“Combination • Aggregation • Change”

The Power of Alliance

Shanghai
2019.10.22
Vanke engineering procurement development process: from single company to the platform

The way of procurement keeps changing following the changes of the market environment, and other companies also follow a similar development path, and the alliance becomes an unstoppable trend.
The original intention of the establishment of the ALPLP was to unite

The ALPLP is a third-party procurement and B2B trading platform for building materials jointly initiated by Vanke, CURA Investment and Zhongtian Holdings Group. It tries to establish a new model of collaborative development of real estate supply chain that provides social services such as standard setting, joint bidding and quality inspection. It does not earn a difference in price. On the basis of more than 30 years of experience and practice in Vanke’s new product development, quality control, supply chain management, etc., ALPLP improves industry procurement transparency, green procurement standards, and promote the level of real estate supply chain services, through sharing good resources and management experience in order to support the supply side reform.
**Initial establishment of a buyer's alliance circle through joint procurement—2019Q3**

- **35** buyers involved in joint procurement
- Initiated and completed joint bidding for **30** categories
- **48** new joint purchasers (product partners, totally **140** individuals)
- The contracted amount exceeds **27** billion
Wood product purchasing amount through the ALPLP

ALPLP not only provides procurement services, but also provides solutions for wood product suppliers. In the future, suppliers will develop from a single product to a multi-category.
Timber legality, we are already in action

On December 28, 2011, four floor suppliers joined GFTN. ALPLP takes GFTN members (or promise to join GFTN within two years) as a prerequisite for floor tendering.

Commitment:

1. Develop a responsible forest product procurement policy and not purchase forest products from the following conditions:
   - Illegal harvested timber;
   - Timber harvesting that violates the rights of indigenous and community residents;
   - Timber harvested in threatened high conservation value forests;
   - Timber from forests that is being converted to plantations or non-forest land;
   - Forests using genetically modified trees.

2. Giving priorities to members of the World Wide Fund for Nature (WWF) Global Forest Trade Network (GFTN) and members establishing standards for wood procurement policies and systems meeting the GFTN requirement. ALPLP takes this as the bottom line standard for bidding and cooperation.
Green supply chain, we have been working hard

Under our influence, more flooring suppliers have joined GFTN and Vanke purchase 100% from those GFTN member companies.

<table>
<thead>
<tr>
<th>Year</th>
<th>Developers</th>
<th>Promote suppliers joining GFTN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>Vanke</td>
<td>Homenice, Der, Sunyar, scholar home flooring</td>
</tr>
<tr>
<td>2013</td>
<td>Vanke</td>
<td>A&amp;W</td>
</tr>
<tr>
<td>2015</td>
<td>Vanke</td>
<td>Sino-Maple</td>
</tr>
<tr>
<td>2017</td>
<td>Vanke</td>
<td>homonisia</td>
</tr>
<tr>
<td>2019</td>
<td>Vanke, BRC, Tahoe, Logan, Seedland, Huayuan have promises to use known/legal source products from GFTN members</td>
<td>-</td>
</tr>
</tbody>
</table>
GFTN's audit record

Since joining GFTN, the results of previous audit records show that Vanke’s legal wood product procurement has progressed significantly.

**GTFN’s audit record of vanke:**

<table>
<thead>
<tr>
<th>Environmental condition</th>
<th>1st audit (2011年11月2日)</th>
<th>2nd audit (2013年2月21日)</th>
<th>3rd audit (2015年3月5-6日)</th>
<th>4th audit (2016年3月5-6日)</th>
<th>5th audit (2017年6月5-6日)</th>
<th>6th audit (2018年8月7-8日)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unknown source:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incomplete supply chain map, no high-risk tree species</td>
<td>90%</td>
<td>29.97%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Known source:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete supply chain map, no high-risk tree species</td>
<td>10%</td>
<td>54.89%</td>
<td>. . .</td>
<td>. . .</td>
<td>. . .</td>
<td>15.36%</td>
</tr>
<tr>
<td><strong>Legal source:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete supply chain and legal source identified by an independent second party or third party</td>
<td>0</td>
<td>15.13%</td>
<td>. . .</td>
<td>. . .</td>
<td>. . .</td>
<td>84.64%</td>
</tr>
<tr>
<td><strong>Certified source:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSC certified or recycling source</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
### Green supply chain extension

On June 5, 2016, the first batch of 48 companies joined the real estate green supply chain jointly created by SEE, CURA, CRECC, Vanke and Landsea. Vanke's three procurement standards (aluminum chrome-free passivation, legal wood origin, indoor formaldehyde control) were applied in the first batch of projects.

<table>
<thead>
<tr>
<th>Project</th>
<th>Number of developers jointed</th>
<th>Procurement standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy pollution emissions (steel, cement)</td>
<td>14</td>
<td>Track IPE heavy pollution emission list and take corrective measures towards heavy pollution suppliers</td>
</tr>
<tr>
<td>Aluminum alloy without chromium passivation</td>
<td>15</td>
<td>Door and window aluminum alloy profile surface treatment 100% chromium-free passivation</td>
</tr>
<tr>
<td>Legal wood origin</td>
<td>21</td>
<td>Join GFTN, no procurement on endangered timber species such as Burmese teak</td>
</tr>
<tr>
<td>Formaldehyde control of indoor wood-based panel and its products</td>
<td>12</td>
<td>Floor formaldehyde release &lt; 0.5mg/L</td>
</tr>
</tbody>
</table>
Wood product quality management extends upstream

The procurement requirement of ALPLP will extend from wood processing companies to raw material suppliers. It will provide better quality, better environmental performance products, and serve end-use procurement customers.

<table>
<thead>
<tr>
<th>Control focus before 2018</th>
<th>Quality control focus after 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>176</td>
<td>Cabinet</td>
</tr>
<tr>
<td>42</td>
<td>Interior door</td>
</tr>
<tr>
<td>76%</td>
<td>Cabinet hardware</td>
</tr>
<tr>
<td>36</td>
<td>PVC film</td>
</tr>
<tr>
<td>36</td>
<td>Interior door hardware</td>
</tr>
<tr>
<td>85%</td>
<td>Wood-based panel</td>
</tr>
<tr>
<td>85%</td>
<td>Countertop stone</td>
</tr>
</tbody>
</table>
Wood product supply chain management tracing upstream

Effectively supervise the raw materials of wood processing manufacturers through the online trading function of the trading platform and guarantee the use of green products into households.

ALPLP E-commerce platform joint procurement

- Joint purchaser
  - Cabinet / storage factory (Joint purchasing)
    - Zhongyi, Chuboshi, Youfeel ...
    - Categories: PVC film, cabinet base hardware, wood panel, functional hardware
  - ALPLP customer
    - Vanke, Tahoe, Logan
    - Categories: PVC film, cabinet hardware, sheet, functional hardware, interior door hardware
  - Interior door factory (Joint procurement)
    - Kunshan Nikon Flush, Jiangshan, Oppein, Haier ...
    - Categories: PVC film, interior door hardware

- ALPLP customer
  - PVC film
    - LG, Nan Ya Plastics, Haoqi, Tianantech, Dilong
  - basic hardware
    - Import: Hettich, Hafele
    - Domestic: Tutti, DTC
  - Interior door hardware
    - Mingmen, Acerock, Shengang, Beixi, Nakao, Hantao
  - Cabinet plate brand base
    - 22 wood panel companies
  - Functional hardware brand base
    - Import: Kesseböhmer
    - Domestic: Higold, Xiyang, Gute, Tutti, Wellmax

- ALPLP customer
  - Interior door factory (Joint procurement)
    - Kunshan Nikon Flush, Jiangshan, Oppsein, Haier ...
    - Categories: PVC film, interior door hardware
In the future, we hope...

Quality

vanke

ALPLP buyer customer

WWF

Other associations

...

Environment al protection

vanke

Cabinet storage supplier

ALPLP buyer customer

Wooden flooring supplier

...

Environment al protection

vanke

Cabinet storage supplier

ALPLP buyer customer

Wooden flooring supplier

...

Environment al protection

vanke

Cabinet storage supplier

ALPLP buyer customer

Wooden flooring supplier

...

Environment al protection

vanke

Cabinet storage supplier

ALPLP buyer customer

Wooden flooring supplier

...

Environment al protection
The new model of the ALPLP platform has the opportunity to contribute to China's green supply chain. Please believe in

The Power of Alliance