfill their potential and achieve a balance between career and life. In the hope of creating a sense of belongingness to the family, from employee training system, workplace diversity, fair salary, promotion mechanism to employee welfare and livelihood guarantee, we aim to help all employees gain self-achievements and share the success of Vipshop.

Vipshop hopes to make itself a positive energy source of the environment and society for harmonious development, as our development benefits from the globalization trend and the economic growth of China. As the saying goes "To be grateful for favors received." Vipshop always thinks about what it can do for the society, for the earth, and for the future. Apart from Guangdong Vipshop Charity Foundation, the first of its kind in the e-commerce industry established by Vipshop, we continue to invest in education sponsorship, targeted poverty alleviation, women empowerment, and environmental protection. Vipshop takes full advantage of e-commerce resources to build an innovative charity ecosystem. Together with our employee volunteers, 300 million members, brand partners, non-profit organizations and academic institutions, we jointly empower recipients to achieve sustainable development and to create their own future. As of 2017, we have invested more than RMB 120 million in charity funds with donation products

exceeding 80,000, directly benefiting over 210,000 people. Through the Charity 1+1 program, Vipshop staff contributed 50,933.7 hours of volunteer service in 2017. In the future, in order to realize common development with the society and fight for the future, Vipshop promises to devote one-thousandth of sales to charity every year.

In the new era, we need new patterns with new ideas. Only by continuous innovation and following our heart, can we forge ahead towards the future and secure our place. Going forward, Vipshop will be a keeper and doer to its mission, and is willing to join hands with all sectors of society, practicing responsibilities with farsightedness and insight, to break new ground and pursue a new future.

Chairman and CEO of Vipshop  
**ERIC SHEN**

# ABOUT VIPSHOP

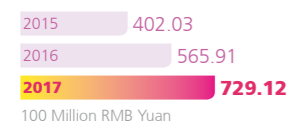
## Profile

Based in Guangzhou, China, Vipshop was founded in 2008 and was successfully listed on the New York Stock Exchange (NYSE) 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.

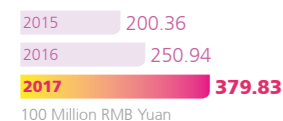
## Business Performance

In 2017, Vipshop continued to raise operational capacity and expand its market share. By 31 December 2017, Vipshop has over 300 million registered members, more than 58,000 employees, over 20,000 corporation brands, over 335 million orders annually, and achieved profitability for 21 consecutive quarters.

### Total Net Revenues



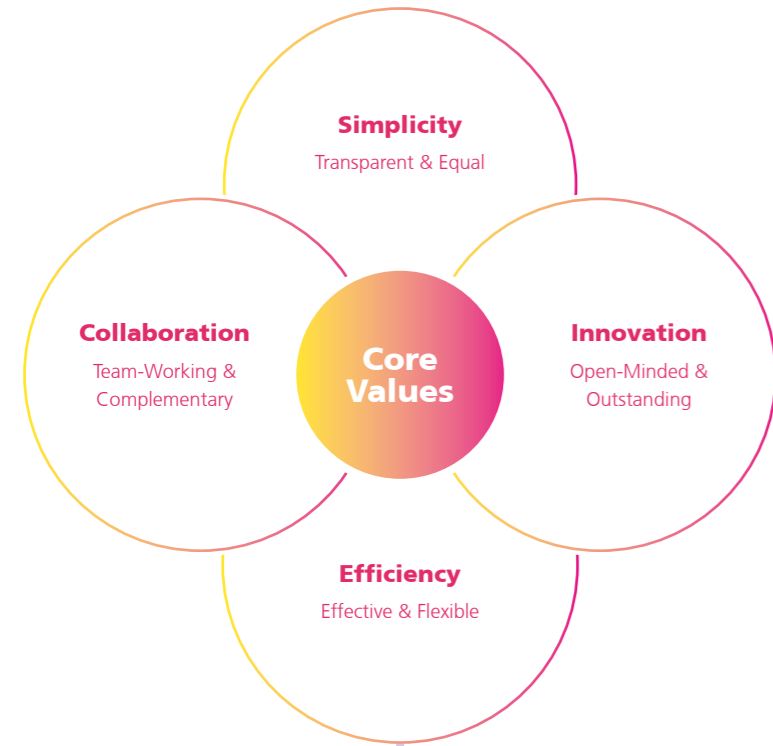
### Total Assets



- By 31 December**
- 300 million** over 300 million members
- 58,000** more than 58,000 employees
- 6,000** over 6,000 deep corporation brands
- 335 million** over 335 million total annual orders
- 21** 21 consecutive profitable quarters

### Vision & Mission

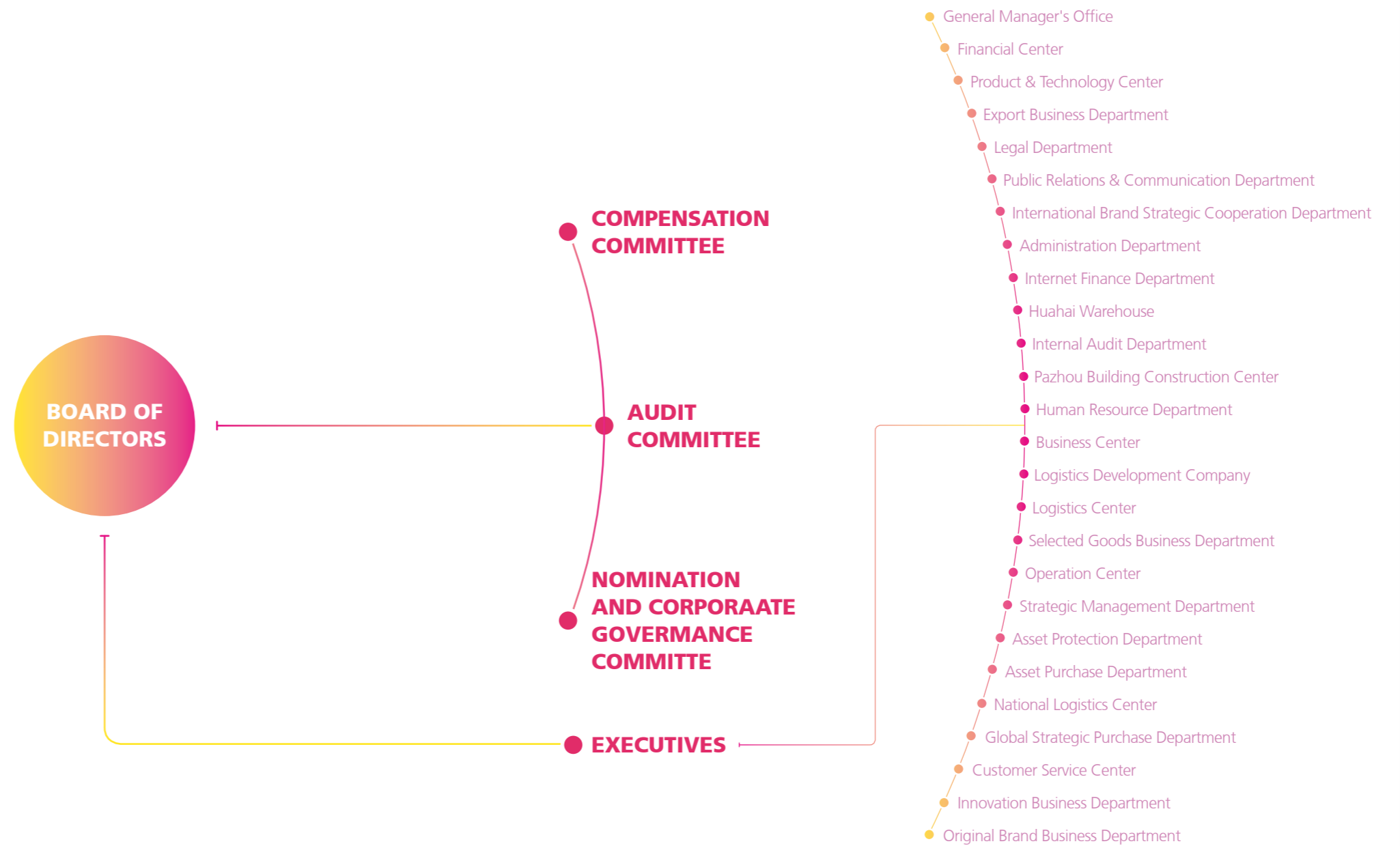
Vipshop starts and expands its business in the context of new global business civilization. Guided by the vision to “establish our position as a world-class e-commerce platform”, and the mission of “improving quality of life, enhancing experience of happiness”, we work closely with customers, partners, employees, and the community, to constantly create values and achieve sustainable development not only for ourselves but also for all our stakeholders.



### Business Philosophy



### Management Structure



# Social Responsibility Strategy & Management

## Vipshop Social Responsibility Management Structure

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.

The Vipshop CSR Committee, comprised of top management and led by CEO, is responsible for formulating the company's CSR strategy. Its working content includes reviewing the company's CSR data,



providing suggestions on how sustainability-related issues can be incorporated into business development, and ultimately supervising the company's CSR performance.

A CSR team has also been established comprising responsible personnels to collect quarterly and yearly CSR data, launch specific CSR programs, and prepare annual CSR report.

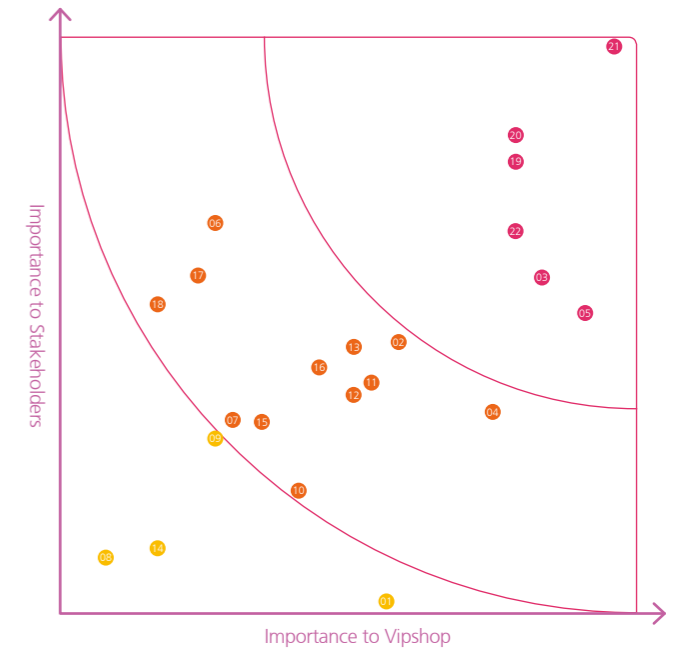
Within each department, we have CSR liaisons to collect CSR relevant materials.

## Materiality Analysis

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

In 2017, Vipshop conducted detailed research on hot topics, national policies and industry trends during 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 determine what to disclose as key points in this report as well as what to pay attention in future CSR work.

Identification of Material Issues	Evaluation & Assessment	Prioritization & Confirmation
Base on the communicating with stakeholders in the last year, we identified 22 material issues related to Vipshop by bench-marking the global standards like the "GRI Standards" and DJSI.	We conducted an online stakeholder survey in respect of 22 material issues and invited various groups of stakeholders, including the government, consumers, partners, shareholders, staffs, and representatives of surrounding environment and community, to prioritize the 22 issues based on each issue's importance to them.	After approval by our CSR Committee and experts, we prioritized the 22 material issues and constructed an materiality matrix with the results from the stakeholders surveys. The matrix revealed the material issues to be disclosed in this report so as to take actions accordingly.

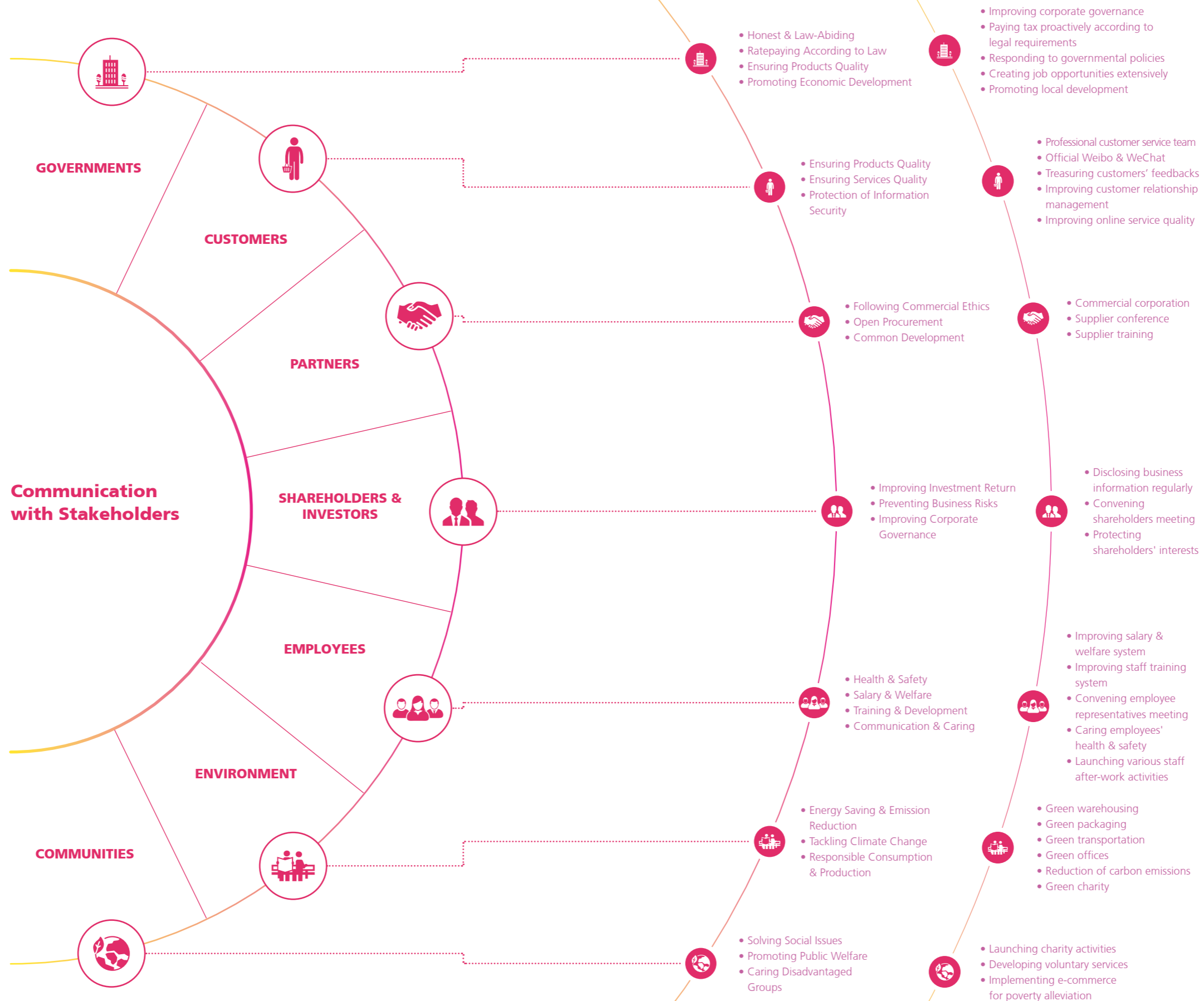


- |                                               |                                                            |
|-----------------------------------------------|------------------------------------------------------------|
| 1 Economic Contributions                      | 12 Employee Communication                                  |
| 2 Supplier Management & Assessment            | 13 Occupational Health & Safety                            |
| 3 Socioeconomic Compliance                    | 14 Freedom of Association                                  |
| 4 Risk Management                             | 15 Employee Diversity & Equal Opportunities                |
| 5 Anti-Corruption & Anti-Competitive Behavior | 16 Employee Education & Development                        |
| 6 Green Logistics                             | 17 Poverty Reduction                                       |
| 7 Material Use & Waste Disposal               | 18 Communities Co-Construction                             |
| 8 Greenhouse Gas Emissions                    | 19 Product & Service Quality                               |
| 9 Reduction of Energy Consumption             | 20 Customer Health & Safety                                |
| 10 Water Consumption & Sewage Discharge       | 21 Customer Privacy Protection                             |
| 11 Pay Equity & Labor Management Relations    | 22 Marketing Compliance & Intellectual Property Protection |



## 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 so as to achieve positive interaction and mutual success. We also looking forward to our partner's valuable opinions and suggestions on the development of Vipshop.



## Public Recognition

- "Internet Charity Innovation Award" for Vipshop, and "CSR Leader" for Mr. Eric Ya Shen, Chairman and CEO of Vipshop, by Southern Publishing and Media & New Weekly
- "Chinese Good Charity Company 2017" by The Enterprise Observer
- "Excellent Practice Award of the CSR Ranking in China 2017" by CBN
- "Outstanding Company Award" and "Charity Company in the Year" of the "China CSR Excellent Award 2017" by China Philanthropy Times
- "Charity Organization of the Year" for Vipshop, and "Charity Programs of the Year" for VIP Love Workshop and "My Charity" in Vipshop App by "The 7th China Charity Festival"
- "Top 100 Best Employers of the Year" and "The Most Popular Employer for Female Staffs" for three consecutive years, and "Top 30 Best Employers of the Year" for the first time by the campaign of "The Best Employer in China 2017"



# REPORT ON COMMUNICATION WITH STAKEHOLDERS



16 An E-Commerce Player in the New Era Featuring Best Product Quality

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FOCUS

# AN E-COMMERCE PLAYER IN THE NEW ERA FEATURING BEST PRODUCT QUALITY



**VIPSHOP**  
Ten Guarantees for Authentic Products



Sustainable consumption and quality e-commerce are becoming the necessary direction and path in the Internet economy of new age along with the growing pursuit of quality life in customers. In concordance with the trend, by the end of 2016, the Chinese Ministry of Commerce issued the “13<sup>th</sup> Five-Year Plan for E-commerce Development”, which articulates government support to “Encourage e-commerce platforms to achieve growth beyond profit, leverage a variety of upstream and downstream industrial chains, improve product quality, and cultivate brands”. The Plan suggests to allow e-commerce to play a more important role in leading both production and consumption.

Adhering to our vision to “establish our position as a world-class e-commerce platform”, and our mission of “improving quality of life, enhancing experience of happiness”, we continue

to work on consumption upgrading, product validation and customer service improvement, and strive to become a top e-commerce for quality life in the new era. At the same time, together with our customers and partner brands, we have created a new ecosystem of openness and cooperation in the e-commerce industry.

Keeping abreast with global development, we make full reference to the UN Sustainable Development Goals (SDGs) in terms of corporate strategy and operations, and make corresponding improvements in logistics construction and supply chain management which are key related to e-commerce.

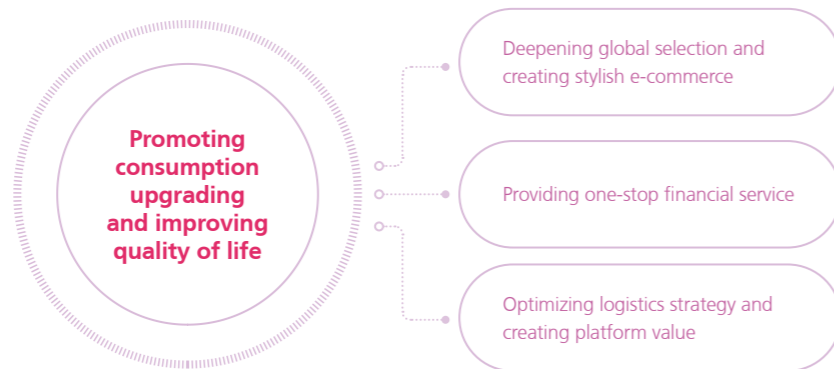
UN SDGs	Campaigns
<b>SDG 9: Industry, Innovation and Infrastructure</b>	<ul style="list-style-type: none"> <li>Optimizing logistics distribution, and innovating technologies</li> </ul>
<b>SDG 12: Responsible Consumption and Production</b>	<ul style="list-style-type: none"> <li>Making supply chain management and product validation more effective</li> </ul>



# Promoting Consumption Upgrading and Improving Quality of Life

The wave of consumption upgrading had a significant impact on China's e-commerce industry, bringing about challenges for better quality and higher efficiency. Against such backdrop, e-commerce industry is facing an overhaul to transform its direction toward quality e-commerce. Following the mission of "improving quality of life", we have also made strategic adjustments in our business and created new possibilities of growth by refocusing and extension. Specifically, we created our business engine, "A Troika of E-Commerce, Logistics and Finance", which combines differentiated product offerings, upgrading modern logistics and accessible financial service.

In 2017, the "Troika" strategic layout began to take shape, and the complete close-loop consumption it created for customers has become a new impetus for our business growth, by which we were able to achieve sustained growth in both per capita spending and purchasing power of customers. The reorganization of our logistics operation has enabled us to better focus on improving customer's logistics experience, while the insight brought by our concerning for 300 million members' shopping satisfaction has enabled us to improve their shopping experience by a various financial services including customer finance, payment, wealth management, insurance, as well as a one-stop service platform of e-commerce, life and finance.



# Deepening Global Selection and Creating Stylish E-Commerce

In 2017, we formally upgraded our brand positioning from "A Website which Expert in Special Offers" to "Worldwide Selected, Authentic Promotion". We rely on our core advantages of self-owned apparel and accessories categories, leading quality e-commerce development with the model of "Authentic Products Plus Fashion". We apply the most stringent standards in selection of the best-known and competitive businesses as our suppliers, to provide our customers with the best global products and quality guarantee. To date, our total number of active customers in the year has reached 57.8 million, 84% of whom place orders with us more than once in the year, bringing an increase in both the number and quality of customers.

In 2017, Vipshop also continued its efforts in fashion by building up cooperation with many domestic and foreign brands, and provided more quality products to Chinese customers at an era of consumption upgrading. We invited over 100 cosmetic brand executives to join the 2017 Fall Beauty Products Festival and New Product Launch event on September 3. For our anniversary event on December 8, we invited nearly 3,600 brands which increased by 122% compared with last year. By the end of 2017, Vipshop has more than 20,000 cooperated brands on its platform, including around one hundred exclusive brands on the Internet. This fully demonstrated the strength of Vipshop platform and the value it can bring to the brands.

# COSMO Beauty Ceremony 2017

On December 18, 2017, COSMO Beauty Ceremony 2017, a top profile event of fashion was held in Shanghai. As its exclusive partner, we joined COSMO to launch a stylish journey for customers.

Our strategic cooperation with COSMO is based on a high degree of compatibility between the two in terms of branding, user quality, and corporate pursuit. It is also a major step forward in the integration of e-commerce and fashion industries. As fashion leaders, we both play an important role in the respective fields, and have high-quality customer base and rich development experience. The integration of advantageous resources brought about by the cooperation will certainly bring readers and customers more comprehensive experience of quality life.



Charity sweater by Vipshop and Ms. Carina Lau to raise found for autism children



A strategic cooperation with COSMO

W-RESPONSIBILITY & ACTION

## Providing One-Stop Financial Service

We have unique advantages in finance in terms of people and platform. The e-commerce platform for consumption provides a natural scenario for consumer finance, and online buyers mainly comprised of young people are also more willing to accept customer financial models such as installment payment. It is precisely because of this advantage that the financial service platform of Vipshop could accurately finds its areas of development and provides a variety of services which include supply chain finance, customer finance, payment, wealth management, insurance, and credit information. For our many female users, Vipshop Finance also

developed online financial products that meet the characteristics of women and their household consumption and investment, and launched a series of finance and insurance services tailored for women and their families so as to meet different financial needs for different periods in a full life-cycle.

Continuous development and good reputation of Vipshop's financial service are recognized by both the industry and the market. At the China New Financial Development Summit Forum on November 3, 2017, Vipshop Finance was awarded the "Outstanding Enterprise for Customer Finance" and the "New Finance Top 50".

## Optimizing Logistics Strategy and Creating Platform Value

Vipshop always adheres to the self-establish and self-operate model to the entire operation, and continuously improve the strategic deployment of logistics and warehousing. To us, that offers not only a guarantee for the quality of products, but also creates value and business opportunities for our partners.

In 2017, we implemented a strategic distribution of logistics. By year end, we had 5 general logistics centers and 15 pre-position warehouses in China, and 12 warehouses overseas. The total storage area covers 2.5

million square meters with 1.5 million square meters built by ourselves, incorporating our expanding domestic and foreign brand partners into our logistics network. By doing so, we enriched customers' choice and created platform value.

In 2017, we also restructured our own logistics operation system. By year end, we had more than 3,700 Pinjun Express delivery sites across China, more than 15,000 logistics vehicles, over 30,000 couriers, and 5 million ordered parcels of daily delivery. By doing so, we improved the customers' shopping experience.

### Vipshop Spend

Vipshop Spend as a customer loan product developed by Vipshop Financial, is a brand-new payment method of "Buy Now and Pay Later". When shopping on Vipshop, customers can use Vipshop Spend to pay in installments. During our December 8 Anniversary Celebration in 2017, the number of Vipshop Spend users increased by 104% year on year, who paid on average 41% higher than other users, which strongly suggests the significance of financial service in promoting customers' purchasing incentive and frequency, as well as loyalty to Vipshop.

RESPONSIBILITY & ACTION

### Pinjun Express

Pinjun Express, as a self-built logistics company of Vipshop, not only undertakes approximately 99% of the orders, but also focuses on creating a mainline transport and delivery system integrating warehousing, mainline transport and air cargo, as well as logistics improvement in remote areas. Its network fully covers 31 provincial-level jurisdictions in China, and provides multi-platform, one-stop shop warehousing and logistics services for many brand suppliers. At the same time, the unpacking inspection, in-situ trial fitting and on-spot return services it provides are far ahead of other express companies. This explains why Vipshop is deeply loved by our customers.

RESPONSIBILITY & ACTION

In 2017

3,700

Pinjun Express delivery sites

15,000

logistics vehicles

30,000

couriers

5 million

ordered parcels of daily delivery



Implement strategic distribution of logistics



3,700 Pinjun Express delivery sites across China improving end-customers experience

RESPONSIBILITY & ACTION

RESPONSIBILITY & ACTION

# Creating Authentic Product Guarantee and Protecting Customers' Rights

## PR V-Responsibility & View

Quality E-commerce Action is an activity promoted by the e-commerce supervision initiative of AQSIQ this year. The focus is to promote e-commerce companies to improve their product quality assurance, responsibility and honesty, so as to push China's e-commerce industry from the era of price to the era of quality.

### SUN HUICHUAN

Deputy Director General, Supervision Department of the General Administration of Quality Supervision, Inspection and Quarantine of PRC



## PR

The report of the 19th CPC Congress pointed out that we must adhere to quality first, giving priority to efficiency, taking the structural reform on the supply side as the main task, and promoting improvement in the quality, efficiency and driver of economic development. Quality improvement has become the key to our country's development. Under the guidance of being e-commerce for authentic products, Vipshop has released a series of measures such as the Ten Guarantees for Authentic Products and strive to demonstrate the role of quality e-commerce.

### HUANG HONGYING

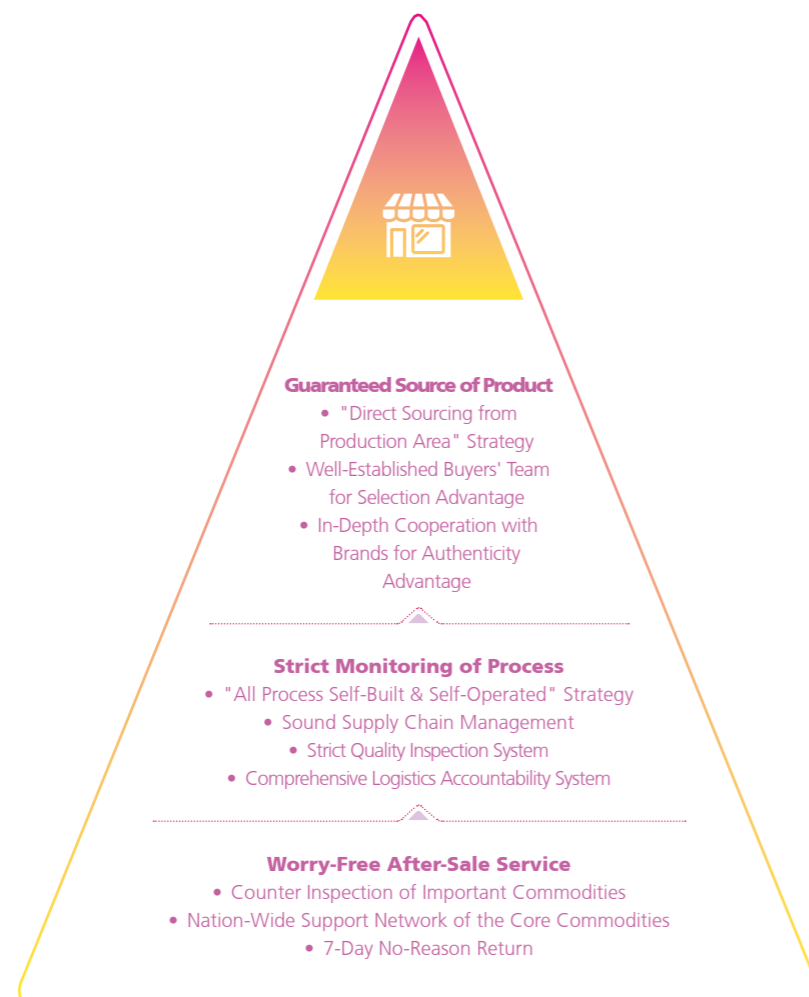
Vice President, Vipshop



The e-commerce industry has experienced rapid expansion for more than a decade. In its maturity, the focus of competition of the industry has shifted from price to quality. As the bottom line of quality, authentic products has naturally become a crucial part of shopping. Therefore, the provision of authenticity guarantees and the protection of customers' rights have become the core competitiveness of e-commerce platforms of this time.

Different from traditional e-commerce that is more price driven, we focus on customers' pursuit of quality. We

take quality of products as the core and bottom line of our business, safeguarding customers' rights and interests by source guaranteeing, process monitoring and after-sales services. In 2017, we release a series of validation measures such as the Ten Guarantees for Authentic Products, Nine Articles of Quality Control, and Product Validation Panel. This is the first time that an e-commerce operator in China has quantified the quality e-commerce business. It has not only great significance in creating a authentic e-commerce platform, but is also a positive response to relevant national policies.



## Guaranteed Source of Product

One advantage of our quality e-commerce measures is that the sources of our products are secured. Adhering to the strategy of "direct sourcing from production area", we guaranteed the source of consumption

with selection advantage brought by our well-established buyers' team in many countries and regions and authenticity advantage brought by in-depth cooperation with many brands.

### First-hand sources: An authenticity guarantee

Every product that customers finds on Vipshop platform will be purchased directly from the brand's official channels. Our suppliers include brand manufacturers, authorized agents, brand branches and international brands' representative offices in China. We conduct on-site inspections for each and every supplier in full cooperation, checking the origin authentication, production plants and production realities,

and signs authentic products purchase agreements to eliminate counterfeit goods from the source.

In order to meet the increasing overseas purchase demand of Chinese customers, we reach out directly to the product origin and deliver orders directly back to China through 9 global warehouse systems and 12 overseas warehouses.

## Warehouses located globally--overseas



### Strict Monitoring of Process

Another advantage of our quality e-commerce measures lies with the strict monitoring of operation processes. Adhering to the strategy of "all process self-built and self-operated", we strengthened monitoring of consuming processes from sound supply chain management to strict quality inspection, and comprehensive logistics accountability.

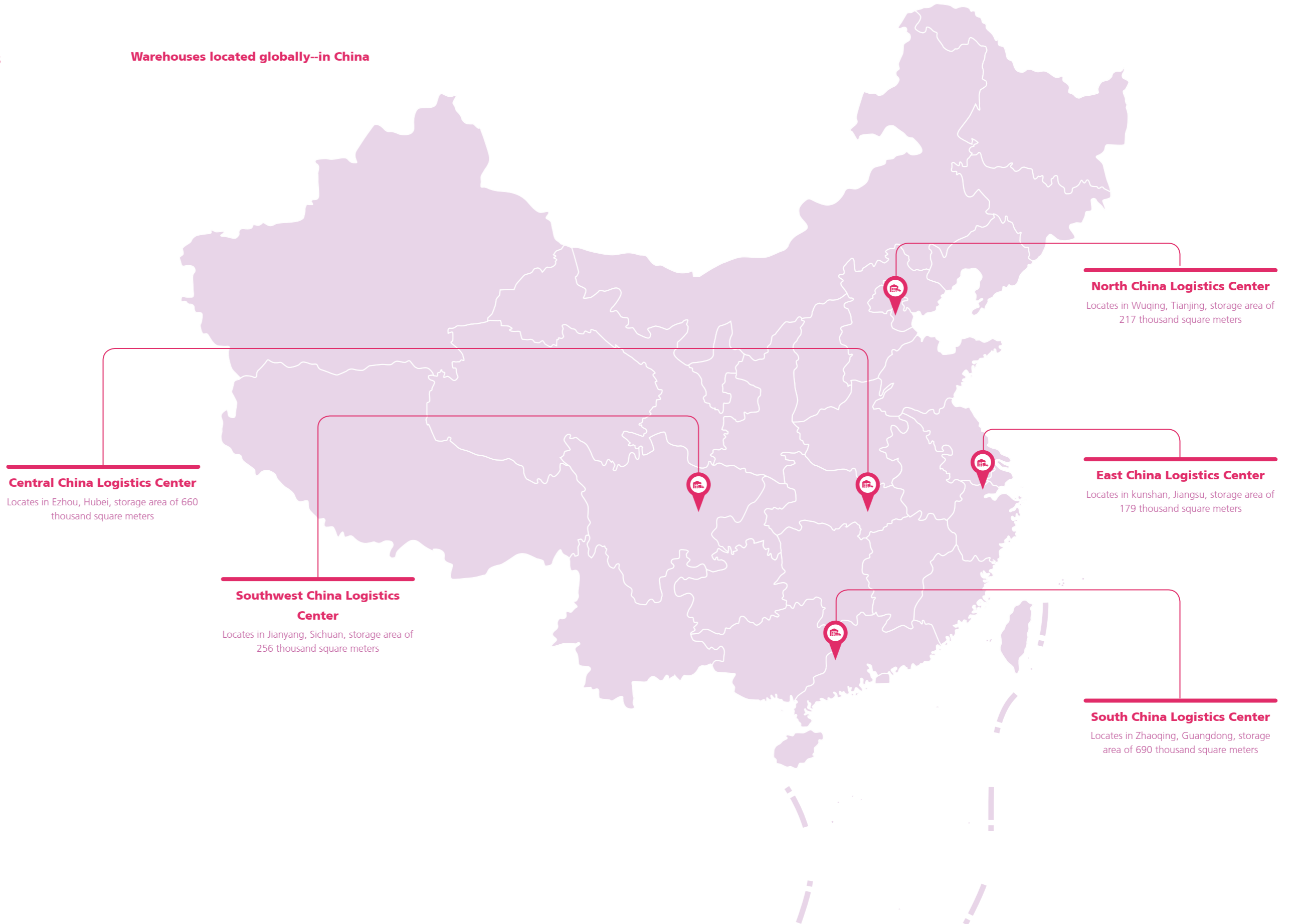
#### Warehouse inspection: A quality guarantee

Although our products come from first-hand source, before the order is delivered to customers, it have to be sent to our own warehouse to undergo unpacking inspection again. Our quality inspection system covers a wide range of areas and focuses to strengthen management of high-risk products such as electric appliances, cosmetics, baby products and food. Once quality defects are found, the products are immediately off the delivery line and the partners are required to make corrections. In severe cases, cooperation will be suspended.

#### Self-owned logistics: A logistics guarantee

In 2017, we implemented the strategic distribution of logistics and reorganization of self-owned logistics. With 5 general logistics centers and 15 pre-position warehouses around the nation, many brands were included in our logistics network, which greatly improved the distribution efficiency. We also escort the authentic products in the entire process -- from their sources to the last kilometer of delivery, each step is registered real time and in real names, and commodity information is updated all time in our smart logistics guarantee system.

### Warehouses located globally--in China



RESPONSIBILITY & ACTION

**Nine Articles for Quality Control, the most stringent rule for authentic products in the industry**

We believe that minimizing risk in the supply chain will help improve customers' shopping experience. We start from the details of every aspect of our goods and services. Each process has professional teams and systematic procedures to carefully and meticulously ensure product quality. By the end of 2017, our quality control team has nearly 1,000 members, comprising staffs in legal affairs, supply chain and logistics management, which is the largest in the industry and realizes a close-loop and traceable quality control process "before purchase, before warehouse, warehouse, post warehouse, sale and after-sale".

Nine Articles for Quality Control includes platform-wide responsibility, quality management system certification, formal authorization of well-known brands, inspection of professional institutions, inspection of eight checkpoints, interactive verification of human-machine interactions, close-loop traceability of the entire service, 7-day no-reason return and multiple insurance coverage. It provides a successful example for the e-commerce industry to learn and replicate. It also sets a new standard for product validation on e-commerce platforms.

**Worry-free After-sales Service**

Our third advantage of quality e-commerce solutions lies with our worry-free after-sales service. From the counter inspection of important commodities to the nation-wide support network of the core commodities, and to the 7-day no-reason return policy, we insist that any fake products must be redeemed and refunded to guarantee worry-free shopping.

**Offline verification: A certification guarantee**

Together with our partners brands, we launched the "Product Warranty Bill", with which customers can validate products over the counter, and enjoy unified after-sales warranty on the national network.

**Redemption and compensation for fake goods: A third-party guarantee**

For each item we sell, we purchased China Pacific Insurance's Product Quality Assurance Insurance, and we have signed a new product liability insurance with China People's Property Insurance with guarantee amount of over RMB 10 million to ensure that customers who got fake products will be compensated.

**Easy Return: An after-sale guarantee**

We established a sound after-sale system for the return and exchange of goods. In addition to the 7-day no-reason return terms commonly found in the industry, we also introduced free return shipping policy and expedite return policy.



Vipshop continued to invest in customer protection



**Product Validation Panel, the strongest team in history**

Together with the Ten Guarantees for Authentic Products, we also launched the Product Validation Panel, which comprises of experts from all walks of life, including influential opinion leaders and top performers of the industry. They experience purchasing through our official channels and report on authenticity of the goods for other customers' reference. In 2018, we will also launch the program of "Product Validation Panel - Customer Judges", which helps customers not only experience the products, but also be participants and gatekeepers of the authenticity of products, assisting Vipshop in building itself a trustworthy and premium brand.

In 2017  
**335** million  
total annual orders

The Guaranteed sources, strict process monitoring, worry-free after-sale service, these three major quality e-commerce measures have enabled us to provide the maximum protection to customer rights, and provide customers with the secured quality and best price. In 2017, our total annual orders amounted to 335 million, in which 57.8 million total active customers consumed RMB 1,261 per capita. The repeat customers accounted for 71.3%, and their consumption accounted for 95.1%. The tremendous trusts by customers is our best branding as an e-commerce corporate in the new era.

In addition to the favor from customers, we received a number of accolades in 2017 which include the Top 500 Chinese Companies, Top 500 Chinese Private Enterprises, Top 100 in China's Service Industry, and BrandZ™ 2017 Best New Chinese Brand Award. Honors and recognition have further proved the success of our endeavors to quality e-commerce.

RESPONSIBILITY & ACTION

## Improving Customer Service and Enhancing Experience of Happiness

In 2017, we put forward "Ultimate Customer Experience", a customer service concept that runs through the entire shopping process. From precision marketing and supplier customer service before sales,

logistics automation and information security during sales, to satisfaction surveys and speedy refunds after sales, we have implemented a series of practical measures to "enhance happy experience".



### Deepening Logistics Innovation and Enhancing Shopping Experience

On November 11, 2017, we set a new record of 8 million orders a day, and delivered the first order on the anniversary day of December 8 within 13 minutes and 18 seconds, a new record in China's logistics distribution history. The key to this achievement is the first-class warehouse logistics technology and automation system that we apply.

In 2017, we invested hugely in the 5 major logistics and warehouse centers nationwide to introduce

and upgrade logistics automation systems. Upgrading a series of logistics automation such as the Beehive E-Commerce 4.0 system, intelligent express unmanned vehicle delivery system, intelligent AGV transfer robot, Miniload collection system, commodity sorting system, parcel sorting system, and Rubik's cube dense storage system, has greatly improved our warehousing automation capabilities, reduced operating costs, and laid a solid basis for logistics and distribution services.



Deepening logistics innovation



Beehive E-Commerce 4.0 system

### Beehive System, an intelligent warehouse innovation benchmark

On November 10, 2017, Vipshop Beehive System Phase II, the world's largest honeycomb storage system, was officially launched in our South China Logistics Center. With only 8 pickers, the System was able to achieve the extraordinary efficiency of 12,000 boxes/hour on November 11 and processed a total of 150,000 pieces of goods, demonstrating its superior capacity to deal with the challenges of e-commerce warehousing and logistics.

Beehive Phase II has 130,000 bin storage locations which can store 4 million items, and has an order processing capacity of 520,000 pieces/day. Through comprehensively upgraded equipment such as high-speed intelligent shuttles and elevators, the traditional "people-to-goods" operation mode is changed into "goods-to-people" which improves efficiency, saves manpower as well as storage space. The system can save 80% of storage area and 60% of operating staff, which improves the efficiency by 5 times. In 2018, we plan to launch this system in Phase III with greater scale and capacity in our Southwest Logistics Center.

## Enhancing Customer Relationships and Improving Service Quality

The support of our 300 million members is the driving force behind our development. We continuously improve our customer relations, upgrade our membership system, establish a membership loyalty system, and set up a bonus reward system for loyalty members. We also monetized member points to expand its use, so that customers can cash them out for transaction payments.

We recognize that the improvement of customer satisfaction is the source of the good reputation of Vipshop, and we cherish customers' feedback as a valuable resource to improve our service. We conduct monthly customer satisfaction survey using questionnaires to understand customers' experiences with shopping, logistics, after-sale service, and customer services. Based on the feedbacks, we conduct in-depth multi-dimensional analysis

of individual and group customers' experiences and strive to provide them with better experience.

The satisfaction of our 300 million members is the basis of our operation. We continuously perfect our customer service system to provide better support. We established the Customer Service Center in 2008, and the first intelligent service system in 2012. By the end of 2017, Customer Service Center has grown into a large professional team of 1559 staffs, providing customers with efficient and convenient customer service around the clock. All our customer service professionals have received trainings in major business units like dress, beauty, mother and baby, and finance, thus the annual telephone survey satisfaction reached 98.2%, while the online survey satisfaction reached 85.9%.

### instantly handle members' questions



### Protecting Customer Privacy and Improving Information Security

Vipshop has always attached great importance to the privacy protection of customers. We have adopted strict technical means to ensure the security of customers' information, through sound management of money transactions, risk control, product development, system operation and maintenance, and provide knowledge, training and assessments to our information security staff, therefore creating a

platform that our members can shop comfortably.

As a forerunner of information security in the industry, we are the first e-commerce company in China to include business in the information security management system. We also set up the VIP Security Response Center for customers to provide feedback and submit security risks.

### Supplier Customer Service Platform

To enhance our capacity to quickly handle customers' product-related inquiries when placing orders, Customer Service Center has launched supplier customer service platform cooperating with suppliers. By providing instant communication and professional recommendation, both customer satisfaction and sales volume were improved to reach a win-win situation. In addition, we have set up a full-scope supervisory mechanism to examine and evaluate suppliers' service quality. In 2017, a total of 328 suppliers provide customer service on the platform.

### Speedy Refund

In order to shorten the time for refunds and improve the quality of after-sale service, we launched the Speedy Refund. Based on customer liability, no matter rejection or return, money will be refunded without waiting for the goods return back into our warehouses. By doing so, we can shorten the process by at least 48 hours, bringing our customers a much better after-sale experience.



# GROW TOGETHER FOR A BRIGHT FUTURE



Concern for employees is an integral part of the new ecosystem of openness and collaboration that Vipshop endorses. We believe in that every single employee is critical to the development of Vipshop. In response to that, we have created a pleasant working environment, a broad development platform and considerate employee care based on sound practices of human resource management. We have also improved the sense of happiness and belonging while providing competitive remunerations for them. As a result, we gradually develop an energetic staff team with perfect management, and ready to create a bright future as growing with them.

Vipshop made impressive progress in construction of talent pool in 2017. For example, the number of employees has been over 58,000 as of December 31, 2017 with a year-on-year increase of 29.57%. Additionally, Vipshop won the awards of "Best 100 Employers of the Year" and "Best Employer for Female Staffs" for three consecutive years, and "Best 30 Employers of the Year" for the first time of the "2017 Best Chinese Employer of the Year".

As a corporate enjoying worldwide labor practices, Vipshop makes active responses to the Sustainable Development Goals concerning policies of human resource management and measures of employee care. The Company is dedicated to improving its

performance in fields related to SDGs like Diversity and Equal Opportunity, Training and Education as well as Occupational Health and Safety, aiming at turning itself into an excellent employer with acknowledgment from both employees and society.

UN SDGs	Campaigns
<b>SDG 1: No Poverty</b>	• Provide assistance and donation for needy employees
<b>SDG 3: Good Health and Well-Being</b>	• Organize lectures on first aid and health for Occupational Health and Safety (OHS), offer recreational facilities, set up medical rooms and physiotherapy rooms
<b>SDG 4: Quality Education</b>	• Set corresponding projects and courses to improve professional skills of employees at different levels in all departments and positions
<b>SDG 5: Gender Equality</b>	• Ensure there is no gender discrimination in recruitment and employment of all positions and provide unified and fair promotion appraisal for both male and female employees
<b>SDG 8: Decent Work and Economic Growth</b>	• Guarantee all employees get reasonable remunerations and benefits and set up the EHS Committee in charge of related matters
<b>SDG 10: Reduced Inequalities</b>	• Select professionals with the principle of fairness and justice and erase inequalities and discrimination brought by nationality, race, gender and religion
<b>SDG 16: Peace, Justice and Strong Institutions</b>	• Convene congress of workers and staffs on a regular basis and attach great importance to the guarantee of human rights among suppliers and brands



SUSTAINABLE DEVELOPMENT GOALS

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# Pleasant Working Environment

Vipshop firmly adheres to the people-oriented philosophy. We make efforts to protect employees' rights and create a harmonious working atmosphere by various measures

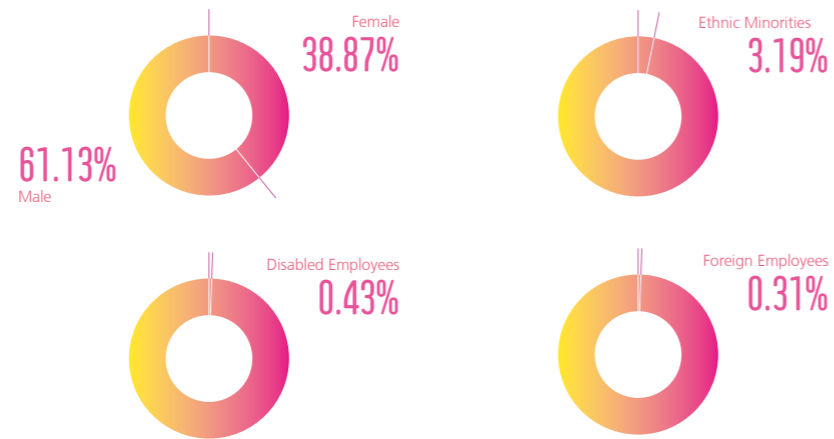
including realizing staff diversity, ensuring smooth communication among and guaranteeing occupational health and safety of employees.

## Staff Diversity

As Vipshop believes a diverse working environment is a driver of creative innovation, we actively promote and consistently improve the open, fair and equal recruitment and employment system. We strictly abide by concerned laws and regulations during the process of recruitment and employment,

assuring that candidates and employees will not be unfairly treated for or discriminated against their nationalities, races, genders, religions, backgrounds, sexual orientations, genetic predisposition, lifestyles or any relevant status covered by law.

2017 Percentages of Different Groups of Employees

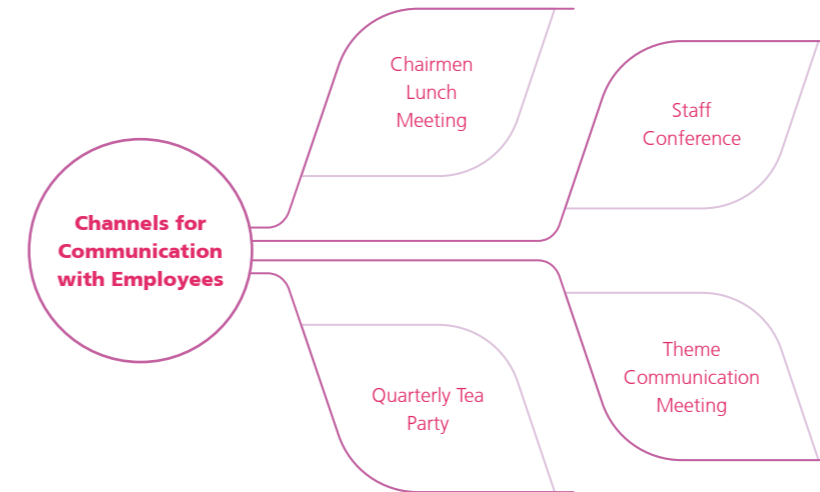


Young and energetic staff team

## Staff Communication

As Vipshop thinks that smooth communication with employees can improve stability of internal human resource structure, we make great efforts to build and perfect communication mechanism for employees, timely understand their requests through various channels

and analyze shortcomings of current management. By doing so, we hope that we can protect the company against risks during the process of recruitment and employment and enable the management process to be more people-oriented and transparent.



## Occupational Health and Safety

Vipshop set up the EHS Committee to be responsible for matters concerning production safety of the company and occupational health

and safety (OHS) of employees, so as to realize OHS and minimize occupational diseases.

	Methods	Effect:
OHS Management	Provide lectures on OHS first aid, lumbar spine care, prevention and curing of cancers, appropriate health preservation, etc.	Realize OHS and improve employees' sense of health
	Set up recreational facilities, including fitness center, dancing room, yoga area and basketball court	Provide exercise fields for employees and reduce risks of subhealthy
	Set up medical rooms and physiotherapy rooms to provide services like diagnosis, treatment, physiotherapy and acupoint application in dog days.	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.	Support employees' mental health and benefit stability and harmony within teams.

## Communication with Employees through Various Channels

### Chairmen Lunch Meeting

Two founders of Vipshop will have lunch with employees from core positions of primary departments once a month. This monthly arrangement allows the executives to interact with our staff and listen to their opinions directly, understanding the challenges of different departments.

### Quarterly Tea Party

Two founders of Vipshop will share opinions on human resource management with middle and high-level executives who are newly appointed (above the level of Director) or volunteer for participation at the tea party held once a quarter.

### Theme Communication Meeting

The Catering Committee will hold communication meeting every month to collect employees' demands on food and convey them back to canteen for addressing. And primary departments will regularly hold theme communication meeting to respond to feedbacks from new employees on their adaptation.

### Staff Conference

The Staff Conference constitutes internal communication meeting of primary departments and symposium of labor union. Primary departments will collect opinions and suggestions from employees on a regular basis and address them at the internal communication meeting. As the main channel for communication, labor union collected a total of 146 pieces of feedback in 2017, of which 80% were solved within the year.

## Broad Development Platform

### Diversified Employee Training Programs

Vipshop set up many occupational training programs to satisfy different demands from employees who work in various business departments and are at diverse development stages. For example, we have New Pilot Program especially for new directors and New Sailing Program for new managers.

### Training Camp for New-Joiners

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

### Business Training

We have special training programs for people from all key business departments to assist them in improving professional skills, which can stimulate business growth while realizing self-improvement.

### V-Courses for You

We develop a series of general courses on a regular basis for all employees, mainly concerning office skills and project management. These courses strive to help staff perfect general skills and enable them to make sustainable preparation for job market.

### Vipshop Night School

We work on building "Vipshop Night School" into a quality platform for staff's learning and growth to improve their general skills. Employees are encouraged to take both online and offline training courses which allow greater flexibility.

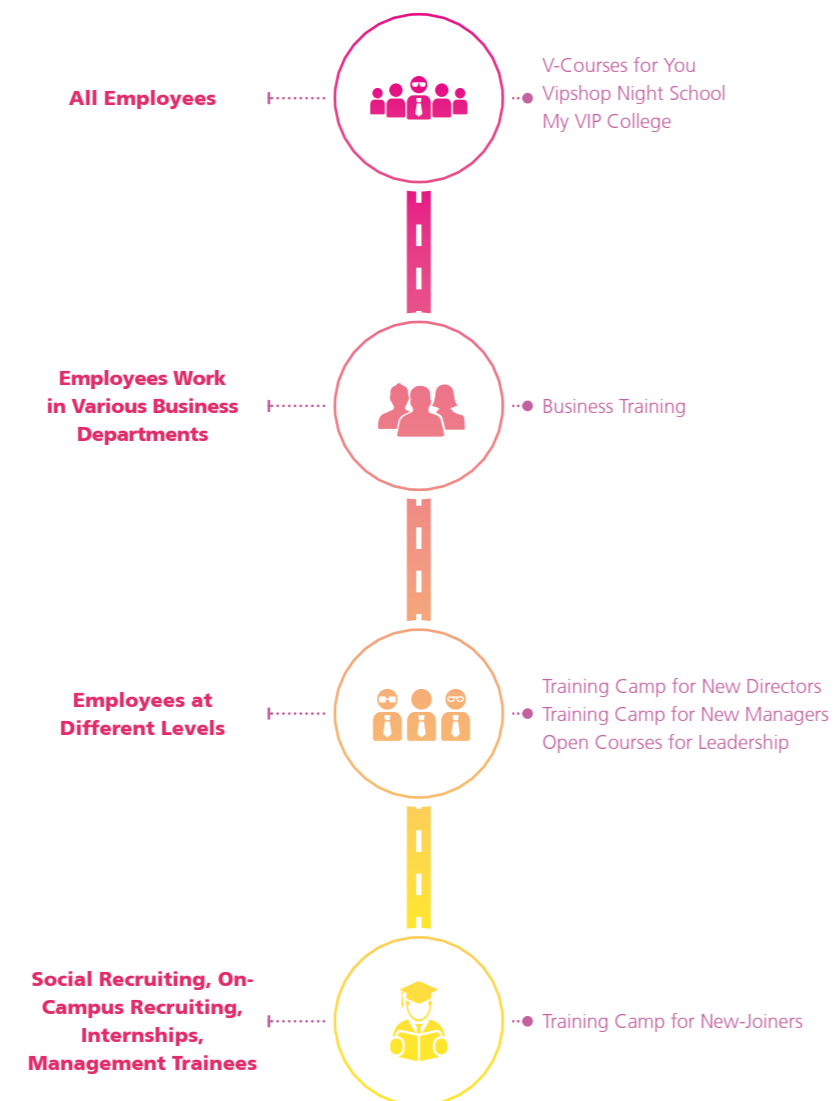
Vipshop has been targeting the building of learning-guided working environment. We are dedicated to help employees grow and realize

their individual value with diverse training programs and smooth occupational development channel.

### Staff Training

Vipshop proactively offers appropriate learning opportunities and environment for employees to assist them in enriching knowledge and improving capabilities. In 2017, we

invested RMB 6 million in various employee training programs of 40,394 total training hours, with 7,811 participants (excluding employees from warehouses and new-joiners).



Diversified employee training programs

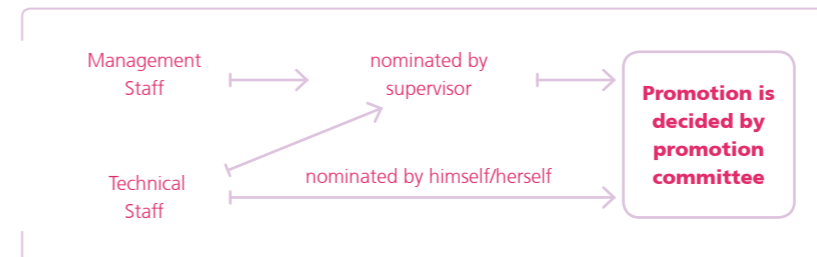


Training Camp for New-joiners

### Staff Career Development

Vipshop devotes itself in providing fair and equal career opportunities to all of our employees and establishing a dual-track development path of management and profession. Promotion assessment targeting

qualified employees is conducted by various promotion committees, including technical profession committee, product sourcing committee and sales & marketing committee.



Comprehensive and regular performance appraisal and recommendation, including performance goals set at the beginning of the year, regular counseling and reviews conducted throughout the year, and performance

evaluation conducted at the end of year, will be provided to ensure that our employees are well aware of their work and career progression.

### New Pilot Program—Training Camp for New Directors

New Pilot Program aims at supporting newly-appointed employees at the director level or above on improvement of their core qualities and capabilities. The program focuses on providing qualified and comprehensive leadership experience to our mid-management, helping them recognize strengths and weaknesses in self-management.

### New Sailing Program—Training Camp for New Managers

The Program mainly tries to resolve issues concerning role transition from professionals to team managers for newly-appointed managers by strengthening their capabilities in enterprise culture, management language and other fields and promoting self-understanding and sharing of such knowledge during the training.

### Open Courses for Leadership

It develops large-scale open courses for employees at manager, director and executive level. Courses include "Business Forecasting" for directors and "Improvement Training of Business Thinking" for managers.

### My VIP College

We set up the program of "My VIP College" to encourage staff to keep learning and improving self-qualities. Qualified staff can apply for education grants. For instance, obtaining of master, doctor, MBA, EMBA or professional certifications can get corresponding grants according to related regulations.

# Considerate Employee Care

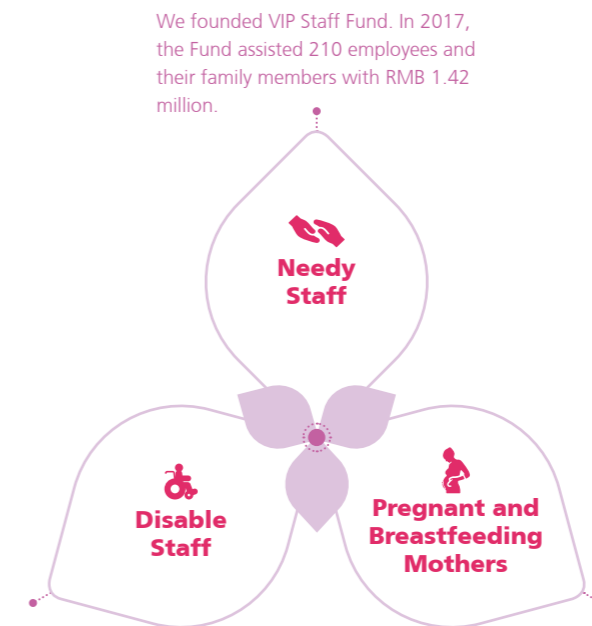
Committed to the ideal of “make employees and their families happy,” Vipshop has been paying great attention to our people’s physical and mental health. We make great efforts to enrich their spare time, and enhance their well-being and sense of belonging.

## Care for the Health of Employees

Vipshop prepared and implemented “Vipshop Benefits System”, providing support to our employees in promoting well-being among them. Mainly are:

<ul style="list-style-type: none"> <li>Social security/housing provident fund</li> <li>Transportation/communication allowance</li> <li>V-Love Fund</li> <li>Education grants</li> </ul>	<ul style="list-style-type: none"> <li>Free physiotherapy twice a month</li> <li>Mental health counseling and decompression</li> <li>Gym facilities and activities</li> <li>Free haircut (in some offices)</li> </ul>
<ul style="list-style-type: none"> <li>Free meals/afternoon tea</li> <li>Holiday gifts</li> <li>Marriage and baby gifts/consolation money for employees who lose a family member</li> <li>Birthday gifts</li> </ul>	<ul style="list-style-type: none"> <li>Interest-free housing Loan</li> <li>Consumer loans</li> <li>Diversified improvement training</li> </ul>
<ul style="list-style-type: none"> <li>Paid annual vocation/sick leave</li> <li>Parent-teacher conference leave</li> <li>Nursery rooms</li> </ul>	<ul style="list-style-type: none"> <li>Annual team building activities</li> <li>Club activities</li> <li>Group wedding</li> <li>Family activities</li> </ul>
<ul style="list-style-type: none"> <li>Annual health examination</li> <li>Supplemental commercial healthcare insurance/ accident insurance/critical illness insurance</li> </ul>	<ul style="list-style-type: none"> <li>Sleep capsule (in some offices)</li> <li>Special discount for employees</li> <li>Library</li> </ul>

In addition to that, Vipshop has drew up corresponding measures to promote well-being of special employees such as pregnant and breastfeeding mothers, disabled and needy staff.



The concept of accessible design is integrated with office building and decoration. Employees who experience disabilities might find no difficulty even in using washrooms.

We provide parental leave and nursery facilities for working parents. And pregnant employees have priority to take meals.

## Care for Working Mothers

Nursery rooms offered by Vipshop gained the title of “Demonstration Nursery Room in Guangzhou” and received positive comment from Department of Female Workers of All-China Federation of Trade Unions. Vipshop also launched special lectures on themes like “Happy Pregnant”, “Relationship with Mother-in-law” and “Women’s Reproductive Health” for working mothers and female employees. We also had popular family activities which were quite welcomed by female employees, such as “Happy Bakery” and “Ultralight Clay”.

RESPONSIBILITY & ACTION

RESPONSIBILITY & ACTION

## Care for the Live of Employees

Vipshop attaches great importance to employees’ leisure life. Labor Union has organized various recreational activities to advance communication between employees and their families and promote team spirit throughout the company. In 2017, Guangzhou Headquarters organized 28 activities, including the 2nd Session Social Event for Singles in famous Guangzhou and Foshan Corporates, and Guangzhou Municipal Trade Union Sports Meeting.



A fashion and comfortable working environment



A dynamic and gorgeous annual meeting

# PROTECTING ENVIRONMENT THROUGH GREENING OPERATIONS

Environmental protection is an integral part of the new ecosystem of openness and collaboration that Vipshop endorses. As an e-commerce corporation holding the idea of "green operation", Vipshop always pays close attention to the global climate changes, integrates environmentally friendly methods with the main business and applies environmentally friendly ideas to all departments including the manufacturing, packaging, warehousing, transporting and office running. In this way, we kept reducing energy and material consumption, improving our environmental performance and pushing forward the national green e-commerce.

In order to shape a sustainable development pattern, Vipshop consistently invests in environmental protection and green operation, and puts forward demands on the manufacturing and operating processes under the Sustainable Development Goals: within the company, the comprehensive environmental management system, energy-saving & emission-reduction initiatives, and the whole-process green logistics will gradually minimize the environmental impacts

of manufacturing and operation; for the society, as one of the first batch of verified members of the "Green Public Welfare Alliance", Vipshop has been initiating environmental

protection public welfare projects with various organizations to make contributions to the conservation of the natural ecological environment.



UN SDGs	Campaigns
<b>SDG 6: Clean Water and Sanitation</b>	<ul style="list-style-type: none"> <li>Use direct drinking water system and automated taps</li> </ul>
<b>SDG 7: Affordable and Clean Energy</b>	<ul style="list-style-type: none"> <li>Establish comprehensive energy usage monitoring system and logistics park distributed photovoltaic electricity generation project</li> </ul>
<b>SDG 9: Industry, Innovation and Infrastructure</b>	<ul style="list-style-type: none"> <li>Purchase energy-saving office equipment</li> </ul>
<b>SDG 12: Responsible Consumption and Production</b>	<ul style="list-style-type: none"> <li>Establish a comprehensive environmental management system, build environmentally friendly warehouses, optimize transport routes and reduce packaging material usage</li> </ul>
<b>SDG 13: Climate Action</b>	<ul style="list-style-type: none"> <li>Logistics park distributed photovoltaic power generation project, use environmentally friendly transport vehicles and electric vehicles, and energy-saving &amp; emission-reduction initiatives in the office area.</li> </ul>
<b>SDG 15: Life on Land</b>	<ul style="list-style-type: none"> <li>Take part in projects including "Poverty Alleviation with Apple Trees", "10,000 6m<sup>2</sup> Forests" and "RMB 10 for Greens Alashan".</li> </ul>



SUSTAINABLE DEVELOPMENT GOALS

# Green Earth

Always adhering to environmentally friendly ideas, Vipshop strives to seek sustainable development solutions to protect our planet. Within the company, we set and execute the comprehensive environmental management institutions and continuously perfect

the environmental performance in our operations; for the society, we cooperate with our partners to support the "Green Citizens' Action", promoting environmental protection ideas and jointly endeavoring to protect the ecological environment.

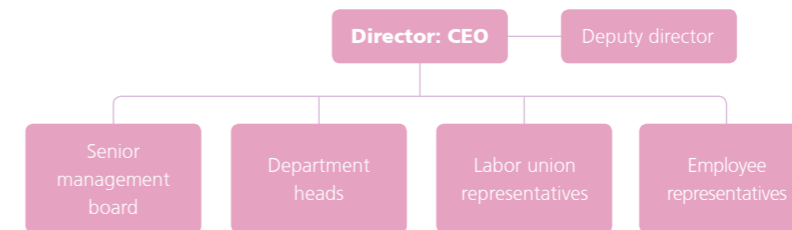


## Environmental Management Institution

Vipshop pays high attention to the environmental management and the building of a comprehensive environmental management system, while treating the environmental work as part of the company's general management strategies. Vipshop's environmental management system regards the Environmental, Health and Safety Policy as the guiding principle, while reducing the environmental impacts of producing and operating activities by continuous optimization of the processes and methods of the environmental management.

Based on the national laws and regulations, as well as the company's Environmental, Health and Safety Policy, Vipshop has established an EHS Committee. Chaired by our Chief Executive Officer, and composed of department heads and representatives from the labor union and employees, our EHS Committee drives corporate environment, health and safety progress and initiative. To facilitate communications within the Committee and to evaluate the EHS-related performance of the company, committee members are required to meet twice a year.

### Vipshop EHS Committee Organization



Promoting the development of green e-commerce

## Encourage Employees' Innovation

Vipshop values innovative advice from all employees, and believes that their advice is critical in enhancing the company's operation efficiency. In order to urge and promote front line production staff's enthusiasm in participating in environmental management, and to award their innovative ideas, Vipshop has set and executed the Logistics Center Innovative Management Policy. Employees are encouraged to put forward suggestions on operation enhancement, health and safety improvement and environmental impact reduction. Once adopted, the employee will be awarded.

### Environmental Protection Measures and Actions

Offices, canteens, logistics and warehouse operation are the main sources of Vipshop's environmental impact. In 2017, in order to reduce environmental impacts caused by its business operations, Vipshop implemented a series of energy conservation and emission reduction measures to contribute to the building of a low-carbon society.

- Light source in the advertising lightboxes outside Guangzhou Headquarters was replaced by LED lights.
- All outdoor advertising lightboxes were set to be turned off at 22:00.
- All the 12V 50W spotlights in Hengliwan office were replaced by LED 3W spotlights.
- The cooking fume emission in the kitchen of chain factory utilized the activated charcoal sorbent and drencher filtering system.
- The newly-decorated area utilized LED flat lights and water-saving taps.

Besides, Vipshop has established a comprehensive energy using monitoring system to continuously monitor, evaluate and improve the company's environmental performance. We have set various environmental performance indicators, compared them with previous data, conducted analysis and improved those which are still flawed. We also encourage our employees to practice low-carbon work mode, and strive to create a green office area by raising employee's environmental protection awareness, reducing energy and resource consumption, and recycling office equipment.

#### Reducing energy and resource consumption

- Promoting paperless office and electronic invoices
- Selecting energy-saving and efficient office equipment
- Utilizing direct drinking water system and automated water-saving taps



#### Raising employees' environmental protection awareness

- Putting up environmental protection notices
- Organizing environmental protection training and publicity

#### Recycling office equipment

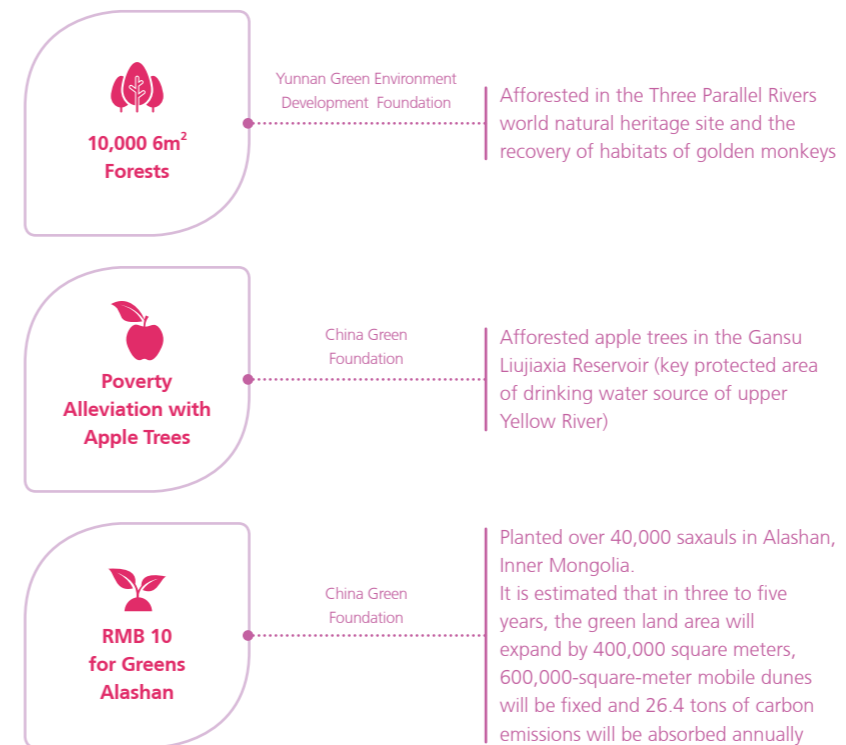
- Setting waste recycling boxes in office areas to advocate the recycling of classified solid wastes
- Entrusting discarded office equipment to qualified third party companies to recycle and reuse

### Green Citizens' Action

At the moment, environmental problems including desertification, caused by human activities and climate change, consistently challenges the sustainable development. As one of the first batch of verified members of the "Green Public Welfare Alliance", Vipshop always advocates the coordination and integration of economic growth and environmental protection, launches environmental protection projects in the premise of green operation and continuously

contributes to the green ecological development. In 2017, Vipshop proactively supported and took part in the "Green Citizens' Action" initiated by the UN Environment Programme, National Green Committee, State Forestry Administration, and China Green Foundation, launched environmental protection public welfare projects with various organizations and constantly invested in the conservation of the natural ecological environment.

#### 2017 Vipshop Green Citizens' Action



# Green Logistics

Always adhering to green logistics ideas, Vipshop strives to promote the whole green logistic process from warehousing and packaging to transporting. We keep

environmentally optimizing every part of our logistics process, ensuring that each product goes through an all-green journey before being delivered to consumers.

## Vipshop's whole process of green logistics

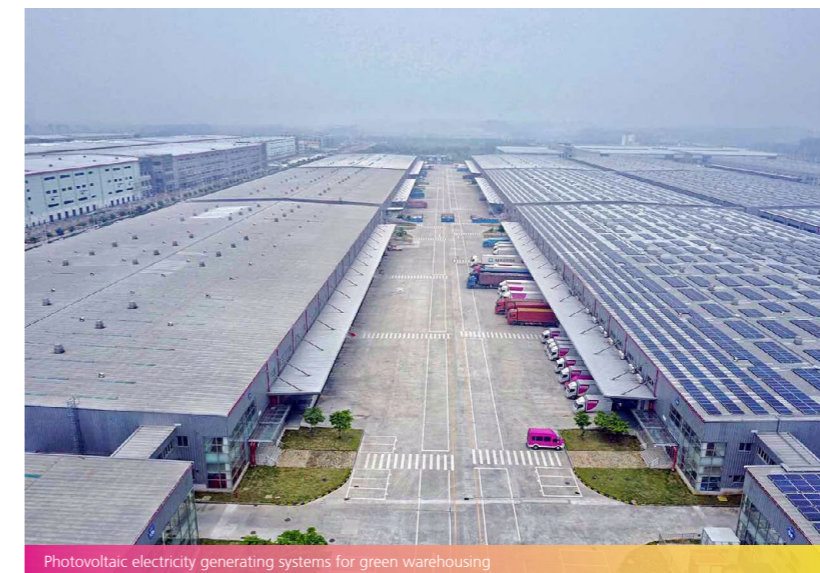
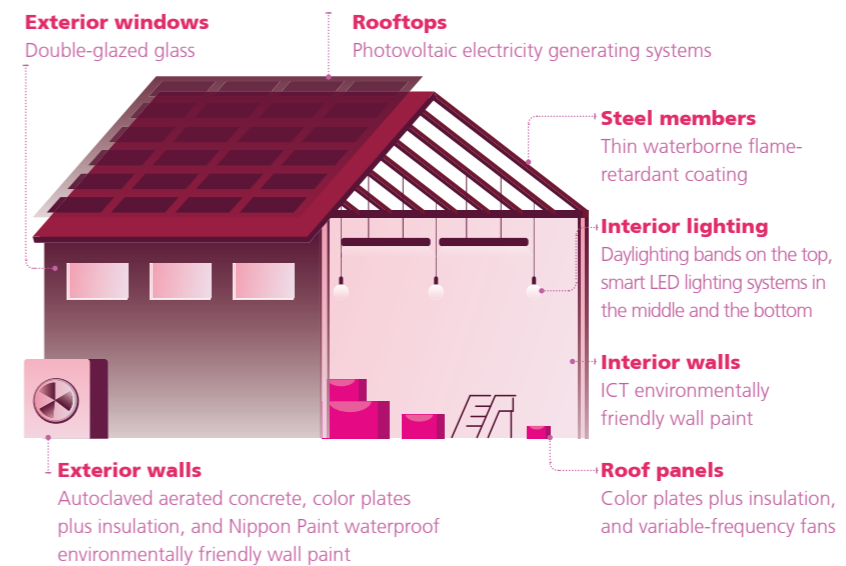


## Green Warehouses

Vipshop's own warehouses are also environmentally built according to the green park construction principles and green building standards. The warehouses are built of environmentally friendly and energy-saving materials whether on the inside (interior walls and steel members) or the outside (exterior walls, roof panels

and external windows), while the interior lights are also based on added daylighting bands and smart LED lighting systems. Moreover, upon some warehouse rooftops in certain logistics parks, photovoltaic electricity generating systems are built to make the most use of solar energy, a cleaner energy which leads to electricity consumption reduction.

### Vipshop's Green Warehouses



### Achievement

**7,571,232 kWh**

In 2017, the photovoltaic electricity generation of the Vipshop South China Logistics Center Park was 7,571,232 kWh, reducing carbon emissions by appropriately 3,990.8 tons.

### Logistics Park Photovoltaic Electricity Generation Projects

In August, 2016, Vipshop South China Logistics Center Park (Zhaoqing) started to invest in the building of a distributed photovoltaic power station and has become the first e-commercial logistics park powered by photovoltaic electricity in the country. The project, covering a total area of 230,000 square meters, applies the grid-connected photovoltaic electricity generation system, installs solar panels on the rooftops of 12 warehouses in the logistics park. The photovoltaic power station has a capacity of about 22 MW, providing sufficient power for the operation. In March, 2017, the Vipshop South China Logistics Center park photovoltaic electricity generation successfully completed the grid connection, adding 13 MW to the gross capacity. By the end of December, 2017, the project has a gross electricity generation of 7,571,232 kWh, reducing carbon emissions of 3,990.8 tons (equal the planting of over 90,000 saplings).

Vipshop continued to increase the investment in the construction of photovoltaic electricity generation in 2017, and built photovoltaic power stations with a gross capacity of around 41 MW on the rooftops of 29 warehouses in the Central China Logistics Center Park in Hubei, covering an area of about 520,000 square meters. The project is expected to be put into operation by the end of April, 2018, with an estimated daily electricity generation capacity of over 105,000 kWh and an annual reduction of carbon emissions of about 56,158.5 tons.

CORPORATE RESPONSIBILITY & ACTION



Achievement

97.7%

In 2017, the recycled materials accounted for 97.7% of all Vipshop packaging materials;

33,911 tons 61.43%

recycled paper weighed 33,911 tons, increasing by 61.43% comparing with that in 2016;

4,357 tons 19.31%

meanwhile, the plastic packaging materials were 4,357 tons, reduced by 19.31% comparing with that in 2016.

Green Packaging

Plastic pollution has long been a key environment issue concerned by the UNEP. In response to that, Vipshop takes proactive actions to hold on to the green packaging ideas. Apart from reducing plastic packaging material usages, Vipshop

also contributes to the promotion of environmentally friendly materials and the reduction of packaging materials usage, as well as sets packaging waste management regulations to reduce environmental impact of packaging wastes.

Vipshop Green Packaging Action

Use environmentally friendly materials

- Using packaging boxes made by modern environmentally friendly paper;
- Using environmentally friendly plastics to produce delivery bags;
- Using environmentally friendly ink to print delivery forms.

Reduce packaging material usage

- Optimizing the structure and lightening the material of packaging;
- Canceling the purchase of some types of paper boxes, replacing by used paper boxes in warehouse;
- Designing and utilizing recyclable environmentally friendly boxes tapes.

Disposal management

- Continuously taking record of and tracking the packaging material usage;
- Reviewing and improving the packaging material conditions periodically.

In the future, Vipshop will strive to meet the requirements of the new national standards of Courier Packaging Equipment, holding on to the lightweight, green, and recyclable principles, and promoting environmentally friendly packaging materials of low-pollution, low consumption, and low emissions.

Green Transporting

Vipshop has built a green and environmentally friendly transporting mode in terms of optimizing the transporting process and increasing

the utilizing of environmentally friendly vehicles, to reduce the environmental impact of its transporting process.

On one hand, Vipshop continuously optimizes the transporting process and routes. In 2017, we have built a brand new frontline warehouse mode to shorten the delivery journey. Besides, based on the strengthening of cooperation with brands and perfection of random test system, we gradually realize the direct delivery of quality products from suppliers, increase the delivery efficiency while reduce the environmental pollution.

electric vehicles in various provincial branches.

On the other hand, Vipshop increasingly invests in the environmentally friendly transporting and delivery vehicles. We select high-fuel-efficient and low-exhaust-emission Scania trucks as the main carriers in our own fleet, and have increased the purchase of electric vehicles. In the future, we will further promote the utilization of

By the end of 2017, 268 electric vehicles have gone into service in distribution centers and operation sites around the country to replace some traditional fuel vehicles so as to meet the increasing demands of transporting vehicles. This action has brought double positive impact on the company in terms of economic cost management and environmental impact management. New-energy vehicles shall save about 20% to 30% usage cost comparing with traditional fuel ones, approximately reducing about 776 tons of carbon dioxide emissions each year, and saving fuel by 35,000 liters. In 2018, Vipshop will continue to promote the using of new-energy vehicles, with a plan of 500 electric vehicles in total.

Achievement

268

By the end of 2017, 268 Vipshop new-energy electric vehicles have gone into service.



Electric vehicles for green transporting

# GIVING BACK TO THE COMMUNITY

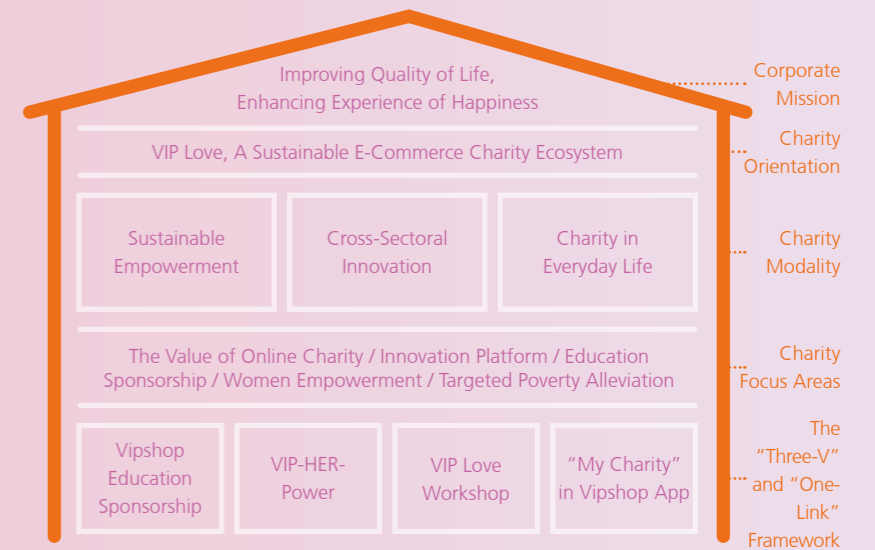


Giving back to the community is an integral part of the new ecosystem of openness and collaboration that Vipshop endorses. In 2017, with our mission of “improving quality of life, enhancing experience of happiness”, we have created a unique e-commerce charity model, giving full play of our strengths in big data analysis, online services, over 300 million members and premium brands in partnership. The model has hence fostered an online charity ecosystem and modality, that is centered by sustainable empowerment, fueled by cross-sectoral innovation, and materialized in people’s everyday life.

With this modality, we continue to endeavor in the four focus areas of the value of online charity innovation platform, education sponsorship, women empowerment, and targeted poverty alleviation. Concrete programs were developed accordingly with target to different groups in need for precision assistance: the “Three-V” and “One-Link” framework includes the Vipshop Education Sponsorship, VIP-HER-Power, VIP Love Workshop, and “My Charity” in Vipshop App.

In 2017, we debuted an innovative fusion of quality consumption and targeted poverty alleviation via e-commerce. As a global leader in e-commerce, we are closely following the Sustainable Development Goals (SDGs), by far the most widely endorsed and responded global call for sustainable development, and have aligned our corporate strategies, operation and charity with the SDGs to set up a CSR execution framework and performance targets. Our mid- and long-term community campaigns are also programmed in line with the SDGs.

## Vipshop Charity Campaigns



UN SDGs	Campaigns
<b>SDG 1: No Poverty</b>	<ul style="list-style-type: none"> <li>Vipshop Education Sponsorship</li> <li>VIP Love Workshop E-commerce Charity Program</li> <li>Charity 1+1 Volunteer Program</li> </ul>
<b>SDG 2: Zero Hunger</b>	<ul style="list-style-type: none"> <li>VIP Love Workshop E-commerce Charity Program</li> </ul>
<b>SDG 3: Good Health and Well-Being</b>	<ul style="list-style-type: none"> <li>Love Clinic</li> <li>VIP Love to Children with Hearing Impairment</li> <li>Gift of Life</li> </ul>
<b>SDG 5: Gender Equality</b>	<ul style="list-style-type: none"> <li>Parcel to Mothers</li> <li>VIP Rural Women’s Classroom</li> <li>“Caring Our Body” Girls Self-Protection Curriculum</li> </ul>
<b>SDG 8: Decent Work and Economic Growth</b>	<ul style="list-style-type: none"> <li>VIP Love Workshop E-commerce Charity Program</li> </ul>
<b>SDG 10: Reduced Inequalities</b>	<ul style="list-style-type: none"> <li>Vipshop Education Sponsorship</li> <li>VIP Love Workshop E-commerce Charity Program</li> </ul>
<b>SDG 11: Sustainable Cities and Communities</b>	<ul style="list-style-type: none"> <li>Let Smile Pass On – Care for Cleft Palate Children</li> <li>Post disaster aids to Mao County in Sichuan Province, earthquake affected communities in Jiuzhaigou, and flooded areas in Hunan Province</li> </ul>
<b>SDG 12: Responsible Consumption and Production</b>	<ul style="list-style-type: none"> <li>VIP Love Workshop E-commerce Charity Program</li> <li>Volunteers to provide community-level aid and rural education support</li> </ul>



# Charity Profile

Vipshop is an e-commerce forerunner in charity, and we engage ourselves in campaigns strategically and systematically. Guangdong Vipshop Charity Foundation established in June 2016 is the first of its kind in the e-commerce industry to promote the "care for vulnerable groups, contribute to the community, and advocate corporate social responsibilities".

## Our Community Investment

### Key Achievements



**120,000,000**  
Total investment exceeded RMB 120,000,000



**6**  
6 Vipshop primary schools

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**1**  
1 Vipshop kindergarten



**12**  
12 Vipshop multimedia classrooms in mountainous areas



**2**  
2 VIP Mothers Artisan Cooperatives

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**80,000**  
Donation of over 80,000 products



**210,000**  
Direct beneficiaries of over 210,000 people

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### Achievements in 2016-2017



**22,000,000**  
Total monetary donation reaching RMB 22,000,000



**44,820**  
Total staff voluntary service of 44,820 hours

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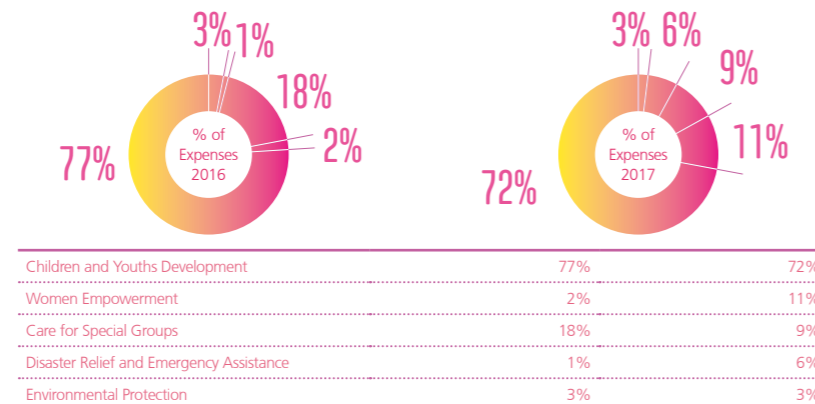


**61,800,000**  
Total monetary donation of RMB 61,800,000



**50,933.7**  
Total staff voluntary service of 50,933.7 hours

## Category of Charity Expenses, 2016-2017



## 2017 Calendar of Charity Achievements

Total education support reached RMB 34,000,000 and helped 12,000 students in poverty

As of December, "My Charity" in Vipshop App has a total of 18,000,000 users, and "Step for Love" achieved 63,000,000 kilometers

Monetary and product donations to disaster affected Mao County in Sichuan Province, earthquake affected communities in Jiuzhaigou, and flooded areas in Hunan Province value RMB 3,200,000 in total

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**August**  
Women Charity series launched with donation of over RMB 1,000,000 benefiting 13,000 vulnerable women

**June**  
Vipshop Vice President Huang Hongying was invited to make a speech at the International Forum for Sustainable Development of Women Charity 2017 in UN Headquarters

**May**  
VIP Love Workshop E-commerce Charity Program and VIP Mothers Artisan Coiled Embroidery & Tie-Dyed Handicrafts show were kicked off to promote coiled embroideries from Qinghai and tie-dyed intangible cultural heritage handicrafts

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**August**  
VIP Love Workshop put online "Little Van Gogh from the Stars: Masterpieces by Children with Autism", raising fund by selling paintings of children with autism and the derivatives to sponsor art therapy programs and families in need

**September**  
Donated RMB 1,000,000 to sponsor excellent charity activities for promoting Guangzhou become a city of charity

**September**  
VIP Love Workshop put online "Coiled Embroidery Fashion Brand by Mothers of Tu Nationality", an intangible cultural heritage fashion product line of coiled embroidery T-shirts and backpacks in joint efforts with globally renowned Chinese fashion designer Mark Cheung

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**December**  
Donated RMB 10,000,000 to support 2,500 college students in poverty from Hetian, Xinjiang Autonomous Region, which has made their college dreams come true

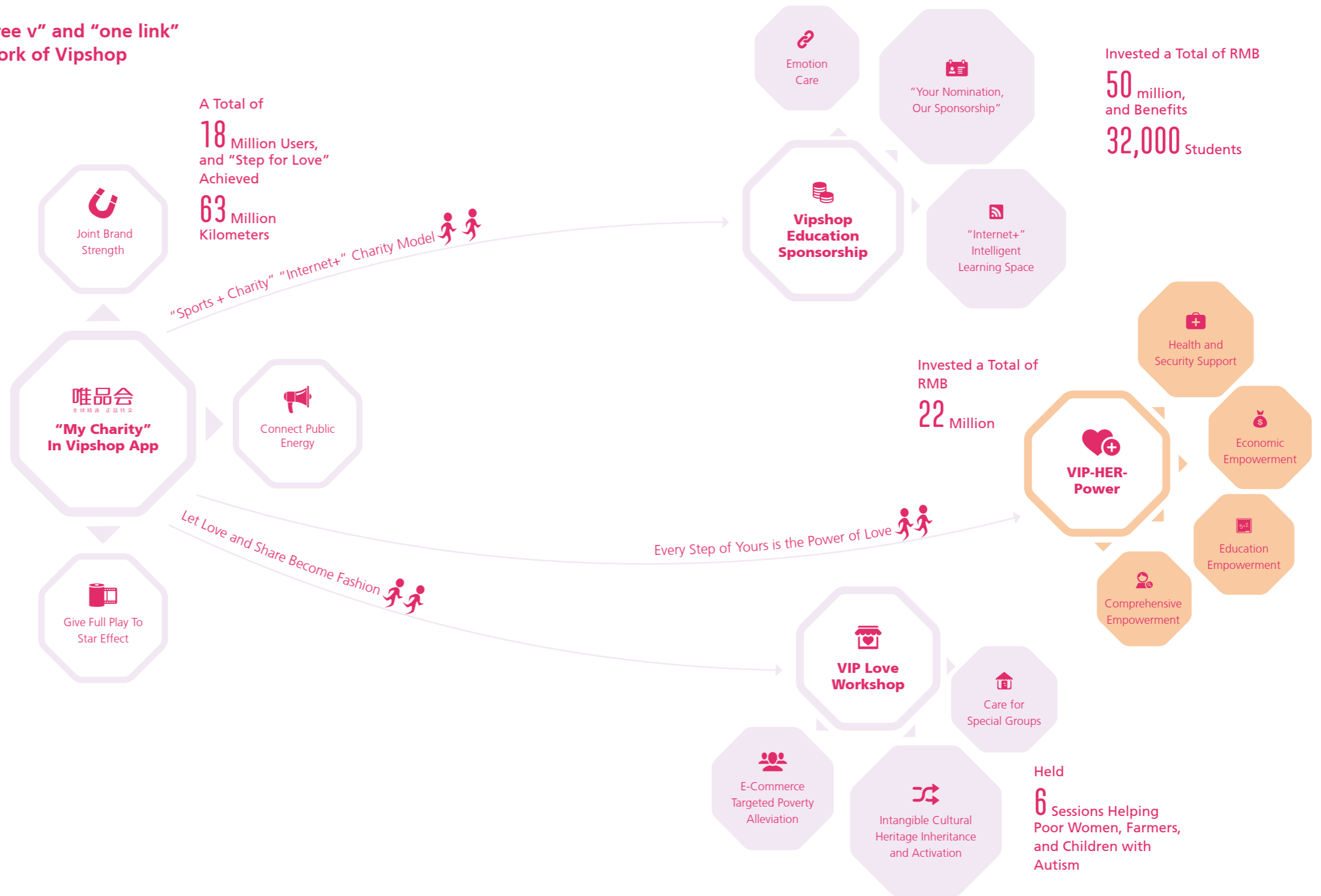
**December**  
Launched VIP Empowering Mother Program, set up VIP Mother Special Foundation with initial funding of RMB 10,000,000, and initiated VIP Empowering Mother Charity Alliance with CWDF

**November**  
Sponsored annual charity event of FACE Fashion Association, jointly donated a total of RMB 3,000,000 with five premium fashion brands

## Charity Campaigns

Our e-commerce resources have enabled us to undertake a series of charity campaigns which include the VIP Love Workshop e-commerce platform, "Your Nomination, Our Sponsorship" Vipshop Education Sponsorship, the women charity series of VIP-HER-Power, and "My Charity" in Vipshop App which combines charity and sports.

### The "three v" and "one link" framework of Vipshop



### Vipshop Education Sponsorship

Vipshop has long-term commitment in education. The V-Wish education sponsorship to poor students, Vipshop College Student Health and Education Sponsorship Program and “Your Nomination, Our Sponsorship” Vipshop Education Sponsorship are milestones of our mounting investment and innovation.

Vipshop Education Sponsorship accounts for a lion's share in our charity investments. Our education sponsorship is built around free monetary support through “Your

Nomination, Our Sponsorship”, and a full range of care to students in poverty from knowledge and education, security and self-protection, to physical and mental health, and empathy and company. We aim to help them change their fate through good education for having a better future. In 2017, we invested a total of RMB 34,000,000 in support of nearly 12,000 students from poor families. By the end of 2017, our education sponsorship totals over RMB 50,000,000 and benefits 32,000 students.

By the end of 2017  
**50,000,000** RMB  
 Vipshop Education Sponsorship

### VIP-HER-Power

Women empowerment is the focus of VIP-HER-Power. As over 80% of the 300 million Vipshop members are female, it is our natural entitlement not only to meet their demand for our products and services, but to empower them in all areas of development as well as women's participation in charity on our platforms.

For different needs of single mothers, women in less developed regions and elderly women, we

solicit resources and platforms to provide differentiated support and empower them through economic, health and security, education and synergy. Through programs of Parcel to Mothers, Love Clinic, VIP Rural Women's Classroom, and VIP Empowering Mother Program, we have helped vulnerable women restore confidence in themselves and in future. As of end of 2017, VIP-HER-Power program alone has invested a total of RMB 22 million.

By the end of 2017,  
**22,000,000** RMB  
 VIP-HER-Power Investment

### “Your Nomination, Our Sponsorship” – Vipshop Education Sponsorship

Poor students in China are many and unevenly distributed across the country, hence it is a challenge for us to target and support them precisely. To avoid the geographic and channel limits for conventional education aids, we introduced “Your Nomination, Our Sponsorship” online platform in 2017 open for public nominations of students in need around us, from first year in primary school to senior students in college. Eligible students receive our monetary support at different rates - RMB 2,000/person for primary school students, RMB 3,000/person for high school students and RMB 4,000/person for college students. Online nomination proved to be an effective leverage of public information and goodwill, ensuring every support and empowerment are channeled to the students in need.



Vipshop Education Sponsorship for children in poverty



VIP Empowering Mother Program for single mothers

### VIP Empowering Mother Program

Our VIP Empowering Mother Program was kicked off in December 2017 with a focus on care for single mothers. In parallel, we donated RMB 10 million to Guangdong Vipshop Charity Foundation to establish the VIP Mothers Special Foundation, the first single mother development fund in China that is financed by an e-commerce enterprise. The VIP Empowering Mother Program provides single mothers with comprehensive resources and support in personal development, child-parent relation and social inclusion, helping them out of toughness. On the other hand, the VIP Empowering Mother Charity Alliance serves as a community of philanthropic entities, academia, enterprises and individuals, to building up single mothers' work and life capacity using the “teach a man to fish” approach.

**Awaken Intangible Cultural Heritage and Their Timeless Beauty**

Intangible cultural heritages are a major series of the VIP Love Workshop. With the help of modern aesthetic and e-commerce approaches, we have successfully rejuvenated the intangible cultural heritage products we operate. In 2017, Vipshop and CWDF jointly sponsored the VIP Mothers Artisan of Qinghai Coiled Embroidery Cooperative and VIP Mothers Artisan of Guizhou Miao Nationality Batik Cooperative. The cooperatives provide training and capacity building to mothers in poverty and help improve their traditional artisan skills. VIP Love Workshop has also involved designers to reconstruct the traditional aesthetics, and develop cultural heritage fashion products for daily life, for the poor mothers to produce collectively. All products being sold via VIP Love Workshop were not for profit, but to link the intangible cultural heritages to the 300 million Vipshop members, making them know, love, use and pass on the cultural value. In the meantime, online consumption of the products brings poor mothers a sustainable income and a happier and more decent life.

Also, we have introduced the coiled embroidery by Tu mothers to the world – when Vice President Huang Hongying was making her speech of VIP Progresses and Fuels Her Energy at the 2017 International Forum for Sustainable Development of Women's Charity, the coiled embroidery artisans were advertised on LED at Time Square in New York.

RESPONSIBILITY & ACTION

**VIP Love Workshop**

The VIP Love Workshop is an e-commerce platform created by and solely owned by Vipshop. We discover outstanding charity products and provide proficient business support ranging from free design to packing, quality assurance, marketing and logistics. In that way, charity products can expand their market share by the convenience of Vipshop's core competitiveness. We are not profit-driven for the charity products we operate, and all the revenues are used to support the vulnerable groups.

The VIP Love Workshop has held six sessions in 2017 which included the VIP Mothers Artisan Coiled Embroidery & Tie-Dyed Handicrafts show, VIP Mothers Artisan "Coiled Embroidery Fashion Brand by Mothers of Tu Nationality" show, "the Taste of Hometown black soil" promotion, and the "Little Van Gogh from the Stars: Masterpieces by Autism Children Artists" show. Their mindset of charity means donation being changed, the public has realized through the quality experience with social significance that return to our community can also be achieved in their day-to-day consumption.



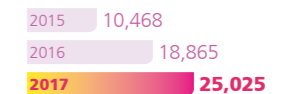
Bring poor mothers a sustainable and decent income

**Charity in Everyday Life**

We are committed to promoting charity in everyday life. In 2016, Vipshop App launched My Charity platform, created the fusion of "sports + charity" and adopted the "You Walk, I Donate" model that encouraged people exercise and made each step meaningful. In 2017, Vipshop App My Charity platform made a great hit and raised RMB 63 million to fund our charity initiatives.

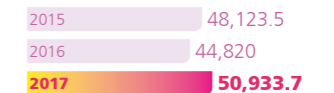
We strongly recommend all our staff to actively contribute to charity, and launched the Charity 1+1 program in 2015. Charity 1+1 means that each Vipshop staff has an altruistic heart, and every staff needs to spend at least one day in a year to fulfill her/his charity commitment. Vipshop staffs are entitled to paid charity leave – all our regular staff (including probation) enjoy 8 hours of paid charity leave each year.

Number of staff volunteers



Person-Time

Hour of service by staff volunteers



Hour

**Other Activities**

**Disaster Relief and Emergency Aid**

Our advantages in logistics, warehousing and procurement have enabled us to swiftly activate emergency response mechanisms to provide monetary aid, transport disaster relief materials, and assist in post disaster reconstruction by providing campus first-aid kits and other types of support. In 2017, we donated a total of RMB 3.2 million to the disaster affected areas of Mao County in Sichuan Province, earthquake affected communities in Jiuzhaigou, and flooded areas in Hunan Province.

**Medical Aid**

We pay much attention to the health of children in poor families. In 2017, we launched the projects of Gift of Life medical assistance for children with blood cancer, VIP Love to Children with Hearing Impairment, and Let Smile Pass On: Care for Cleft Palate Children, all contributed to the good health and growth of the next generation.



Disaster relief and emergency aid using e-commerce advantages

## New Poverty Alleviation Model on Vipshop E-commerce

The UN 2030 Agenda for Sustainable Development has proposed "to ending 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 issued accordingly a 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".

In response to the Chinese government's call, Vipshop has been making full use of e-commerce resources and carried out targeted poverty alleviation with the pioneering and driving force of Internet. In 2017, we developed a sustainable platform for targeted poverty alleviation, centered by empowerment and concentrated various resources. The fusion of quality consumption and targeted poverty alleviation we created is a remarkable innovation, in the sense that it allows Internet to create and bring welfare to the poor, and help lift more than a thousand poor households in government record out of poverty.

### New Poverty Alleviation Model on Vipshop E-commerce



## Resource Groups Platform for Targeted Poverty Alleviation

The full play of our three core strengths – the abundant e-commerce resources, advanced Internet technologies, and extensive membership and brand partners, has enabled us to customize poverty alleviation models for specific target groups by providing direct economic support, education assistance, and e-commerce assistance to achieve targeted poverty alleviation.

We, on the one hand, mobilized support from our 300 million members and the public through Sports + Charity and Consumption = Charity; and on the other hand, leveraged diverse resources and support to the poor groups from our partnership with over 20,000 brands.

## Sustainable Empowerment Enables Shift to "Blood-Making Poverty Alleviation"

We firmly believe that the core objective of targeted poverty alleviation is to help the poor acquire the ability to achieve sustainable development, and shift from assistance of the society to self-reliance to move out of poverty. We empower the population in poor areas mainly through education poverty alleviation and e-commerce poverty alleviation.

## Achieving Quality Consumption and Targeted Poverty Alleviation

Instead of selling off-the-shelf products, we give full play of our e-commerce advantages and focus on building up entrepreneurship of the poor. To achieve that, we created VIP Love Workshop a self-owned e-commerce poverty alleviation platform, and developed two focus platforms for the intangible cultural heritage products and quality agro products.



### Through Education

"Your Nomination, My Sponsorship" is the model we adopted, encouraging the public to nominate students in need.



### Through E-Commerce

VIP Love Workshop e-commerce charity program takes our core advantages in the industry and promote the commercialization and marketization of public goods, advocating the concept of "consumption is poverty alleviation" and achieving support to the vulnerable groups.

### Rejuvenation of the Intangible Cultural Heritages

We introduced to our focus platform the tie-dyed products by Bai and Qiang nationalities in Yunnan, coiled embroidery handicrafts by Tu nationality in Qinghai etc., accurately debuted cultural heritage products from the 5 national-level poverty counties in China.

### Quality Agro Products

We launched "the Taste of Hometown black soil" promotion, and Fengjie navel orange promotion etc., helping the poor develop potential customers group and access the market through internet for income.

### VIP Love Workshop

In 2017, VIP Love Workshop has precisely connected with 12 national level poverty counties and launched 106 poverty alleviation specialty products with total value of RMB 2.25 million, and helped over 3,400 poor farmers.

# REPORT ON PERFORMANCE OF SUSTAINABLE DEVELOPMENT

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# 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 will continue to improve the efficiency and performance of corporate governance through predetermined financial return indicators and other financial comparison indicators related to 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.

### Internal Control:

Respecting and abiding by the 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.

### Internal Audit:

Vipshop sets up the Internal Audit Department to carry out independent internal audit of each department. The Internal Audit Department has introduced such documents as "Vipshop Group Risk Management System", "Vipshop Business Process and Internal Control Process Documentation", "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, and to provide optimization suggestions for offering assistance in strengthening the effect in the process of corporate governance and risk management and control.

### Risk Management:

In line with Vipshop's corporate structure and business features, Vipshop continuously optimizes its management framework to deal with potential operating risks by tracking risk management theoretical research updates in both China and abroad. The company establishes the principles of risk level assessment, and management and control by risk classification. Vipshop specifies road-maps and plans to provide guidance for risk management progresses in all business lines and subsidiaries across the company. Besides, Vipshop actively conducts major risk assessments and special risk assessments for major projects in the whole company and all its subsidiaries, implements measures and requirements for risk management and control by descending levels, and establishes regular risk review plan.

### 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 the company's sustainable development. The board of directors continues to play its role in strategic leadership, decision-making and risk control, and it constantly improves our execution and supervision mechanism involving authority with corresponding responsibility, coordinated operation, and effective check and balance. As of 31 December 2017, 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 Xu, Directors; and Independent Directors: Mr. Chun Liu, Mr. Frank Lin, Mr. Xing Liu, Ms. Kathleen Chien, Mr. Nanyan Zheng.

### Highlights in 2017

Vipshop updated and released the "Vipshop Group Risk Management System", and conducted over 3,800 analyses and optimizations of authorization for the key business systems in Vipshop. The company has formulated and revised 17 regulations related to internal control, as well as identified and optimized the deficiencies in the process and operation of its financial services.

The company carried out an annual analysis and evaluation on the significant risks associated with its financial statements to determine the influence of the risks and the rationality of the relevant internal controls. Based on the understanding of the company's strategy, management interviews and researches on business development, the company evaluated business risks and determined plan for annual internal audit.

In 2017, Vipshop did not incur any penalties and was not subject to any non-monetary sanctions due to violation of socioeconomic laws and regulations.

## Direct Economic Impacts

### The Importance of This Issue to Vipshop

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

### Vipshop's Management Approaches

Vipshop strictly abides by relevant laws and regulations on tax in China, operating areas and listing location, handles business with integrity, and makes tax payments according to law. The company continues to improve its tax system construction and formulates relevant measures for strengthening its tax risk precaution awareness, at the same time, establish and improve various tax management systems and operational guidelines. In order to promote

the efficiency of the tax workflow, the company has formulated several reference documents to offer guidance in handling tax-related issues. For better standardized fulfilling of taxation obligations, the company also regularly compiles internal tax information reports and summarizes the amendments of laws, rules, regulations and policies on tax, which the company should follow; so that, it can make timely adjustments in related work.

### Highlights in 2017

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 2017 Annual Report".

#### Economic Value

Total Net Revenues	Distributed Economic Value <sup>1</sup>	Financial Subsidies from Government <sup>2</sup>
2015 402.03	2015 345.19	2015 2.82
2016 565.91	2016 496.69	2016 2.83
<b>2017 729.12</b>	<b>2017 656.14</b>	<b>2017 3.48</b>
100 Million RMB Yuan	100 Million RMB Yuan	100 Million RMB Yuan
Total Assets	Taxes Paid	Basic Earnings per Share
2015 200.36	2015 20.5	2015 13.74
2016 250.94	2016 25.6	2016 17.57
<b>2017 379.83</b>	<b>2017 31.1</b>	<b>2017 16.59</b>
100 Million RMB Yuan	100 Million RMB Yuan	RMB Yuan

<sup>1</sup> The economic value distributed by the company includes cost of revenues, employees' remuneration and benefits, taxes payable, community investment and public welfare donations, etc.  
<sup>2</sup> The financial subsidies provided by the government to the company include tax relief, allowance and incentives.

## Market Presence

### The Importance of This Issue to Vipshop

Helping communities and residents that covered by Vipshop's operating sites benefit from its operating activities and share the value created by Vipshop's development, is not only good for continuously improving the reputation of the brand, but also helpful in achieving sustainable development of the company.

### 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.

### Highlights in 2017

At Vipshop's operating sites, the local staff percentage of executive management was 91.19% in 2017. This illustrates the company has a good performance in terms of local employment.

## Indirect Economic Impacts

### The Importance of This Issue to Vipshop

The ever-changing Internet technology has profoundly changed people's life. 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 Vipshop, the company also utilizes its corporation features to exert positive impacts on society through e-commerce for poverty alleviation, revitalization of intangible cultural heritages, and marketization of agricultural products.

### Vipshop's Management Approaches

With Vipshop's leadership and competitiveness in apparel e-commerce industry, Vipshop integrates its resources of fashion designers and the company's innovation capabilities to create products which revitalize intangible cultural heritages.

Vipshop launches an "E-Commerce for Poverty Alleviation" project for providing a high-quality trade platform for farmers and distributors in poor areas in China, and selecting premium agricultural products for consumers.

### Highlights in 2017

Vipshop successfully launched 6 VIP Love Workshop programs, in which provided 32 kinds of handicrafts and agricultural products related to intangible cultural heritages online, and accurately connected to 5 national poverty-stricken counties. In this process, Vipshop not only directly helped more than 500 impoverished mothers who have traditional handicraft techniques increase their income, but also promoted thousands of registered impoverished households out of poverty.

## Management of Brand Partners and Suppliers

### The Importance of This Issue to Vipshop

Brand partners and suppliers are irreplaceable elements for Vipshop to achieve its sustainable development.

As an e-commerce platform aiming to serve customers, Vipshop's sustainability performance is highly correlated to the relevant performance of the brand partners and suppliers. Complementary advantages and good practice in terms

of business cooperation between Vipshop and its brand partners and suppliers provide a significantly positive impact in achieving long-term sustainability for all parties.

### Vipshop's Management Approaches

Vipshop conducts a comprehensive evaluation review of its brand partners and suppliers through technical and commercial assessments, which involves aspects such as employees relations, labor disputes, environmental protection, and social responsibility, etc. After reviewing or investigating, if it is confirmed that a brand partner or supplier which has potential risks on either issues, then the one will be banned from introducing or be eliminated by Vipshop.

Vipshop gives priority to introducing brand partners and suppliers with ISO 9001 certificate of quality management system, ISO 14001 certificate of environmental management system and RoHS certificate of product health and safety management system.

Vipshop has established procurement policies such as "Vipshop Product Purchasing Management Procedure" and "Vipshop Suppliers Management Procedure". When selecting suppliers, Vipshop conducts strict qualification pre-assessments and post-assessment to verify the qualifications of potential brand partners and suppliers. Regarding problems that have been identified, the company will evaluate the impacts and then take actions such as clarification, rectification or cancellation of qualifications accordingly so as to guarantee the quality of products sold on Vipshop platform.

The company regularly organizes visits to various suppliers and the frequency of visits to key suppliers reaches 2 to 3

times a month; it holds regular annual and semi-annual conferences for suppliers; each department regularly holds quarterly conferences for brand partners. A variety of communication ways are taken to ensure mutual understanding and strengthened cooperation among all parties.

Vipshop's business center, legal department, internal audit department, financial department, supply chain management department, and brand management department will check and record the compliance status of the brand partners and suppliers annually. Vipshop will terminate its cooperation with the one that cannot meet the requirements of Vipshop in terms of customer complaints and compliance of lawsuits.

### Highlights in 2017

Based on the existing cooperation, Vipshop established a deeper level of strategic business relationship with many brands so that Vipshop can take advantages of each party, as well as form robust alliances and achieve win-win development.

Vipshop created a new brand positioning and changed its corporate slogan to "Worldwide Selected, Authentic

Promotion". At the same time, the company strengthened its cooperation with foreign partners, reached strategic cooperation agreements with Tencent and JD.com, and jointly established a fashion event with COSMO.

Vipshop adopted several measures to guarantee authenticity such as "Authenticity Appraiser Group", "10

Authenticity Guarantees" and "Nine Articles for Quality Control" and firmly implemented the strategy of authenticity. In its supply chain, Vipshop interacted with brand partners and suppliers in the fields of system connection, data opening and operation cooperation, and strengthened control over suppliers in terms of work-flows and systems to ensure the quality of products sold.

#### Brand Partners Management

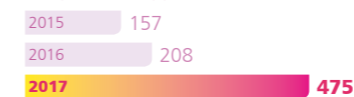
Cooperated Brand Partners <sup>1</sup>



Percentage of Brand Partners' Contracts Compliance



Cooperated Suppliers



Percentage of Local Suppliers <sup>2</sup>



1 All statistics involved are approximate.  
2 All suppliers are included when calculating the percentage.

Percentage of Suppliers' Contracts Compliance



## Marketing Compliance and Intellectual Property Protection

### The Importance of This Issue to Vipshop

It is not only the corporate responsibility of Vipshop but also a respect for consumers and all its partners to comply with statutory marketing regulations and strengthen the protection of intellectual property.

### Vipshop's Management Approaches

Vipshop abides by local regulations and voluntary codes when launching marketing activities (such as 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 the company's platform and a complaints and investigation

mechanism for intellectual property infringement on the platform. The company adopts a "zero tolerance" principle for counterfeit brand authorization and counterfeit goods sold online to maximize the protection of the legitimate rights and interests of right-holders and consumers.

### Highlights in 2017

In 2017, Vipshop was not subject to any penalties or other non-monetary sanctions for selling counterfeit products.

### Highlights in 2017

Vipshop revised the "Supplier Management Regulations", formulated the "Confirmation Rules for Suppliers and Authorization Chains" and implemented the "Regulations for Non-Compliance Suppliers" to optimize the supply chain and standardize performance behaviors.

Vipshop specified and implemented the "Requirements for Qualifications

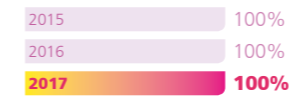
of Suppliers into Vipshop", strictly controlling supplier access on the front end. Also, the company provided five 500-person legal trainings for its business center, which have aroused the legal awareness of the department of business outreach.

Vipshop issued seven management red lines. If employees touch the red line, they will be strictly dismissed in accordance with the system; the

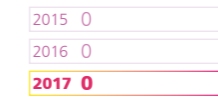
company assumes a "zero-tolerance" attitude towards corruption and requires all employees to study the following content as a compulsory requirement: prohibiting "acquisition or acceptance of improper profits", prohibiting "the use of positions or company resources for the benefit of themselves or certain affiliated persons" and so on.

### Anti-Corruption Management

Percentage of Employees Receiving Anti-Corruption Trainings



Confirmed Internal Corrupt Practices



Percentage of Handled Internal Corruption



## Anti-Corruption

### The Importance of This Issue to Vipshop

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

### Vipshop's Management Approaches

Vipshop formulates and implements administrative measures such as "Vipshop's Code of Business Conduct and Code of Ethics" and "Red Line for Vipshop's Management". In addition, in the company's daily operations and management, employees are also required to strictly abide by the "Vipshop Regulations of Integrity and Honesty Management" and "Vipshop Agreement on Anti-Commercial Bribery".

The company's reporting ways include report email of the internal audit department (via@vipshop.com), report email for the management (jubao@vipshop.com), and report email of

the asset protection department (ci@vipshop.com). The report email of the internal audit department is in charge of the internal audit department. The report email for the management can merely be checked by chairman and vice chairman of the board. The report email of the asset protection department is in charge of 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, stating that Vipshop strictly prohibits non-integrity and unethical behaviors such as bribery.

## Anti-Competitive Behavior

### The Importance of This Issue to Vipshop

A fair, open and orderly competition environment can promote the long-term sustainability of Vipshop and all the other related entities and stakeholders in the market and the creation of a good industrial ecosystem.

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.

### Highlights in 2017

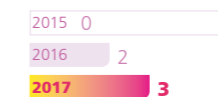
Vipshop continued to strengthen its training schemes on anti-monopoly and fair competition, and organized three related trainings. In 2017, Vipshop settled and won a lawsuit involving other company constituted unfair competition to Vipshop. In response, the company has strengthened its rectification in relevant areas and has improved its management approaches to prevent the occurrence of similar incidents.

### Vipshop's Management Approaches

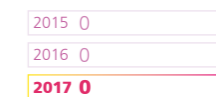
Vipshop continuously reinforces its compliance management in the field of market competition, unifies standards and requirements in management system and working process, establishes a compliance review mechanism embedded in its business procedures, and lays emphasis upon preventing legal compliance risks in anti-monopoly, fair competition and consumers' rights and interests protection.

### Anti-Monopoly and Fair Competition Management

Trainings on Anti-Monopoly and Fair Competition



Cases Involving Trade Dispute Settlement Mechanism



# ENVIRONMENTAL PERFORMANCE

## Energy Consumption

### The Importance of This Issue to Vipshop

With the rapid pace of the development in e-commerce industry and mobile trading platform, Vipshop's business scale continues to expand, and its energy consumption has also increased significantly. In order to achieve sustainable development, Vipshop actively promotes reduction of energy consumption and reduces greenhouse gas emissions generated during its daily operation. This will not only help the company reduce cost of operation, but also improve the company's competitiveness in terms of environmental protection.

### Vipshop's Management Approaches

Vipshop establishes a comprehensive real-time monitoring system for energy consumption in order to continuously monitor overall situation. The company sets indicators to measure energy consumption and compare historical data of each indicators to learn about the condition in energy consumption.

Vipshop retrofits lighting equipment in its office areas and replaces the original tungsten bulbs with environmentally friendly light sources (such as LED).

Vipshop gradually installs the variable-frequency system to control air-conditioning in the office area. In this way, it is expected to cut down energy consumption by more than

30% overall as compared with the consumption before installment, and to reduce the noise generated by the operation of the air-conditioning system by more than 50%.

Vipshop is committed to building green logistics. In addition to constantly optimizing transportation process and routes to reduce unnecessary journey, the company has gradually introduced

### Highlights in 2017

Vipshop's companies in each province of China continued to expand their fleet of new-energy vehicles, the number of which increased to 268 in 2017.

The grid-connected photovoltaic power system adopted by the distributed photovoltaic power station project of Vipshop (Zhaoqing) Logistics Co., Ltd. was successfully connected to 13 MW in March 2017. Its power generation in 2017 was 7,571,232 kWh, effectively reducing the amount of purchased electricity in the logistics park.

electric vehicles for transportation to improve its energy efficiency.

In order to reduce the consumption of purchased electricity, Vipshop invests in photovoltaic power generation projects in its logistics parks. The solar panels installed on the roofs of logistics buildings have continuously provide clean and reliable energy for the operation of the logistics parks.

The grid-connected photovoltaic power system adopted by the distributed photovoltaic power station project of Vipshop (Hubei) Logistics Co., Ltd. started to be constructed in November 2017, and it is planned to be officially put into use by stages by the end of April 2018. Its theoretically daily generating capacity is an average of over 105,000 kWh.

All light boxes on the exterior walls of Vipshop's headquarters were replaced with LED light sources. All outdoor advertising boxes were set to be turned off at 22 o'clock, and all 50W spotlights in the office area of Heng Li Wan were substituted by 3W LED spotlights.

### Energy Consumption Management

Purchased Electricity in the Headquarters <sup>1</sup>	Gas Consumption in the Headquarters <sup>2</sup>	Solar Power Generation
2015 7,091,676	2015 135,820	2015 N/A
2016 9,489,726	2016 203,314	2016 N/A
<b>2017 9,843,571</b>	<b>2017 224,711</b>	<b>2017 7,571,232</b>
kWh	m <sup>3</sup>	kWh

1 The statistical scope is the headquarters' office area in Guangzhou.  
2 Gas for heating and the canteens.

## Greenhouse Gas Emissions

### The Importance of This Issue to Vipshop

All humanity is paying close attention to the increasingly severe climate change. The emissions of greenhouse gas are the biggest culprit of climate change. Vipshop actively responds to the challenge of climate change, continues to strengthen carbon emission management in its daily operation, fulfills green and low-carbon development, and makes due contributions to the mitigation of global climate change.

### Vipshop's Management Approaches

Vipshop reduces greenhouse gas emissions by saving energy such as purchased electricity, improving energy efficiency, and using environmentally-friendly electric equipment.

Vipshop replaces lighting equipment and air-conditioning systems in its headquarters' office area with energy-saving ones for improving energy efficiency.

Green logistics management is an important part of Vipshop's greenhouse gas emissions reduction. In addition to continuously optimizing transportation process and routes, and gradually introducing electric vehicles for transportation, the company also installs solar panels of photovoltaic power system on the roofs of the logistics buildings to reduce the consumption of purchased electricity.

### Highlights in 2017

The distributed photovoltaic power station project of Vipshop's logistics center in southern China reduced CO<sub>2</sub> emissions by 21,771.03 tons theoretically each year. The distributed photovoltaic power station project of Vipshop's logistics center in central China reduced CO<sub>2</sub> emissions by 56,158.5 tons theoretically each year.

### Energy Consumption Management

Carbon Emissions in the Headquarters	Direct Emissions Scope 1	Indirect Emissions Scope 2
2015 4,095.82	2015 357.80	2015 3,738.02
2016 5,537.64	2016 535.61	2016 5,002.03
<b>2017 5,780.52</b>	<b>2017 591.98</b>	<b>2017 5,188.54</b>
Ton of Carbon Dioxide Equivalent	Ton of Carbon Dioxide Equivalent	Ton of Carbon Dioxide Equivalent

## Water Consumption and Sewage Discharge

### The Importance of This Issue to Vipshop

Economic development and urbanization have continuously increased the demand for water in the world. In addition, water pollution has become increasingly serious, which has made water shortages more and more obvious, and has restricted the sustainable development of enterprises and the society. Vipshop attaches great importance to improving the use

of water resources, advocating the conservation of water, discharging sewage rationally, and reducing the adverse impact of water consumption and sewage discharge on the environment.

### Vipshop's Management Approaches

Vipshop values water resources 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's operation does not involve production and processing. The sewage generated during the operation is discharged into the municipal sewage pipe network to ensure no adverse impacts on surrounding environment.

### Highlights in 2017

In 2017, there was no incident that has significantly adverse impacts on water sources due to Vipshop's water consumption.

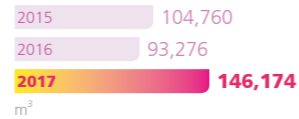
All sewage generated during the operation of Vipshop was discharged into the municipal sewage pipe network according to municipal

sewage discharge standards and requirements. In 2017, no illegal issue was found regarding sewage discharge.

Vipshop's new office area was equipped with environmentally-friendly and energy-saving sanitary fittings.

#### Water Consumption and Sewage Discharge

Water Consumption in the Headquarters



## Ecological Conservation

### The Importance of This Issue to Vipshop

"To intensify the construction and management of natural reserves and to increase the protection of typical ecosystems, species, genes and landscape diversity" is an important instruction explicitly presented in China's 13<sup>th</sup> Five-Year Plan. Assisting in the ecological conservation is not only a corporate responsibility of Vipshop, but also the business philosophy of Vipshop in its efforts to create a sustainable e-commerce business.

### Vipshop's Management Approaches

Vipshop has conducted a number of environmental protection activities in conjunction with many ecological conservation organizations and has used Vipshop App's "My Charity" platform, to interact with consumers through such ways as the "You Walk, I Donate" love activity and public welfare walks in special festivals (e.g., Earth Day). In this way, the company continues to provide financial support for ecological restoration and conservation.

### Highlights in 2017

Between 2016 and 2017, Vipshop launched the "10,000 6m<sup>2</sup> Forests" project with the Yunnan Green Environment Development Foundation to plant trees in the Three Parallel Rivers of Yunnan Protected Areas, a UNESCO World Heritage Site, to restore the habitat of Yunnan snub-nosed monkeys and to create more income opportunities for participating villagers.

Vipshop, in cooperation with the China Green Foundation, launched a "Poverty Alleviation with Apple Trees" project to build an apple economic forest in the Liujiaxia reservoir area (a protected drinking water source in the upper reaches of the Yellow River) in Gansu Province, bringing stable income to local farmers.

Vipshop donated RMB 1 million during the Arbor Day in March 2017 to help the afforestation and ecological protection as well as targeted poverty alleviation projects in the Alxa League of Inner Mongolia and the Liujiaxia reservoir area in Gansu Province. It donated RMB 400,000 to the Alxa League and planted more than 40,000 saxauls (a leafless xerophytic shrub used for stabilization of desert soils).

Vipshop held the public welfare activity "Vipshop Walking, Let Walking be a Part of Love". 900 people who are fond of public welfare and sports gathered at the Beijing International Flower Port. They completed a 4-kilometer public welfare walk. The RMB 200,000 donated from their walk was used to support the construction of more than 14,000 ecological trees in Fengning County, Hebei Province.

## Material Use and Solid Waste Disposal

### The Importance of This Issue to Vipshop

The use of environmentally-friendly materials and proper disposal of waste help mitigate Vipshop's negative impacts generated during its daily operations on the environment and pressure on the ecological restoration. Vipshop is committed to reducing the use of polluted materials and actively recycles waste generated from operations, which help the company prevent environmental risks during the operation and create a green consumption atmosphere in the society.

### Vipshop's Management Approaches

Vipshop continues to promote the recycle of cartons generated in logistics transportation, and continues to promote the light-weighting and structural optimization of key package materials (e.g., cartons and plastic bags). This will not only help reduce the use of packaging materials and improve their reutilization, but also help enhance the space utilization of logistics containers.

Vipshop develops the "Innovative Management Approaches for the Logistics Center" and rewards employees who put forward possible ways to reduce the cost to environment while improving the quality and efficiency of operations.

### Highlights in 2017

Due to the rapid development of Vipshop's business, in 2017, the company's use of paper packaging materials rose by 61.42% year on year, and the proportion of recycled paper used was 89.99%.

In 2017, Vipshop canceled the purchase of size 10 cartons and

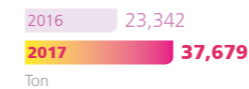
replaced them with old cartons recycled from warehouses. This saved about 2.4 million cartons compared to the previous plan and reduced the total used cartons by about 1,800 tons.

In 2017, Vipshop started to use new packaging cartons. Compared with

the former design, 3,500 tons of paper were reduced with the same number of cartons made. Compared with the former design, newly-designed lightweight color bags have avoided the use of 140 tons of plastics with the same number of color bags made.

#### Material Use and Solid Waste Disposal

Paper Packaging Materials



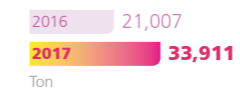
Proportion of Recycled Packaging Materials



Plastic Packaging Materials



Recycled Paper



Packing Tapes



# SOCIAL PERFORMANCE

## Employment

### The Importance of This Issue to Vipshop

Well-managed employees are the core element for Vipshop's sustainable development. Vipshop makes sure its behavior in the processes of employees' recruitment, working and dismissal meet related laws and regulations, and makes sure it offers adequate rights and benefits to employees.

### Vipshop's Management Approaches

In addition to strictly complying with the "Labor Law of the People's Republic of China" and relevant local labor laws and regulations, Vipshop has also established and implemented the "Vipshop Salary Management System", "Vipshop Benefits System" and "Vipshop Holidays System" to ensure that all employees receive reasonable salaries and benefits corresponding to their work and positions.

Vipshop resolutely cracks down on employing child laborers, and strictly implements the "Provisions on the Prohibition of Using Child Laborers" in China and relevant local provisions.

Vipshop has established a completely confidential mechanism for employees' personal information and has set up a human resource archive to keep related files. Permissions should be made by employees, if there is a need to borrow materials such as the copy of an employee's ID card.

Vipshop has developed and implemented a management system that includes unscheduled performance communication, job objective communication at the beginning of the year and performance assessment at the end of the year. This system is applicable to all employees of the company (except certain positions).

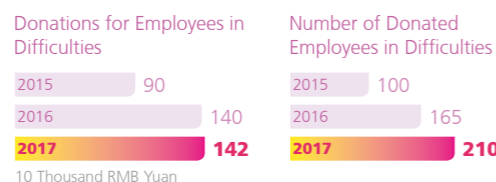
### Highlights in 2017

Vipshop constructed a satisfactory team of talents by continuously strengthening the team construction of leaders, optimizing employee team structure and improving the comprehensive incentive mechanism.

The percentage of collective contracts of employees in Guangzhou Headquarters was 100% in 2017.

In 2017, local staff percentage of executive management at operating sites reached 91.19%.

#### General Employment Performance



1 Number of employees involved are approximate.  
 2 Number of total new employees involved are approximate.  
 3 Employees rehired after retirement are excluded.

## Environmental 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 an EHS Management Committee responsible for the safety during the company's daily operation as well as the management of employees' OHS. The company's projects strictly implement "Three Simultaneities" when being constructed and trainings on EHS construction safety will be provided for the staffs of contractors.

The company has established emergency procedures and rescue department for EHS management, and formulated and implemented the "Vipshop (Group) Environmental Health and Safety Inspection System" to reduce the impact of accidents and hidden dangers.

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, consumers, shareholders, investors, government departments and communities to inform the performance of its EHS implementation.

Vipshop provides employees with annual regular physical checkups and regularly holds workshops on OHS first aid and health knowledge.

The company has recreational facilities in the office area for employees, and also sets up medical clinics and physiotherapy rooms to provide medical treatment, physiotherapy services and Stick to Acupuncture Points in Hot Summer Days (a traditional Chinese medical therapy) for employees.

In terms of fire fighting, the company has formulated and implemented a series of regulations and systems such as "Vipshop (Group) Fire-Fighting Facilities Maintenance System", "Vipshop (Group) Fire Accident Handling Steps", "Vipshop (Group) Fire Safety Standards for Kitchens and Canteens" in every logistics park, regional express delivery center and station to prevent any possibility of fire accidents.

The company implements unified management for all logistics delivery 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 and scooters.

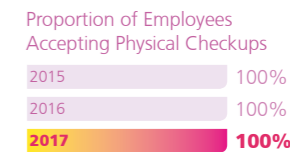
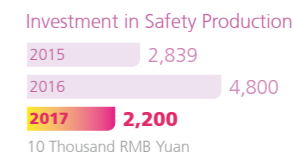
### Highlights in 2017

Vipshop conducted environmental monitoring on all projects under construction, logistics warehouses, distribution centers and office areas, with a coverage rate of 100%.

Vipshop conducted assessments on safety standards for five logistics parks. All of them have reached an acceptable level with an average score of 93.1 (centesimal system).

Vipshop established the Employee Assistance Program (EAP) and organized psychological assessments for employees to understand the mental health of them. The company also employed professional counselors to provide consulting services for employees in need.

#### Environmental Health and Safety



## Employee Training and Career Development

### The Importance of This Issue to Vipshop

Vipshop attaches importance to continuously improving the overall knowledge and skills of all employees, which will help the company 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 different departments, offering them opportunities for continuous learning and self-improvement.

### Vipshop's Management Approaches

In order to meet the different demands of employees in different departments and different stages of career development, Vipshop sets up a variety of vocational training programs.

Vipshop provides a double-track channel for all employees' career development: for management posts and professional posts, the promotion of employees will be reviewed by a special review committee. The employee's line manager can be only

a nominator instead of a decider; employees in professional posts can obtain the opportunity to be reviewed for promotion by self-recommendation.

### Highlights in 2017

Vipshop continued to perfect programs in talent cultivation. The diversity and depth of programs were improved to meet the demands of employees in different positions for training and learning.

#### Training Performance



<sup>1</sup> Employees from logistics companies and new employees are excluded.

## Diversity and Equal Opportunity

### The Importance of This Issue to Vipshop

Vipshop treats every job seeker and employee equally and believes that this will help to better discover

and attract potential talents, build a dynamic team of employees, and provide impetus for the future development of the company.

### Vipshop's Management Approaches

Vipshop is committed to promoting an open and transparent recruitment system. It establishes and improves

the comprehensive employment system, and actively creates a fair and impartial talent selection environment. The recruitment and employment of employees strictly follow the Labor Law of the People's Republic of China to ensure that candidates and employees are not

discriminated due to their ethnic groups, races, genders, religious beliefs, etc. during the recruitment and employment. The company will not exclude certain candidates for non-work-related reasons when they compete for desired positions.

### Highlights in 2017

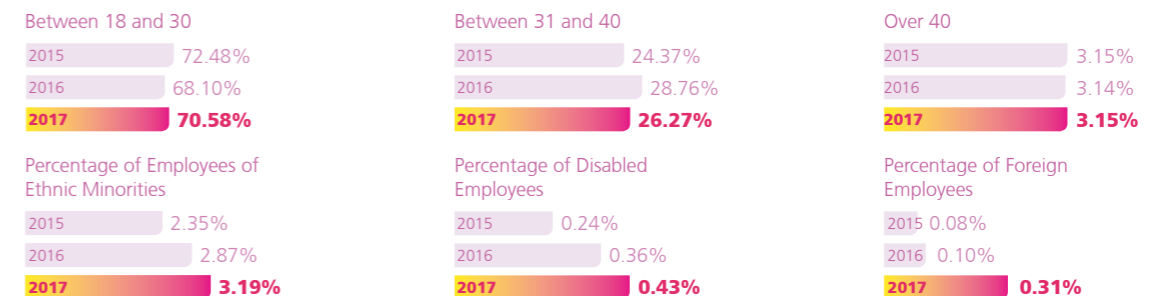
In 2017, Vipshop did not have any discrimination involving different ethnic groups, races, genders, religious beliefs, social origins, sexual orientations, genetic predispositions and lifestyles.

### Employee Diversity

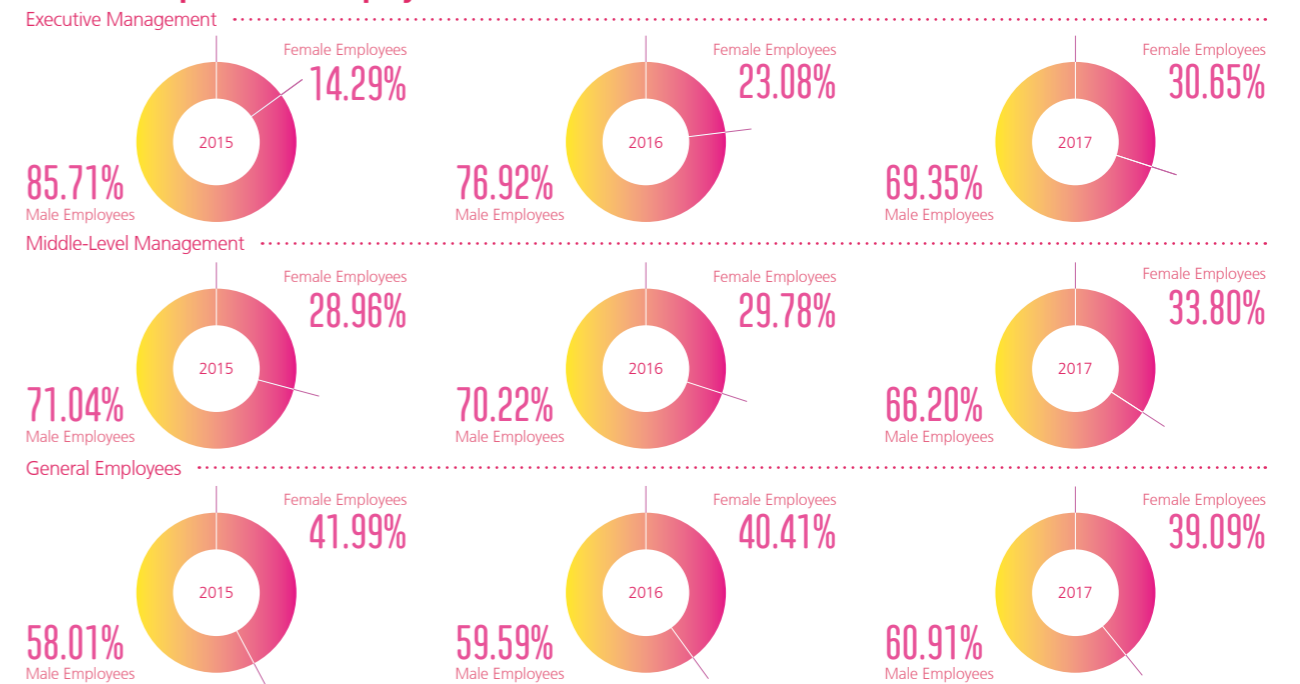
#### Gender Percentage of All Employees



#### Age Structure of All Employees



### Gender Composition of Employees in Different Levels



## Employee Communication and Labor Union

### The Importance of This Issue to Vipshop

A well-constructed and unblocked employee communication mechanism and a well-run labor union help to enhance the sense of belongingness of Vipshop's employees and promote the stability of internal human resources structure. The company is committed to maintaining communication with employees of various departments and timely learning employees' demands through different channels to analyze the inadequacies of its current management. This helps the company to prevent risks associated with the employment and makes the management more human-based and transparent.

### Vipshop's Management Approaches

Vipshop has established a sound and reliable communication and complaints mechanism for employees, providing communication

channels including luncheons with CEO, quarterly communication or tea talks, communication meetings on various themes, and employees' representative meetings. Vipshop welcomes employees to provide constructive suggestions for the sustainable development of the company and timely responds to and handles the opinions or suggestions received from the employees.

### Highlights in 2017

In 2017, Vipshop's labor union received a total of 146 feedbacks from employees, which was a decrease of 40.16% compared with 2016. The proportion of problems solved in 2017 was approximately 80%.

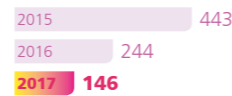
The Vipshop employees' opinion collection and communication mechanism was well run. A seminar on parking was conducted to formulate regulations on parking, which solved the parking problem in office area.

In May 2017, the WeChat official account of Vipshop's labor union was put into use, which offers a channel to receive opinions from employees. The opinions will be classified and submitted to relevant departments for follow-up and solution.

In 2017, RMB 520 thousands were invested in funds for club activities, 13 employees were subsidized for further education, 149 applications of comfort fund for hospitalization were granted, and social gatherings had 450 person-times of participation.

#### Performance of Labor Union

Number of Feedbacks Received from Employees



Proportion of Problems Solved in the Year



## Customer Information and Privacy Protection

### The Importance of This Issue to Vipshop

With the popularity of online shopping, the security of consumers' personal information and privacy has become a serious issue faced by the whole e-commerce industry. With the continuous development of the Vipshop, the company has an increasing number of consumer information. The company needs to adopt more strict techniques and management methods to avoid the management risks brought by

leakage of consumer information. In addition, the company's protection of consumer information and privacy is conducive to further guiding consumer behavior and contributes to the digitization of life.

### Vipshop's Management Approaches

Vipshop has developed two first-level documents on information security management, namely the "Vipshop Information Security Management

Manual" and the "Vipshop Information Security Strategy", which clarify the company's policies, guidelines and strategies on information security management. The relevant documents will be regularly reviewed every year to determine the need for revision and updates.

The company's information security management follows the method of risk management. The company has formulated the "Vipshop Regulations on Information Security

Risk Assessment" to standardize identification, analysis and response of information security risks and the method of treating residual risks.

Vipshop has set up a business security team to collect and analyze the information of cyber threats. At the same time, the protection of information security is included in the employees' performance assessment. Employees' credits on information security are linked to their performance assessment at the end of the year.

The company has set up a special inspection team to check the performance of its business partners

on information security. In order to handle potential incidents of information security, the company has formulated the "Regulations on Business Continuity Security Management", "Regulations on Information Security Incidents" and "Business Continuity Plan".

Vipshop has entrusted third-party professional organizations in the area of information security to provide independent review and improvement suggestions for the company's information system and network. Also, the company cooperates with other companies in the industry to improve its ability for information security.

### Highlights in 2017

Vipshop obtained ISO 27001 certificate of information security management. The scope of the certificate includes the overall e-commerce business apart from finance and logistics. Based on the work in 2016, the company has incorporated the requirements in the "Cyber Security Law of the People's Republic of China" into the scope of its risk management, learning the relevant requirements of the law and adding them into the risk pool as independent risk control points. In this way, the effective implementation of the Cyber Security Law will be ensured.

In 2017, the number of confirmed incidents involving consumer information leakage, theft or loss decreased by 78.45% compared with 2016, and by 89.26% compared with 2015.

## Consumer Health and Safety

### The Importance of This Issue to Vipshop

It is the common goal for most national and international regulations and laws to safeguard public health and safety. Vipshop sticks to provide consumers with harmless products. Vipshop hopes that the products or services sold by the company will not only satisfy consumers, but also bring no risks to their health and safety, which in return will avoid its operational risks.

### Vipshop's Management Approaches

Vipshop has established an internal management system on product quality and has formulated the "Vipshop Regulations on Product Quality Supervision". The company strictly guarantees quality standards in each post and fulfills its duties on product quality. All subsidiaries have received the ISO 9001 certificate of quality management system and the ISO 22000 certificate of food safety management system.

The company has formulated the "Vipshop Requirements for Verification of 3C Products through

"CCC Certification System" and cooperated with Certification and Accreditation Administration of the People's Republic of China to perform verification on all commodities with CCC marks through the "CCC Certification System".

Every year, Vipshop will entrust third-party national testing agencies to conduct spot checks three times for each brand on average, and to continuously inspect products sold by all brands before, during and after the sale.



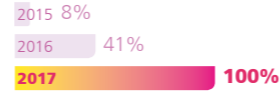
### Highlights in 2017

In 2017, Vipshop's quality assurance team had approximately 1,000 employees, making it the leader in the industry. Besides, Vipshop has received ISO 9001 certificate and ISO 22000 certificate, and set up a quality control team centered with legal service, supply chain and logistics center to control its product quality in all procedures with strict standards. Before a product entered the warehouse, there would be IQC members to check its quality.

In 2017, Vipshop substantially increased the budget for spot checks by 30%. Random inspections were conducted on various brands every day, and professional third-party national testing agencies were entrusted to conduct spot checks three times for each brand on average to ensure the quality of products in stock. The company's frequency and coverage rates for spot checks were far higher than the average level in the industry.

#### Consumer Health and Safety

Proportion of Important Products Received Health and Safety Assessment



## Product and Service Quality

### The Importance of This Issue to Vipshop

Vipshop attaches great importance to ensuring the quality of products and services and believes this is the bottom line of a responsible e-commerce company. As for product and service quality, Vipshop has established a rigorous and perfect management system to meet consumers' needs and ensure competitive advantages.

In order to improve the speed of reply to product-related consultations from consumers when they are placing orders, Vipshop establishes a customer service system for self-supported suppliers. Consultations on products will be directly answered by the suppliers' customer service, which improves the turnover rate of products and the service experience of consumers.

Vipshop has set up an express refund and return project. Based on different situations, a better judging mechanism will be used to reduce the time for refund and return. This has significantly shortened the time and improved the quality of after-sales services.

### Highlights in 2017

In 2017, the proportion of qualified products tested by Vipshop was 6% higher than that of 2016, and the defect rate of spot checks in warehouses dropped to 0.48%. At the same time, the frequency of consultations on products and services handled by the company increased by 15.85% compared with 2016, while the frequency of complaints on products and services decreased by 14.55% compared with 2016.

#### Product and Service Quality

Satisfaction Degree of Consumers through Telephone Interviews



Satisfaction Degree of Consumers through Online Interviews



### Vipshop's Management Approaches

In order to provide personalized service experience for customers, Vipshop has established a precise marketing platform to provide quality services to its members and to recommend products with artificial intelligence.

## Business and Human Rights

### The Importance of This Issue to Vipshop

Vipshop believes that safeguarding human rights in the operation is an important manifestation of corporate values. The company has formulated a policy of honoring human rights in accordance with the "UN Guiding Principles on Business and Human Rights" to demonstrate the company's attitude in dealing with issues involving the society and various stakeholders.

employees in its operation. The scope of the implementation of relevant safeguarding measures covers the company's internal hiring and evaluation on suppliers and brand partners.

partners who have strained employees relations and are not concerned about their employees' health and safety.

### Vipshop's Management Approaches

Vipshop puts emphasis on safeguarding the human rights of

The company 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.

### Highlights in 2017

In 2017, there was no internal incident involving human rights abuses such as employee exploitation, forced labor, and use of child laborers in Vipshop. 100% of contracted employees joined the labor union of the company.

In 2017, the company discovered and confirmed none of the suppliers and brand partners suspected of having strained employees relations and being not concerned about their employees' health and safety.



## Communities Co-Construction

### The Importance of This Issue to Vipshop

With the increasing popularity of Internet and online payments, online shopping has become an indispensable part of everyday life for many people. Vipshop takes advantage of its e-commerce resources to build public welfare platforms, promote public welfare projects and advocate volunteer services. It has established the core of sustainable empowerment, the innovation engine of cross-border interconnection and the public welfare philosophy of motivating public love with life-oriented public welfare projects, forming a unique Vipshop e-commerce public welfare mode.

### Vipshop's Management Approaches

Vipshop emphasizes and actively participates in the community construction, establishing the Guangdong Vipshop Charity Foundation to provide reliable support for the development of public welfare projects and communities.

Vipshop continues to pay attention to the four charity orientations: the value of innovative online platforms for public welfare, education support, empowerment of women, and targeted poverty alleviation. Accordingly, Vipshop has designed Vipshop Education Sponsorship, VIP-HER-Power, VIP Love Workshop and

"My Charity" in Vipshop APP. These three programs and one platform aim at different groups of difficulties to provide targeted and accurate assistance.

Vipshop has established a comprehensive volunteer management system and actively encourages employees to participate in activities that contribute to community development. Every employee has a one-day paid holiday each year to participate in various public welfare activities.

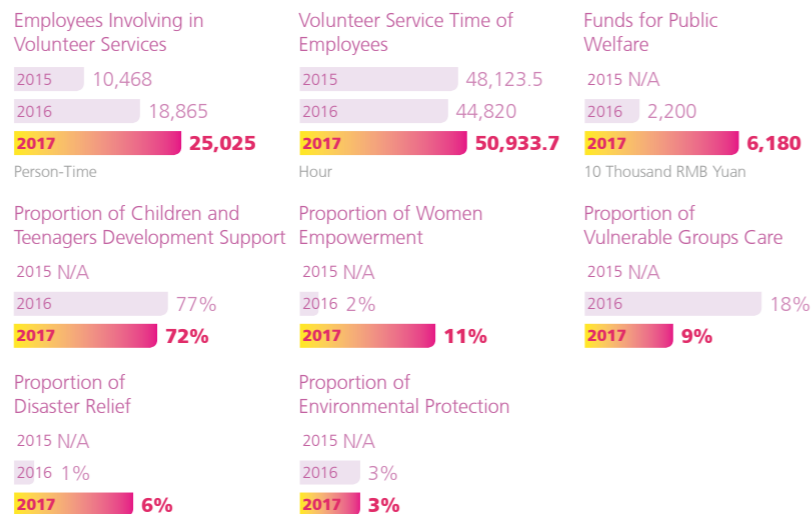
### Highlights in 2017

In 2017, Vipshop donated RMB 34 million as education grants to help 12,000 impoverished students.

Vipshop launched "VIP Empowering Mother Program", investing RMB 10 million to set up a special fund for empowering single mothers, and joining hands with the China Women's Development Foundation to launch the "VIP Empowering Mother Charity Alliance".

Vipshop formally launched the unique e-commerce public welfare platform, VIP Love Workshop, to continuously create income for the disadvantaged groups.

#### Community Co-Construction



UN SDGs	Campaigns
<b>SDG 1: No Poverty</b>	Provide assistance and donation for needy employees. Explore new targeted poverty alleviation model on E-commerce: Vipshop Education Sponsorship, VIP Love Workshop E-commerce Charity Program, and Charity 1+1 Volunteer Program.
<b>SDG 2: Zero Hunger</b>	Bring sustainable income to vulnerable groups by the marketization of charity goods: VIP Love Workshop E-commerce Charity Program.
<b>SDG 3: Good Health and Well-Being</b>	Organize lectures on Occupational Health and Safety, offer recreational facilities, set up medical rooms and physiotherapy rooms. Improve health condition of elders, women and children in poverty area: Love Clinic, VIP Love to Children with Hearing Impairment, and Gift of Life.
<b>SDG 4: Quality Education</b>	Set corresponding projects and courses to improve professional skills of employees at different levels in all departments and positions.
<b>SDG 5: Gender Equality</b>	Ensure there is no gender discrimination in recruitment and employment of all positions and provide unified and fair promotion appraisal for both male and female employees. Focus on women empowerment, provide resources for women in need: Parcel to Mothers, VIP Rural Women's Classroom, and "Caring Our Body" Girls Self-Protection Curriculum.
<b>SDG 6: Clean Water and Sanitation</b>	Use direct drinking water system and automated taps.
<b>SDG 7: Affordable and Clean Energy</b>	Launch energy-saving policies of green logistics and clean energy, establish comprehensive energy usage monitoring system and logistics park distributed photovoltaic electricity generation project.
<b>SDG 8: Decent Work and Economic Growth</b>	Guarantee all employees get reasonable remunerations and benefits and set up the EHS Committee in charge of related matters. Focus on women empowerment, create working opportunities for women in poverty: VIP Love Workshop E-commerce Charity Program
<b>SDG 9: Industry, Innovation and Infrastructure</b>	Optimize logistics distribution, innovate logistics technologies, and purchase energy-saving office equipment.
<b>SDG 10: Reduced Inequalities</b>	Select professionals with the principle of fairness and justice and erase inequalities and discrimination brought by nationality, race, gender and religion. Focus on women empowerment, and education poverty alleviation: Vipshop Education Sponsorship, VIP Love Workshop E-commerce Charity Program.
<b>SDG 11: Sustainable Cities and Communities</b>	Help diseased and special group, provide community services and disaster relief: Let Smile Pass On – Care for Cleft Palate Children, post disaster aids to Mao County in Sichuan Province, earthquake affected communities in Jiuzhaigou, and flooded areas in Hunan Province.
<b>SDG 12: Responsible Consumption and Production</b>	Establish a comprehensive environmental management system, build environmentally friendly warehouses, optimize transport routes and reduce packaging material usage. Make supply chain management and product validation more effective. Launch VIP Love Workshop E-commerce Charity Program, and encourage volunteers to provide community-level aid and rural education support.
<b>SDG 13: Climate Action</b>	Launch logistics park distributed photovoltaic power generation project, use environmentally friendly transport vehicles and electric vehicles, and energy-saving & emission-reduction initiatives in the office area.
<b>SDG 15: Life on Land</b>	Take part in projects including "Poverty Alleviation with Apple Trees", "10,000 6m <sup>2</sup> Forests" and "RMB 10 for Greens Alashan".
<b>SDG 16: Peace, Justice and Strong Institutions</b>	Convene congress of workers and staffs on a regular basis and attach great importance to the guarantee of human rights among suppliers and brands.
<b>SDG 17: Partnership for the Goals</b>	Actively communicate with stakeholders, issue annual financial report and CSR report.



