

“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.

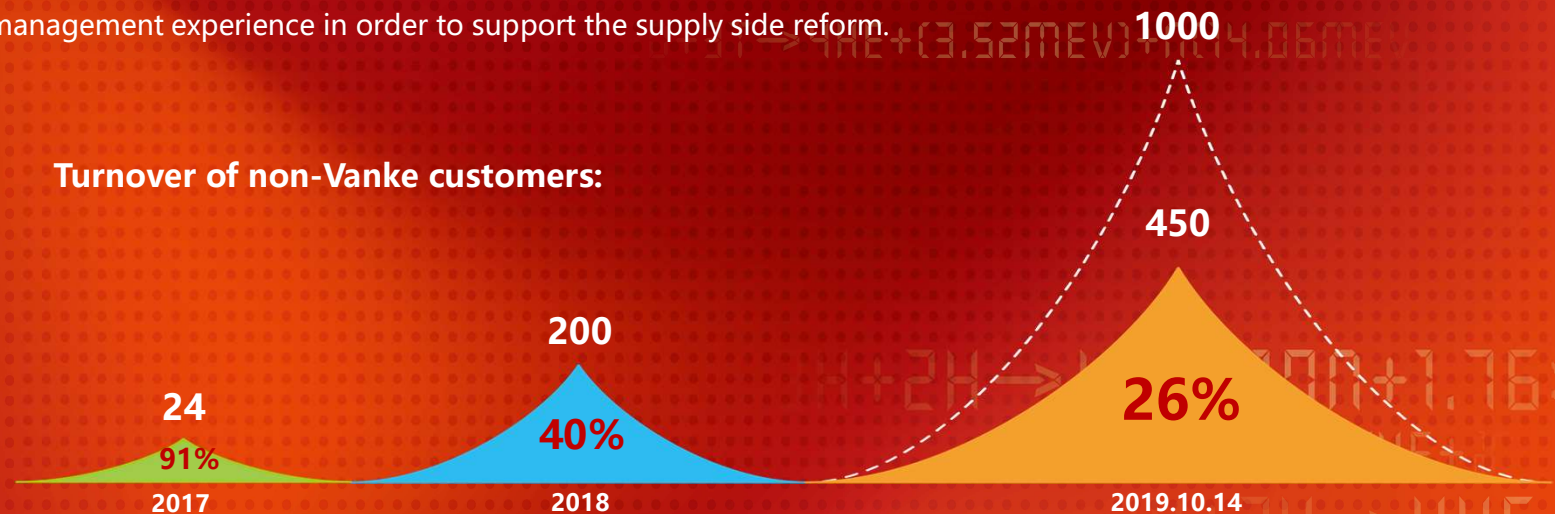


The original intention of the establishment of the ALPLP was to unite

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.



Turnover of non-Vanke customers:



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



Joint procurement categories



Joint procurement companies



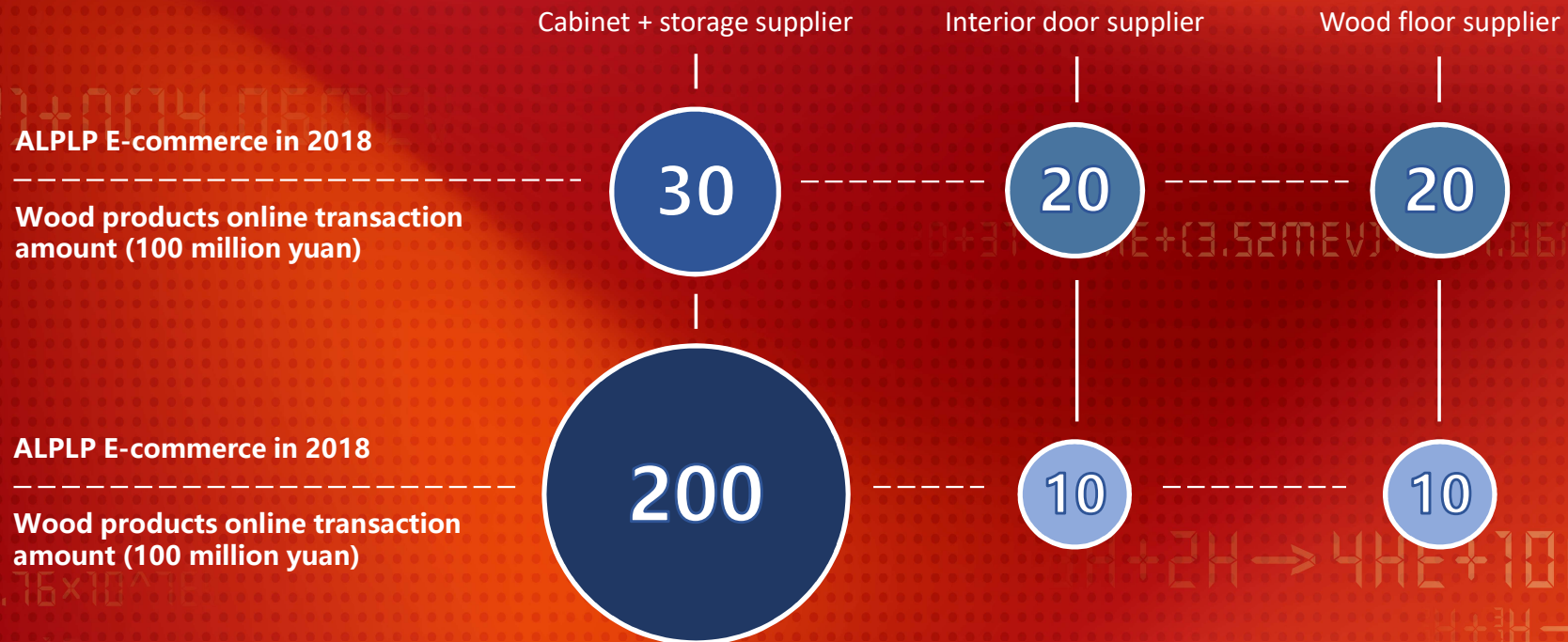
Joint procurement individuals



Contracted amount

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.

	Developers	Promote suppliers joining GFTN
2011	Vanke	Homenice, Der, Sunyar, scholar home flooring
2013	Vanke	A&W
2015	Vanke	Sino-Maple
2017	Vanke	homonisia
2019	Vanke, BRC, Tahoe, Logan, Seedland, Huayuan have promises to use known/legal source products from GFTN members	

GFTN's audit record

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

GFTN's audit record of vanke:

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

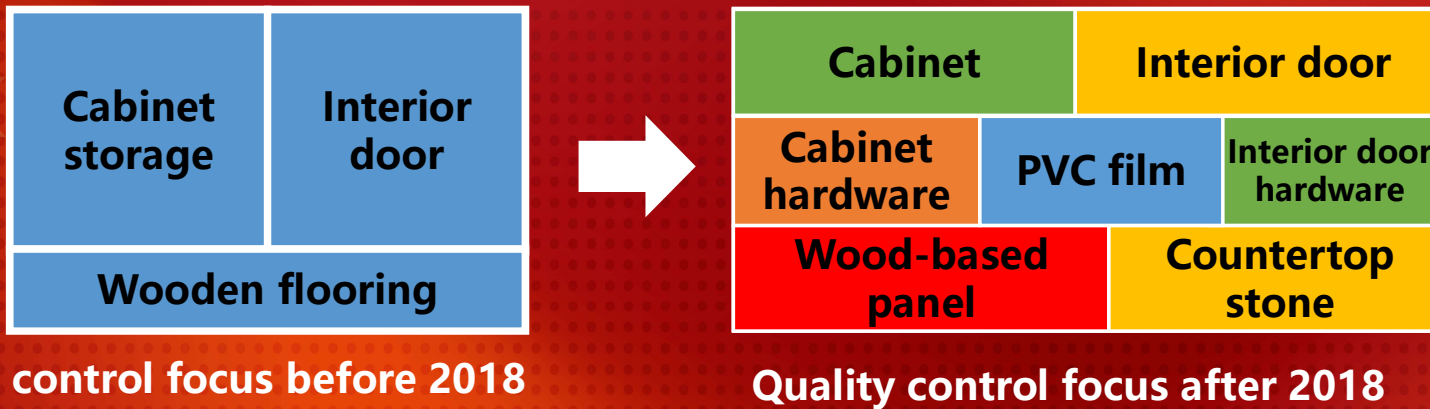
Green supply chain extension

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.

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

Wood product quality management extends upstream

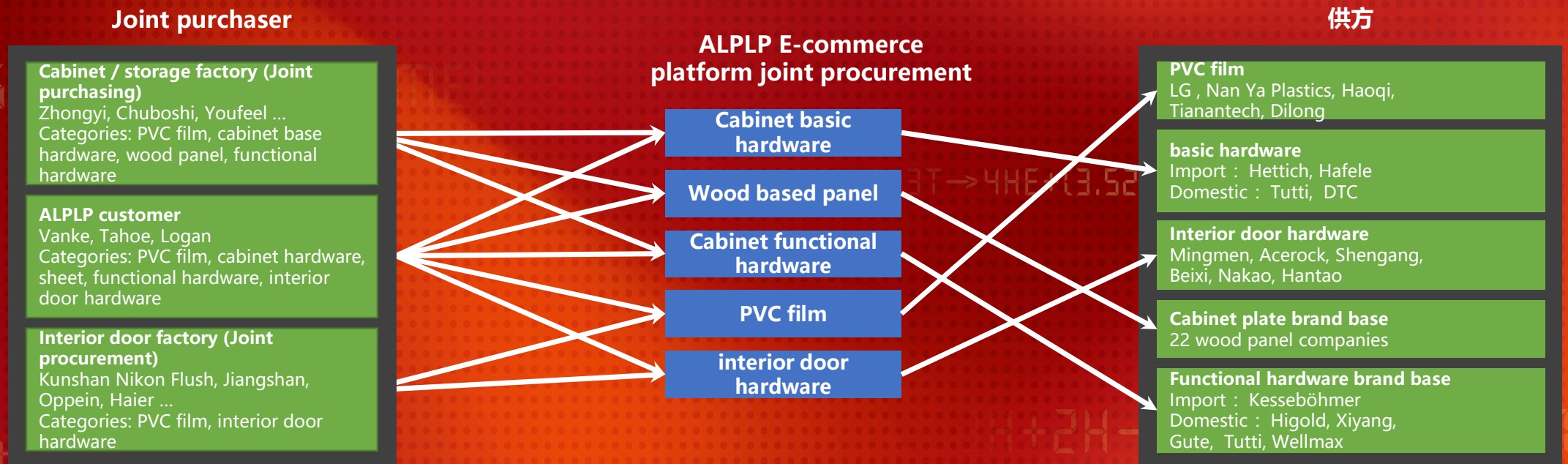
The procurement requirement of ALPLP will extend from wood processing companies to raw material suppliers. It will provide better quality, better environmental performance products, and serve end-use procurement customers.



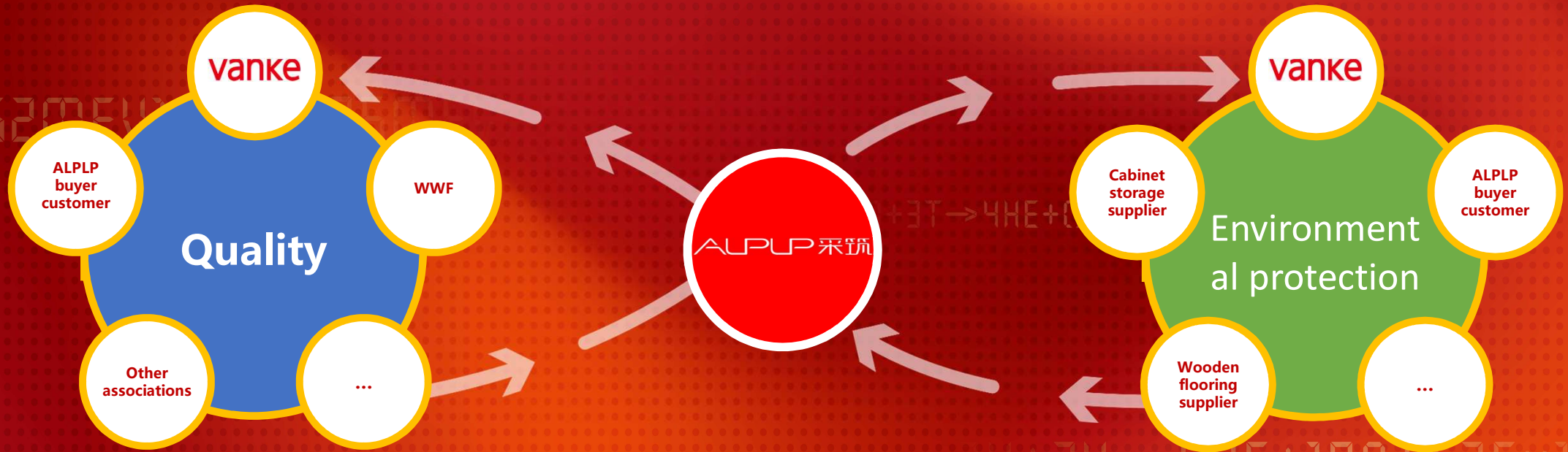
Number of pre-test groups	Number of unqualified groups	Pass rate	number of unqualified wood based panel	Unqualified ratio
176	42	76%	36	85%

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.



In the future, we hope

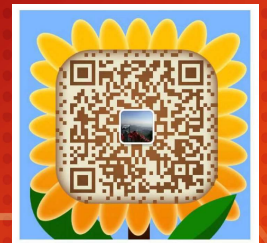


The new model of the ALPLP platform has the opportunity to contribute to China's green supply chain. Please believe in

The Power of Alliance



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