

# 2019



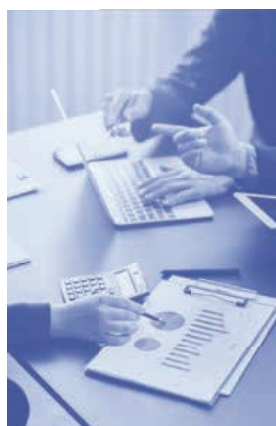
## S.F. HOLDING CO., LTD. SUSTAINABILITY REPORT





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ABOUT THE REPORT

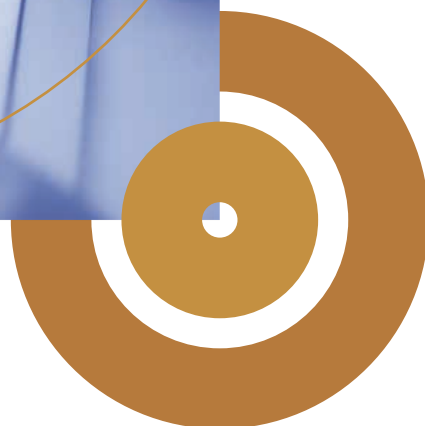
CHAIRMAN'S SPEECH

HIGHLIGHTS OF SUSTAINABLE  
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# About the Report

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This is the first annual sustainability report released by S.F. Holding Co., Ltd. It focuses on our sustainable development management and performance, following the principles of balance, comparability, accuracy, timeliness, clarity, and reliability.

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## Time Range

This report dates from January 1, 2019 to December 31, 2019.

## Coverage

This report covers the business of SF Holding and its major subsidiaries in regions including the People's Republic of China, the United States, the United Kingdom, Singapore, and Malaysia.

## Data Explanation

Land transportation data in this report covers vehicles in mainland China, Hong Kong, and Macao. Air transportation data covers SF Holding's own all-cargo aircraft. Air transportation ground operations data covers the Shenzhen headquarters and the bases in Beijing and Hangzhou. Office and operation network data covers headquarters office buildings. Industrial park data covers self-operated industrial parks in mainland China and Hong Kong.

SF Holding has been improving its environmental data management. In the future we will gradually include the leasing fleets of cars and aircrafts, properties, industrial parks, warehousing, and transit stations into our environmental data statistics.

There is no restatement of information in this report. Unless otherwise stated, it uses RMB as the currency unit.

## Basis of Preparation

United Nations Sustainable Development Goals (SDGs)

*Guidelines for Sustainability Reporting Standards (GRI Standards)* of the Global Sustainability Standards Board (GSSB)

Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies (《深圳证券交易所上市公司社会责任指引》)

Key indicators of corporate environmental, social, and governance performance by capital market rating agencies.

We created this report using systematic procedures including research and interviews, the identification of important stakeholders and material issues related to ESG, and our understanding of stakeholder opinions. The procedures also include the determination of material issues, the scope of ESG disclosure, and the collection and review of relevant information. We prepared the report based on collected relevant information and review and approval by the Board of Directors.

## Report Title

For the convenience of expression and reading, "SF Holding", "the Company", "our company" and "we" in this report refer to "S.F. Holding Co., Ltd.".

## Approval of This Report

This report was approved by the Board of Directors on 7th, July 2020 after confirmation by the management.

## Accessibility of This Report

You can obtain the electronic version of this report from the following website: SF Holding official website <https://www.sf-express.com>.

For further consultation, or to offer any opinion or suggestion about this report, please contact the Company via [sfir@sf-express.com](mailto:sfir@sf-express.com).

# Chairman's Speech

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The uncertain international situation and the slowdown in domestic market growth led to severe industrial competition in 2019. SF Holding continues to use science and technology for mutual benefit as we lead in logistics services, prioritize customers, and enhance our supply chain service capabilities. We also focus on green logistics construction and attach great importance to employee care. We embrace our social responsibilities and promote the sustainable development of the Company.

2019 is our 26th anniversary. While the business performance continues to become better, we realized that it is our responsibility to balance the relationship between economy, environment, society and governance. We should enhance ESG performance through technology and explore an innovative sustainability approach for the industry and society. Corporate responsibility and responsibility. We hope that with this sustainability report, we will fully demonstrate our sustainable development philosophy and achievements to stakeholders. We also assess the material issues related to sustainable development in this report.

**Continue to optimize corporate governance.** SF Holding has created clear risk management strategic objectives with a focus on optimizing internal control systems. We use information technology for intelligent management and risk control. We expanded our original four professional committees to include a Risk Management Committee that will create a risk information database including ESG risks. We also encouraged more interdepartmental connections and promoted diverse closed-loop risk management work. In 2019, our independent directors conducted on-site investigations on our cold chain, local and special economy, and other business services through our Independent Director Day activity. All these measures deepened our understanding of our operations and inspired us to put forward constructive ideas.

**Pave the way for green and low-carbon development.** SF Holding advocates green operations and packaging internally in our commitment to a packaging recycling ecosystem. We also promote green logistics externally. In 2019, we developed green logistics measures including box-pile ratio optimization, reduction of body paper weight and packaging weight, and extensive deployment of clean energy vehicles. In the supply chain sector, we offered photovoltaic customers a business service featuring circular packaging + warehousing + logistics. This service solves transportation cost and safety problems and helps develop the green energy industry. We also identified and controlled the risks and opportunities brought about by climate change. The Board of Directors managed the transitional and physical risks caused by climate change while helping us towards a new stage of sustainable development.

**Join hands with employees to grow together.** For SF Holding, employees are our greatest asset and core asset. We and employees share benefits, adversities, and create a harmonious, loving, and mutually helping family through various internal management platforms. SF Holding attaches great importance to diversified employment and protection of employees' rights. We emphasize the employment of diverse groups including veterans, those with disabilities, and local employees. We also support the SF Labor Union Representative Mechanism, which has 15,000 representatives. We nurture talent and provide support for employees to improve their academic qualifications and help them obtain skills and certificates. We have also established a communication platform to address our employees' needs. We have created a management mechanism for the safety of personnel, fire, express mail, and equipment. In addition to statutory welfare and social security, we also provide workforces with additional accident protection and major illness insurance. The "Feng Xiang" welfare platform combines the "medicine, food, housing and education" welfare projects to realize online and offline dual-channel, comprehensive and diversified welfare systems.

**Contribute to fight against the pandemic.** At the beginning of 2020, COVID-19 epidemic was suddenly fierce. During the Spring Festival, when the period should be laughter and warming, the epidemic brought a layer of shadows. The whole country was faced with severe dilemmas and pressures: the shortage of manpower caused by returning to hometown, the road blockages caused by the epidemic prevention, the health and safety risks of employees caused by COVID-19. At this key period, SF Holding and its employees bravely rose to the challenge. With its global logistics network and end-to-end customized services, SF Holding provided a strong professional guarantee for the delivery of anti-epidemic materials such as medical drugs, precision instruments, production equipment, and civilian materials. We united the strength of various business sectors in a very short time. Even though they suffered high risks of COVID-19, many of our couriers still insisted on voluntarily staying in their position. During the Spring Festival, we transported more than 4,600 tons of epidemic prevention materials and accumulated 190 flights. At this grim situation, the supply chain was considered as the "life chain" of society. By achieving an agile, efficient and intelligent express logistics service system, SF Express lived up to the trust of the country, government, corporations and consumers. Even under such great crisis and stress, SF Holding successfully brought new vigor and vitality into the "Life Chain".

We pay tribute to all front-line and back-office employees, whose unremitting and painstaking efforts helped us to fulfil our mission. In the future, we look forward to working with all stakeholders to increase our value, create a greener and more efficient logistics industry, and build a better tomorrow.



# Highlights of Sustainable Development in 2019

## Highlights of the Contents

### Governance

We surveyed employees on the annual integrity index. The results showed that 6.2% more employees would report corruption to the company compared to the previous year.

### Society

We enhanced diversified employment, including tens of thousands of veterans, people with disabilities, and overseas local employees.

We supported employees in obtaining academic or vocational certifications. In 2019, we supported 555 employees and invested 4,622,686.

We built the NuanFeng Plan employee care and welfare platform. We established 12 employee clubs and organized over 480 club activities to improve employees' work-life balance.

Our occupational health and safety management system helped us to pass the ISO 45001 certification.

We donated 20 million during the COVID-19 pandemic, transporting pandemic prevention materials and ensuring safe delivery.

### Environment

Our green packaging plan reduced greenhouse gas emissions by about 36,000 tons in 2019. We reduced the use of packaging materials including cartons, plastic bags, and file seals. We also developed the Feng BOX reusable packaging box.

We invested in over 11,000 clean energy vehicles in 2019 to reduce greenhouse gas emissions by about 67,000 tons.

Photovoltaic power generation projects at our Yiwu and Hefei industrial parks generated 1,296,826.4 kW-h of energy.

Our 2019 SF Holding annual meeting achieved carbon neutrality through afforestation.

Our intelligent power management system in SF Wenzhou District reduced the unnecessary waste of power resources.

### Economy

We optimized our WeChat public account, official website, and WeChat applet for accessibility, making it easier for visually impaired users to place orders.

We used science and technology to build the Celestial Hound Early Warning System that controls every step in the flow of items and ensures safe delivery.

We passed the ISO 29151 personal identity information protection practice guideline certification and the ISO 27701:2019 privacy information management certification.

We created the *Regulations on Green Procurement Management of Procurement Supply Chain Center* and added corresponding environmental protection requirements to supplier certification standards, bidding regulations, contract signing, and daily management to support green procurement.

We supplemented the social responsibility clauses in our supplier contracts to clarify our partners' responsibilities to employees and the environment. We achieved a 100% signing rate.

# Sustainability Performance Overview in 2019

## Quantitative performance

Indicators	Data
Workforce signing the <i>Letter of Commitment to Anti-corruption</i>	87.9%
Hours of workforce training	2,575,721 hours
Employees receiving financial support for degree study	555
Safe production investment	56.5 million
Safety drills	1,339
Safety training coverage rate	100%
Input of workforce consideration services	67.7 million
Reduced carbon emissions due to clean energy vehicles	67,000 tons
Reduced carbon emissions due to green packaging	36,000 tons
Renewable energy generation capacity	1,296,826.4 kW·h
Electronic waybill utilization rate	99.7%
Technology investment	3,667.8 million
Number of patents granted	1,005 items
Major cybersecurity and information leakage incidents	0
Signing rate of social responsibility clauses	100%



## List of honors

Prizes
2019 Government-Level National High-Tech Enterprise Qualification
Ninth Most Admired Chinese Company in 2019
One of 70 Outstanding Brands for the 70th Anniversary of the Founding of New China
Named Annual New Brand at the 2019 Top Chinese Brand Ceremony
Top Ten Units of 2015-2018 Anti-Fraud Work in Enterprises
2019 Top 30 Chinese Best Employers
S.F. Express ranked 76th in the 16th China Charity List
2019 China Most Socially Valuable Enterprise
In the DIA, Feng Box won the Best Work Award
The Rehabilitation of the Environment and the Reinvigoration of Economic Benefits project won the Golden Award in the Sustainable Development Category of the China Innovation Communication Award (Dandelion Award)
Among MIT Technology Review's 50 Smartest Companies (TR50) in 2019
2019 Technological Enterprise Award
2019 First Prize in the China Federation of Logistics and Purchasing (CFLP)'s Scientific and Technological Award
2019 China Smart Logistics Top Ten Innovative Logistics Leading Enterprise
2019 China Smart Logistics High-Quality Brand Enterprise
SF Data Lighthouse won top prize in the postal industry's first Scientific and Technological Award
SF Big Data Platform won the Top Ten Big Data Cases award
SF Big Data Platform won the 2019 Big Data Industry Innovation Award at the 6th China International Big Data Summit
AI Argus (慧眼神瞳) won the CFLP's 2019 Logistics Technology Innovation Award
2019 Five-Star Cold Chain Logistics Enterprise (Comprehensive)
Top 10 Logistics Companies in the 2018-2019 pharmaceutical supply chain's Golden Award

01

# 管治篇

GOVERNANCE





Policies	Management System of Company Risk Control	
	Management System of SF Holding Crises	
	SF Holding Anti-Corruption Management System	
	SF Holding Integrity Handbook	
	Nepotism Avoidance Management Measures	
	Rewards and Punishment Management Regulations	
	Reporting Management Measures	
Key Performance	Employee Handbook (Chinese and English version)	
	Indicators	Data
	Follow-up feedback rate of effective reporting	100%
	Completion rate of 'three ones' in handling complaints	99%
	Workforce signing the <i>Letter of Commitment to Anti-corruption</i>	87.9%
	Hours of workforce anti-corruption education	9,738

United Nations Sustainable Development Goals (SDGs)		Responses in This Chapter
Goal 13: Climate Action		SF Holding identifies climate change risks and opportunities, incorporates those risks into the enterprise risk information database, and conducts complete and effective identification and control.

## 1.1 About the Company

SF Holding is a leading integrated express and logistics service provider in China that offers integrated logistics solutions. We are an intelligent logistics operator with network scale advantages. And an aviation, ground, and information network serving domestic and international customers. We adopt a direct management mode, unifying operations and management across all branches to ensure the quality of the network.

We are aware of the importance of sustainable development to enterprises. We believe that sustainable environmental and social development and the happiness of our stakeholders is our responsibility alongside our duty to fulfil our business objectives and create long-term shareholder value.

Our vision is to become the most trustworthy and respectable logistics business partner. We pursue this with the core values of customer success, innovation and inclusiveness, equality and respect, openness, and mutual benefit reflected in a corporate culture 27 years in the making.

For us, corporate culture is a belief, a commitment, and a practice. It is reflected in the words and deeds of all our employees and in our operating behavior.

Core Values	
Customer Success	Creating the ultimate service experience with customers as the priority Creating outstanding customer value with the need to change
Innovation and Inclusiveness	Exploring the unknown path with an innovative spirit Guaranteeing innovative progress with inclusiveness
Equality and Respect	Treating each other as equals Respecting each other and accepting others' opinions by listening and understanding
Openness and Mutual Benefits	Embracing change and seeking development with an open mind Seeking common ground while reserving differences and winning the future in cooperation

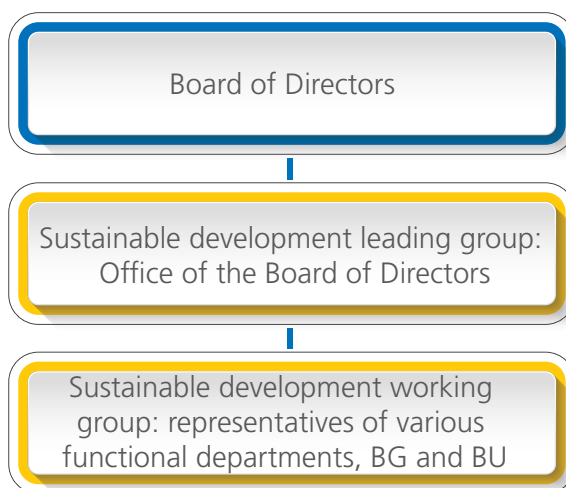


## 1.2 Sustainable Development Management

SF Holding is committed to integrating corporate and social values. We have established a sustainable development management structure, maintained close communication with our stakeholders, and listened to their opinions. This enables us to identify and respond to major sustainable development issues.

### 1.2.1 Sustainable development governance structure

We have established a three-level sustainable development framework. The Office of the Board of Directors is responsible for coordinating our sustainable development, collecting and reviewing stakeholder recommendations for sustainable development work, and summarizing the submission to the Board of Directors. It reviews the preparation of the sustainability report for approval by the Board of Directors. Representatives from functional departments, business groups (BGs) and business units (BUs) related to sustainable development form a sustainable development working group. As the main sustainable development body, the group is responsible for implementing daily sustainable development tasks and providing relevant information for the preparation of the sustainability report.



SF Holding's sustainable development management organizations

## 1.2.2 Stakeholder identification and communication

SF Holding attaches great importance to communicating with stakeholders. We have established diverse communication channels catering for different parties. Through these, we to listen to the suggestions and opinions of all relevant parties to understand their expectations and requirements and improve our sustainable development governance and operation. We promptly disclose relevant information about areas including policy updates, daily operations, development changes, and special changes, and inform relevant parties about our sustainable development work. In 2019, we held four shareholders' meetings and communicated with investors.

Stakeholder communication list

Stakeholders	Main Concerns	Form of Communication	Response Measures
<b>Government/Regulatory bodies</b>	Observing disciplines and laws Paying taxes in accordance with laws Supporting local economic development	Information disclosure Special report Statistical statement	Operating in compliance with laws Preventing major safety accidents Increasing the local employment rate Promoting industrial poverty alleviation
<b>Investors</b>	Creating high economic value Corporate governance Compliance and risk management Responsibility management	Information disclosure Shareholder's meeting Roadshow On-site inspection	Establishing and improving the scientific decision-making and supervision mechanism Strengthening risk management Proper information disclosure Organizing and participating in activities targeting different types of shareholders
<b>Employees</b>	Diversity and human rights protection Employee dedication Employee care Training and development Occupational health and safety management	Staff congress SFIM platform Employee engagement surveys Discussion, communication, and other activities	Protecting employees' rights according to the law Offering training programs Improving the talent promotion and salary mechanism Strengthening occupational health and safety management Promoting diversified employee benefits
<b>Community residents/Charitable organizations</b>	Charity and volunteering services Helping community development	Building the communication mechanism On-site investigation Volunteer communication	Carrying out various charity activities Intensifying industrial poverty alleviation Encouraging employees to take part in voluntary services
<b>Customers</b>	Optimizing products and services Safe delivery and transportation Data security Protecting privacy	Customer satisfaction surveys on delivery services Establishing customer communication and complaint channels	Providing efficient, reliable, and fast logistics services Enhancing the customer claims process Building a safety ecosystem
<b>Partners/Industry associations</b>	Sustainable supply chain Open and fair procurement Enhancing international communication and cooperation	Reaching agreements or contracts Conducting supplier training Holding summit	Sunshine procurement Eliminate commercial bribery Participating in industry exchange activities
<b>Media/Public</b>	Information transparency Interaction with the media	Information disclosure Building a communication mechanism	Active communication through websites and other official internet platforms Providing external publicity materials

## 1.2.3 Materiality issues

We conducted three steps to determine our major sustainable development issues in 2019, measure the degree of stakeholder interest in each one, and make a targeted response.



### Step 1: Building a base for sustainable development issues

We screened and identified the applicability of each sustainable development issue to SF Holding by analyzing policy trends in the express and logistics industry, investigating capital market ESG ratings, benchmarking domestic and foreign competitors, and examining standards for preparing domestic and foreign sustainability reports. Then we streamlined these issues to form an issues base. It contains 23 issues spanning four responsibility categories: employees, customers and products, business and operation development, and the environment.



### Step 2: Stakeholder surveys

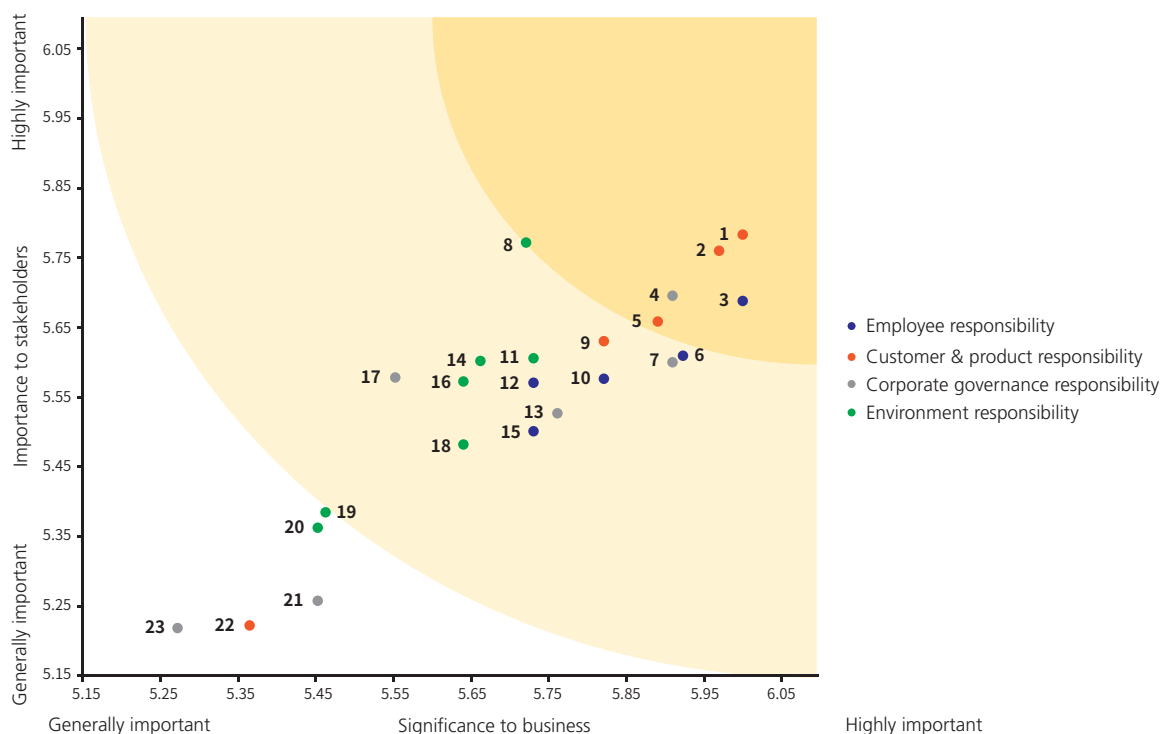
We send questionnaires to various stakeholders through our web-based questionnaire and SFIM Platform. We also interpret issues to ensure that all stakeholders can consider them. Stakeholder survey activities in 2019 cover government/regulatory bodies, investors, our directors and management, employees, community residents/charitable organizations, customers, partners/industry associations, media/public, and other relevant parties, with 32,773 collected questionnaires.



### Step 3: Analysis of material issues

After analyzing the survey and questionnaire responses, we arranged the scores according to stakeholder and enterprise development importance to form a two-dimensional matrix.

SF Holding material issues matrix for sustainable development in 2019



1	Customer data security and privacy protection
2	Safe delivery and transportation
3	Occupational health and safety management
4	Compliance and risk management
5	Product services and innovation
6	Employee training and development
7	Complete corporate governance
8	Reducing greenhouse gas emissions
9	Forging sustainable green supply chains
10	Focusing on employee dedication
11	Promoting green packaging
12	Employee care
13	Fulfilling social responsibilities
14	Enhancing energy efficiency
15	Employee diversity and human rights protection
16	Pollutant discharge and environmental protection management
17	Continuing to obtain economic benefits
18	Recycling and management of waste
19	Environmental protection activities
20	Managing the use of water resources
21	Carrying out charitable and voluntary services
22	Management and development of the labor union
23	Helping local communities grow



## 1.3 Risk Management and Internal Control

SF Holding uses an internal control and risk management system to meet regulatory and compliance requirements. We identify and evaluate the environmental, social and governance (ESG) risks in company operation and development. We also clarify our ESG risk management strategies to mitigate controllable risks.

**Risk management and control target:** Identify potential issues, manage risks according to our corporate risk appetite, and guarantee that we will achieve our targets.

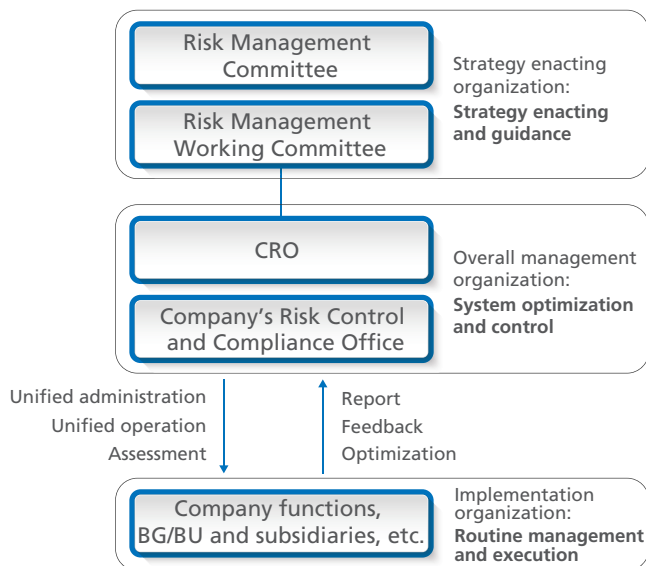
### 1.3.1 Risk management system

We created an internal control and risk management system according to laws and regulations including *Basic Standards for Internal Control of Enterprises*, *Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies on the Small and Medium-sized Enterprise Board*, and the *Enterprise Risk Management Framework*. In 2019 we continued to optimize the internal control system. We created risk management strategies covering issues including regulatory and compliance requirements, diversified development, operational safety and efficiency, reputation, and financial stability.

In 2019, risk control training covers 100% of the new employees, training on various risks covers 100% of the on-the-job personnel.

We created the *Management System of Company Risk Control* and the *Management System of SF Holding Crises* in accordance with the relevant laws and internal regulations, including the *Company Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, and the *Articles of Association of S.F. Holding Co., Ltd.* All these measures ensure the effective identification and monitoring of risks.

We have developed an organizational structure to support risk management. Our Risk Management Committee implements our risk management strategies on behalf of the Board of Directors and authorizes the Chief Risk Officer (CRO). Sitting under that Committee, the Risk Management Working Committee creates overall risk management strategies and makes decisions on material risk prevention, control, and response. The CRO guides and evaluates the risk control mechanism for each department, BG, BU, and region. Our Risk Control and Compliance Office coordinates risk control and compliance work, reporting to the CRO. The leader of each functional department, BG, BU, and region is responsible for related risk control in their related work area, introducing risk management and implementation rules. They are also responsible for identifying, evaluating, and controlling daily risks. We also monitor and manage environmental, social, and government risks under this risk management organization structure.



SF Holding risk management organization structure

We risk management across our entire business using special training and content on the IT platform. We use our own technology expertise to build and upgrade the risk management IT system with six major modules and 27 functions. These include conventional risk control, crisis management, risk assessment, and a risk control model. Our risk management IT system covers all business groups and companies close to us. We add and optimize risk management functions to our business IT system to ensure intelligent risk control at the business level.

We focus on raising risk prevention awareness among employees, including course training, orientation sessions, and knowledge maps during onboarding for new employees. We have also produced risk management induction courses and special training programs for those in high-risk departments, including online learning and examinations to improve employees' risk control management capabilities.

### 1.3.2 ESG risk management

SF Holding has integrated ESG risks into our risk management process. Such ESG risks show up in strategic, legal, compliance, and operational. We categorized ESG risks into three levels and then formed an ESG risk information base. We have identified 15 secondary ESG risks in areas including intellectual property, natural disasters, production and labor safety, and human resource management. Our ESG risk management structure is consistent with our risk management organization structure. As the highest-level risk management organization, the Risk Management Committee is responsible for determining our ESG risk identification, prevention, and control. It also manages regulatory, reputational, and market risks related to climate change.

SF Holding ESG risk information base

Primary Risk	Strategic	Legal & compliance	Operational	
Secondary Risk	Overseas environmental	Intellectual property	Business continuity	Human resources management
	Corporate management	Compliance	Natural disaster	Ideological and moral
		Property rights	Resource preservation	Fraud & corruption
			Information security	Production safety
			Systems & tools	Employment safety

#### Identification and response to climate change risks

Natural disasters are occurring more frequently due to the increase in extreme weather events, global warming, and other environmental changes caused by climate change. Such situations may have a significant impact on our express delivery and logistics transportation business. It could also create physical and transition risks. Our existing risk information deposit already contains climate change-related risks including typhoons and rains, and some secondary risks like crew diseases, injuries or deaths.

Like other types of risk, we identify and evaluate climate change risk in line with our risk assessment process. As the highest risk management agency, the Risk Management Committee has a clear understanding of climate change risk and creates strategies to address them. The Risk Control and Compliance Office is responsible for preparing the overall risk report including climate change risks. It submits the report to the CRO, who then reports to the Board of Directors. For more climate change risk response measures, please refer to the Addressing Climate Change chapter.

## 1.4 Business Ethics Management

SF Holding complies with all relevant laws and regulations. We are committed to maintaining our operational integrity by addressing major business ethics risks, for which our Board of Directors and Audit Committee are ultimately responsible. The Chief Audit Executive (CAE) manages our business ethics affairs and regularly reports to the Audit Committee. We created the 369 Code of Conduct for primary-level managers. It eliminates three violations of business ethics, requires six affairs to be made public, and establishes nine guidelines for managers to lead by example in business ethics management.



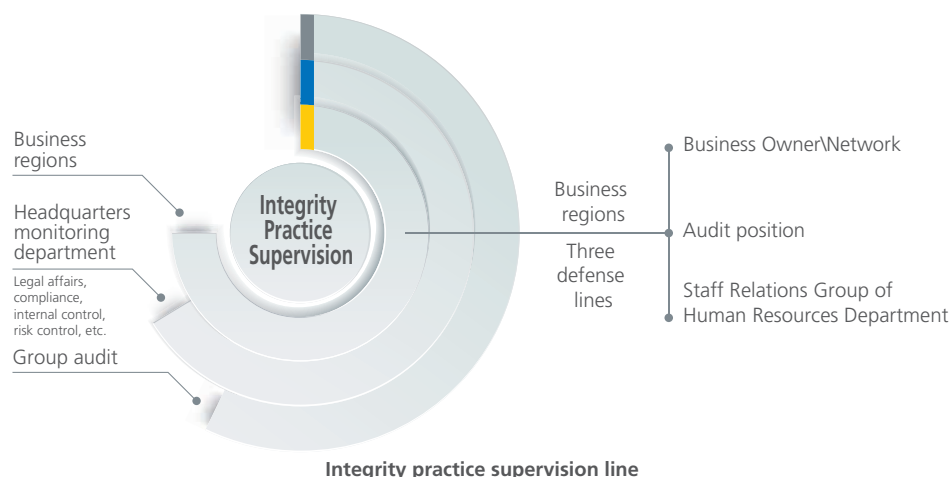
We identify potential business ethics risks using regular internal ethical risk assessments in each business department. Monthly meetings help us to agree on improvement measures. Employees can consult the labor union, human resources, or other relevant departments with ethical concerns and report issues through our hotline. These measures ensure that our employees' behavior complies with regulations while deepening their understanding of various regulations and requirements.

### 1.4.1 Internal integrity management system

SF Holding abides by the *Company Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*. We have launched China's Enterprise Anti-Fraud Alliance to promote integrity in the industry. We have enacted regimes including the *SF Holding Anti-Corruption Management System*, *Rewards and Penalty Management Regulations* to standardize managerial responsibility for preventing bribery and corruption. Our *SF Holding Integrity Handbook* and *Nepotism Avoidance Management Measures* define bribery, corruption, conflicts of interest, and facilitation payments to avoid conflicts of interest and dishonesty. We experienced no legal proceedings related to unfair competition or monopoly in 2019.

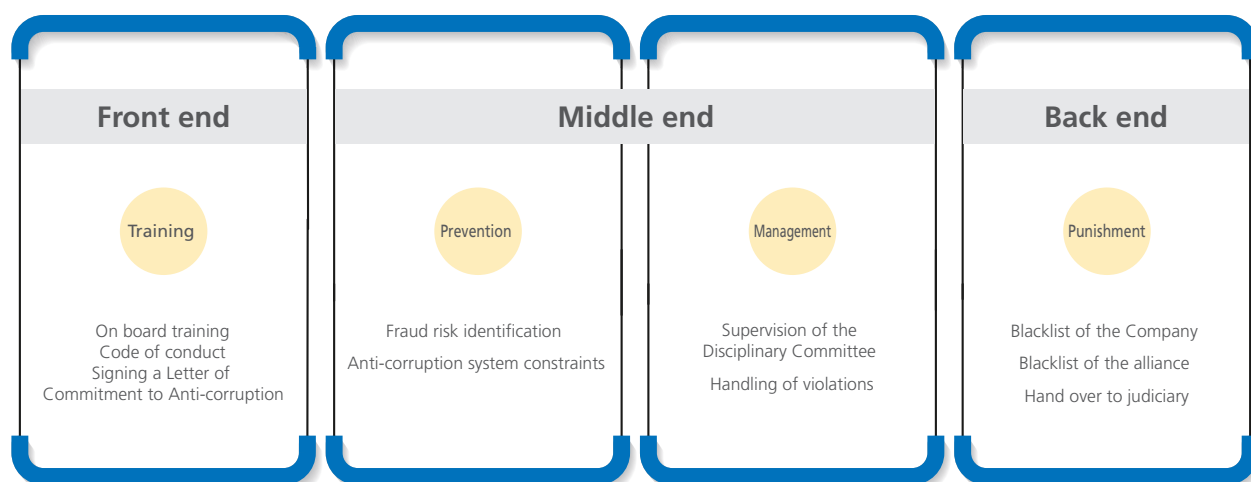
- **Definition of bribery or corruption:** Commercial bribery, bribery, acceptance of bribes, and professional embezzlement as defined in laws and regulations including the *Anti-Unfair Competition Law* and the *Criminal Law*.
- **Definition of conflicts of interest:** Personal activities and relationships that may affect employees' objective and fair performance of their work responsibilities, such as operating the Company's own business or with partners.
- **Definition of facilitation payments:** Cash or equivalents paid under guises including sponsorship fees, consulting fees, commissions, and expense reimbursements.

We established an integrity management network comprising a three-tiered top-down integrity supervision structure and three lines of defense across our business operations. We also set up the Senior Executive Disciplinary Inspection Committee led by our Chief Executive Officer (CEO), Chief Human Resources Officer (CHO) and Chief Audit Executive (CAE), along with the Employee Disciplinary Inspection Committee. These committees are responsible for managing the integrity of senior management and other employees respectively.



## 1.4.2 Anti-corruption measurement

We are committed to enhancing our anti-corruption countermeasures by building a complete value chain management mechanism comprising back-end risk research, mid-level risk platform monitoring, and front-end audit project output. Data and technology drive an anti-corruption management operation that produce practical measures. Our closed-loop anti-corruption mechanism incorporates education, prevention, management, and penalties in areas including risk identification and incident handling. We promote a culture of integrity through publicity drives.



## Creating a culture of honesty

SF Holding is committed to preventing violations through clear communication and guidance. Our *Integrity Handbook* and Chinese and English versions of our *Employee Handbook* define our expectations for acceptable internal and external behavior, providing guidelines of what is considered acceptable behavior with corresponding penalties.



**Honest internal behavior:** Direct and frank communication, clean financial relations, reasonable use and protection of our assets, and avoiding conflicts of interest.

**Honest external behavior:** Honest customer service, positive and transparent supplier relations, protection of our reputation, and social responsibility.



SF Holding Employee Handbook in English and Chinese

We have established a system for communicating anti-bribery and corruption policies to employees. Our *Honest SF Building Together* targets basic level employees and our *Honesty and Integrity Adherence to the Bottom Line* addresses business district management. We publicize a culture of honesty through online cases, training, and warnings about fraud cases. We organize anti-corruption on-the-job training for new employees and promote them to sign our *Letter of Commitment to Anti-Corruption* annually.

#### ***Letter of Commitment to Anti-Corruption***

- I will refuse to engage in any bribery, acceptance of bribery, embezzlement, or other improper business activities during my employment.
- I will refuse to engage in any behavior that conflicts with the Company's interest during in employment, unless the Company's written intention is obtained in advance.
- During employment, if any unit or individual related to the Company's business provides or requests any gifts to anyone, I will refuse it on the spot and promptly report to the Company.

In 2019, 87.9% of workforce signed the *Letter of Commitment to Anti-Corruption* and we delivered 9,738 hours of anti-corruption education for workforce.

#### **SF Holding's annual integrity index is improving**

Since 2018, we have surveyed all employees to produce an annual integrity index. In 2019, 242,275 workforces participated in the survey and offered a positive evaluation of our anti-corruption work. The survey results show that 6.2% more workforces would report corruption and other violations of our regulations than in 2018. The survey drew feedback from 12% than the previous year.

### **Corruption risk identification and assessment**

We have organized an internal anti-corruption monitoring system in the form of a digital anti-fraud initiative and a Digital Audit Office. We use the system to identify business fraud risks and detect corruption incidents. We use big data analysis to conduct regular bribery and corruption risk assessments. We export risk data to each business department for verification and feedback, which we use to build a risk monitoring model. Over time we assess whether the risks have dropped to ensure closed-loop processing.

## Reporting and handling corruption

We created our *Reporting Management Measures* to encourage suppliers, customers, and other stakeholders to support our clean operations. It offers four reporting channels: hotline, a SFIM platform available 24/7, emails, and letters. The SFIM platform could accept an independent, reporting hotline available 24/7. We also encourage each business district to improve our reporting channels, enhance our employees' sense of trust, and encourage them to report problems. We reward employees for accurate reports in accordance with the *Reporting Management Measures*. Whistleblowers can receive up to 20% of the recovered direct economic loss, depending on their contribution.

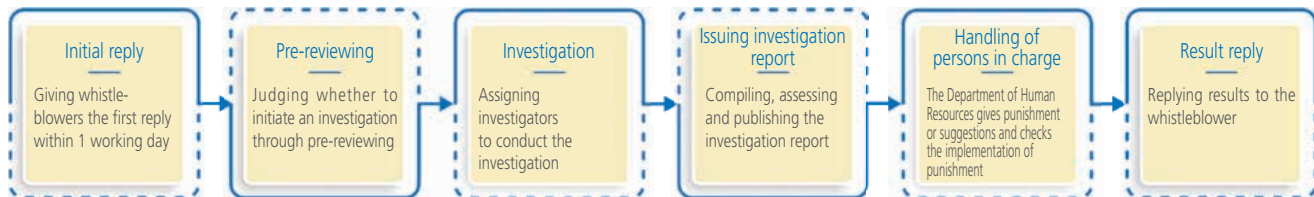
Channels for Reporting Violations		Target Group
SFIM	Microservices – I want to report	All internal workforces
Hotline	400-688-3783	All internal workforces, third parties and other external stakeholders
E-mail	sf5198@sf-express.com	All internal workforces, third parties and other external stakeholders
Mailing address	Audit Department of SF Holding	All internal workforces, third parties and other external stakeholders
SF Holding's official website in mainland China	<a href="https://www.sf-express.com">https://www.sf-express.com</a>	All internal workforces, third parties and other external stakeholders

In 2019, workforce awareness of our reporting channels reached 87%, up 36% from 2018.

We prohibit retaliation against whistleblowers in accordance with the *Notice on Issuing the 'Self-declaration of "842 Employees With No Worries" Independent Reporting Mechanism*. The *Notice* clarifies that the heads of organizations are ultimately responsible for whistleblower protection and requires them to take reasonable measures to guarantee whistleblowers' basic rights and interests. All personnel involved in the reception, acceptance, and investigation of a report and subsequent disciplinary measures must protect the whistleblower's personal information and the content of the complaint along with the whistleblower's legitimate rights and interests.

## Investigation and handling of violations

We follow the principle of unified management, centralized handling, and classified responsibilities. The Supervision Office of the Audit Department will take the lead in coordinating violation handling. Each business district handles local complaints and transfers them to the Audit Department. We established a closed-loop processing system to handle incidents from receiving reports, initiating investigations, issuing investigation reports, and handling of persons in charge, to response and case settlement.



After investigating bribery or corruption, we issue a written investigation report. We discipline the person in charge according to the degree of violations and *Rewards and Penalty Management Regulations* and check the enforcement of those disciplinary measures. We hand those suspected of illegal crimes over to the judiciary authorities according to the relevant laws and enter them in the China's Enterprise Anti-fraud Alliance blacklist. We remove suppliers that breach business ethics and other corporate integrity regulations from our qualified supplier resource pool as soon as we discover them and enter them in our Procurement Department's *Blacklist of Suppliers*. We have established the Honesty SF platform to fight corruption. We also publish our investigation results and disciplinary measures along with any judicial outcomes for criminal activity. We archive our procedures and results.

We also created the Three Ones principle to ensure the effectiveness of the incident handling process. It requires each department in charge to respond to the whistleblower within one working day, confirm whether to initiate an investigation within one week, complete the investigation within one month, and reply to the whistleblower and publicize the results.

In 2019, SF Holding achieved a 100% effective reporting feedback rate. SF Holding handled 99% of these incidents within our Three Ones parameters.



02

社会篇  
SOCIETY

Target	Human rights protection target: In 2020, workforces will receive more training on respecting human rights.	
	Targets to reduce health and safety incidents: Prevent fire accidents; Prevent major casualty accidents; Reduce personal injury accidents by over 10%, personnel safety index rises more than 10% in 2020 compared to 2019.	
Policies	Employee Handbook (Chinese and English version)	
	Regulations on Attendance Management	
	Occupational Health and Safety Management Manual	
	Safety Production Responsibility System	
	Fire Safety Management System	
	Regulations on Safety Management of Logistics Suppliers	
	Regulations on Safety Inspection, Hazard Identification, and Risk Management	
	Emergency Preparedness Management System	
Key Performance	Indicators	Data
	Total workforces	522,912
	Workforces trained	459,715
	Investment in workforces training	130 million
	Workforces receiving financial support for degree	555
	Labor union members	150,000
	Percentage of female workforces	13.9%
	Percentage of rural workforces	Over 80%
	Courier turnover rate	20.9%
	Recordable injury rate	0.004%
	Lost time injury rate (LTIR)	0.005%
	LTIR trend based on 2018	-37.5%

United Nations Sustainable Development Goals (SDGs)		Responses in This Chapter
Goal 3: Good Health and Well-Being		We have set company-wide targets to reduce health and safety incidents and established a safety management system certified to ISO 45001. We also developed measures relating to transportation and storage to ensure the health and safety of employees.
Goal 4: Quality Education		We provide financial support to employees for degree and certification studies, helping employees with continuous education for career development.
Goal 5: Gender Equality		We encourage gender equality by prohibiting all forms of discrimination, expanding the number of female employees, and providing exclusive care and welfare for female employees.
Goal 8: Decent Work and Economic Growth		We provide suitable position and internship opportunities for veterans, disabled people, and college students to ensure decent employment and career development for special groups.
Goal 10: Reduced Inequalities		We organize industrial poverty alleviation activities to increase income in poor areas and reduce development inequality between regions.

## 2.1 Employee Care and Development

We consider employees as our most precious asset and protect their rights and interests indiscriminately. We also offer diversified training and a welfare system for each employee.

Our express delivery business is growing rapidly each year, increasing our demand for human resources. Our demand for employees varies based on time and geography, increasing our employee turnover rate in the express delivery operation. A flexible employment model not only protects the rights and interests of employees and their career development, but also gives them sufficient autonomy to choose their job. This also stabilizes operations and reduces cost increases and service quality risks that would otherwise accompany increased courier turnover. Our workforce therefore comprises regular workforces and other workers in a flexible workforce model. We protect all workforces rights indiscriminately.

### 2.1.1 Rights protection

Equal respect is one of SF Holding's core values. We believe in treating each other equally and respecting and accepting others by patiently listening and understanding. We manage recruitment, training, promotion, welfare, occupational safety, and health equally across all employment types, protecting their legitimate rights and interests, and providing a broad platform for their growth.

#### Protection of human rights

We act pursuant to domestic and international regulations including the *Labor Law of the People's Republic of China*, the *Law on the Protection of Minors*, the *UN Global Compact*, and the *Universal Declaration of Human Rights*. We have developed rules and regulations including the *Employee Handbook (Chinese and English version)*, the *Labor Contract*, the *Regulations on Employee Dismissal* and the *Measures for Management of New Employees*. The *Employee Handbook (Chinese and English version)* prohibits child and forced labor, discrimination, and differential treatment. It mandates measures including equal pay for men and women, limitation of working hours, protection of female employees' rights and interests, and the promotion of employment for people with disabilities.

Our labor union represents and protects the interests of all employees in accordance with the law. It has a Labor Dispute Mediation Committee, a Women Workers Committee, and an Expenditure Review Committee. It supervises the protection of our employees' rights and interests and participates in related decisions. The labor union also offers suggestions to the management on increasing employee diversification, occupational health and safety, employee welfare, and communication. By the end of 2019, we had signed 22 collective bargaining contracts with the labor union, including the *Collective Labor Contract*, the *Special Contract for Wage*, the *Special Collective Contract for the Protection of Rights and Interests of Female Workers*, and the *Special Collective Contract for Occupational Safety and Health*.

#### Our commitment to human rights protection

SF Holding regards human rights protection as the minimum standard for an equal working environment. Our *Employee Handbook (Chinese and English version)* and *Labor Contract* make the following commitments to address labor rights in core operations, applicable to the entire company and its subsidiaries:

- **Ensure equal opportunities:** Treat and respect every employee equally. Do not treat any employees differently due to their rank or position. Selections and appointments must follow the principles of fairness, impartiality, and openness.
- **Protect against discrimination and differential treatment:** Prohibit discrimination on the ground of any legally protected characteristics such as gender, nationality, beliefs, and age.
- **Prohibit the employment of child labor:** Explicitly stipulate that persons under 16 years old are not allowed to be employed.
- **Collective agreements:** Sign collective bargaining agreements through the labor union to protect the legitimate rights and interests of employees.
- **Right to rest and vacation:** All employees are entitled to paid leaves such as annual leave, sick leave, marriage leave and maternity leave.
- **Prohibit discrimination and harassment:** We prohibit disrespect to colleagues, verbal provocations, and other acts that do not respect others, along with verbal harassment of colleagues, customers or external partners.
- **Privacy protection:** Disclosure of any employee's personal information to others is prohibited without the authorization of the Company and the employee.

In 2019, SF Holding had no major labor disputes and received no complaints on human rights issues.

In 2019, our labor union had approximately 150,000 members. Collective bargaining agreements covered 20.7%<sup>1</sup> of workforce and 100% of employees had signed labor contracts.

<sup>1</sup> As of the end of the reporting period, 12 of the 58 independent labor union organization areas of SF Holding had signed collective bargaining agreements.



We clarify working hours in our *Employee Handbook (Chinese and English version)*, our *Regulations on Attendance Management*, and our *Labor Contract*. Employees work eight hours a day and 40 hours a week. We have established an Irregular Working Hours System to serve employees with special working requirements. We supplement employees in some temporary and auxiliary jobs during periods of peak demand in the express delivery business using third-party companies or direct recruitment of flexible personnel. This reduces the workload for employees and protects their rest and recreation time. We or third-party companies sign legally compliant contracts with all temporary employees, and pay reasonable remuneration according to the regulations. We or the third-party companies will purchase employer's liability insurance (including accident insurance) or work-related injury insurance for all temporary employees.

In case of major restructuring or changes at SF Holding, we provide 30 days' notice of labor contract termination to the labor union and all employees. We will consider suggestions from the labor union or employees before making a final decision on layoffs.

## Remuneration and performance

We offer performance-based compensation and regard value creation as an incentive. We provide a competitive remuneration system for employees who contribute high value. The *Employee Handbook (Chinese and English version)* specifies salary and benefits based on the employee's position. We attract and retain our talent through differentiated and diversified incentive mechanisms.

Our employee salaries consist of a base-level salary along with variable remuneration. The variable remuneration includes subsidies, benefits, and monthly, quarterly, semi-annual, and annual performance bonuses. The distribution cycle and performance evaluation standards for performance bonuses depend on the evaluation scheme for corresponding positions. We attract and retain outstanding talents and incentivize our core talent using the *Employee Stock Ownership Plan and Restricted Stock Incentive Plan*, giving restricted stocks to core employees who play an important role in our future operation and development. For some talents, who cannot be involved into incentive plan due to the regulation limitation, we have created the *Incentive Plan for Stock Appreciation Rights*, which grants virtual stocks to core talent working overseas. We pay the difference between the exercise price and the redemption price as an incentive.

The *Employee Handbook (Chinese and English version)* lists our employee performance management practices, highlighting the close link between performance and remuneration. Performance management takes into account both results and processes and is closely related to job responsibilities. All employees undergo regular performance evaluations and promotion appraisals. Monthly and quarterly evaluations focus on business performance while semi-annual and annual evaluations focus on comprehensive performance and ability. The evaluation results are linked with bonuses, salary adjustments, and career development.

### SF Holding's talent retention measures

Employees with outstanding performance evaluation results are our most important strategic resources. Our *Regulations on the Management of Outstanding Employees* help us identify, develop, and retain talents while offering timely incentives.

Measures we have taken to retain outstanding talent include:

- Special training or personalized external training in addition to regular training.
- A mentoring system.
- An additional two days of paid leave.
- Other spiritual and material rewards.

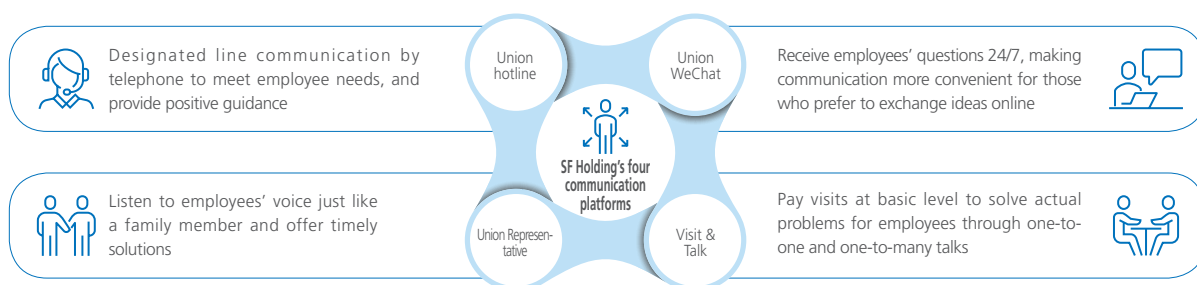




## Democratic management

We encourage positive interpersonal and team relationships, practice democratic management, promote an open corporate culture, and encourage employees to communicate with other employees, mentors, supervisors, and the labor union to make reasonable suggestions for the management and development of the Company. Our *Employee Communication Management Regulations* define employee communication methods and follow-up measures. We have created four communication platforms enabling us to hear and address employee needs. Our labor union increases communication between primary-level employees and management by organizing communication meetings.

In 2019, SF Holding accepted approximately 18,000 workforce communication and suggestion items with a resolution rate of about 93%.



We conduct annual employee surveys to understand and collect employee opinions and suggestions. We analyze and report on this data. We require all departments to make an overall improvement plan for raising employee satisfaction. We also publish the survey results and improvement plan across the whole network so that employees can monitor our progress on improvements. We survey 100% of our workforce including both regular and part-time workforce. In 2019, the satisfaction rate of employee engagement survey result was 87%.

## 2.1.2 Recruitment and promotion

We plan our recruitment annually according to our development needs and labor market changes with diversification in mind. Female members occupy an important position in our Board of Directors. We recruit from different talent pools including fresh graduates, veterans, and people with disabilities. SF Holding was the only Chinese express company to be included on Forbes' list of the world's best employers 2018. In 2019, the courier turnover rate was 20.9%<sup>2</sup>.

SF Holding workforce data in 2019

Category		Workforce
<b>Total workforce<sup>3</sup></b>		522,912
<b>By gender</b>	Male	450,106
	Female	72,806
<b>By job function</b>	Management (including primary-level employees)	18,313
	Functional	33,203
	Primary-level	471,396
<b>By educational background</b>	Bachelor degree or above	34,729
	College degree	83,641
	High school/technical secondary school and below	404,542
<b>By age</b>	Aged below 30	236,703
	Aged 30-40	224,313
	Aged 40-50	57,572
	Aged over 50	4,324

<sup>2</sup> Only covers couriers.

<sup>3</sup> Due to the flexible industry characteristics of the express logistics a combination of multiple workforce modes is usually adopted. The number of workforce here is the total number of workforce serving SF Holding.





### SF Holding employee diversity program

We value diverse talent and will never restrict recruitment or employment due to personal characteristics such as gender, region, nationality, religious belief, or economic capability. In 2019, over 13.9% of our workforce was female. We developed many excellent female workforce including primary-level management (branch managers) and female couriers. Over 80% of our workforce was rural. Our workforce on the Chinese mainland spanned 53 nationalities.

We targeted special groups including veterans, people with disabilities, and overseas employees in our recruitment to optimize our workforce, increase the local employment rate and demonstrate corporate responsibility.

- **Recruiting veterans**

We support the resettlement of veterans by cultivating and complementing talent in cooperation with the military. We prioritize employment for veterans and offer them professional skills training and education opportunities after recruitment. We allocate outstanding veterans to management positions. We recruited nearly 10,000 veterans in 2019.

- **Recruiting persons with disabilities**

SF Holding acknowledges the need for work and study among people with disabilities. We employ members of this community in less physically demanding environments like call centers to improve their quality of life through meaningful work. By the end of 2019, there were hundreds of people with disabilities working at SF Holding.

- **Local recruitment**

We recruit overseas operating personnel from their local area, employing them in areas including human resources, administration, finance, marketing, and operations. We benefit from their understanding of the local culture, market and policies. This also increases the local employment rate. We had nearly 1,000 foreign employees by the end of 2019.

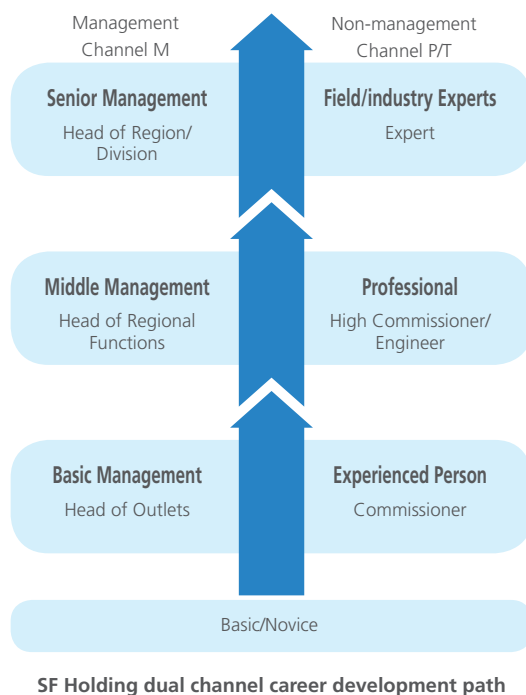




## Employee promotion

SF Holding has developed the *Talent Promotion Management System* and derived from it the *Guidelines for Non-Senior Management Promotion* and the *Operational Guidelines for Senior Management Promotion*. We clarify the promotion requirements for different categories of employee. Our promotion mechanism emphasizing value and contribution is a strong talent retention tool.

We have established a two-channel promotion mechanism for employees: a management development channel for employees with certain management abilities and a professional development channel to enable technical employees to become experts in various fields. This enables our employees to improve their personal skills and gain professional experience.





## 2.1.3 Training and development

SF Holding is committed to offering mature training systems for employees. We established the *SF Instructor Management System*, *SF Teaching Material Management System*, and *External Training Management System* to manage employee training. Our training concept addresses continual improvements to our teaching material system, cultivation of our instructor team, complementing external and internal training, and the development of personalized training.

We created the SF University to build our training resources and platform, designing and implementing our key talent training programs. In 2019, 120,828 of our new workforce received training.

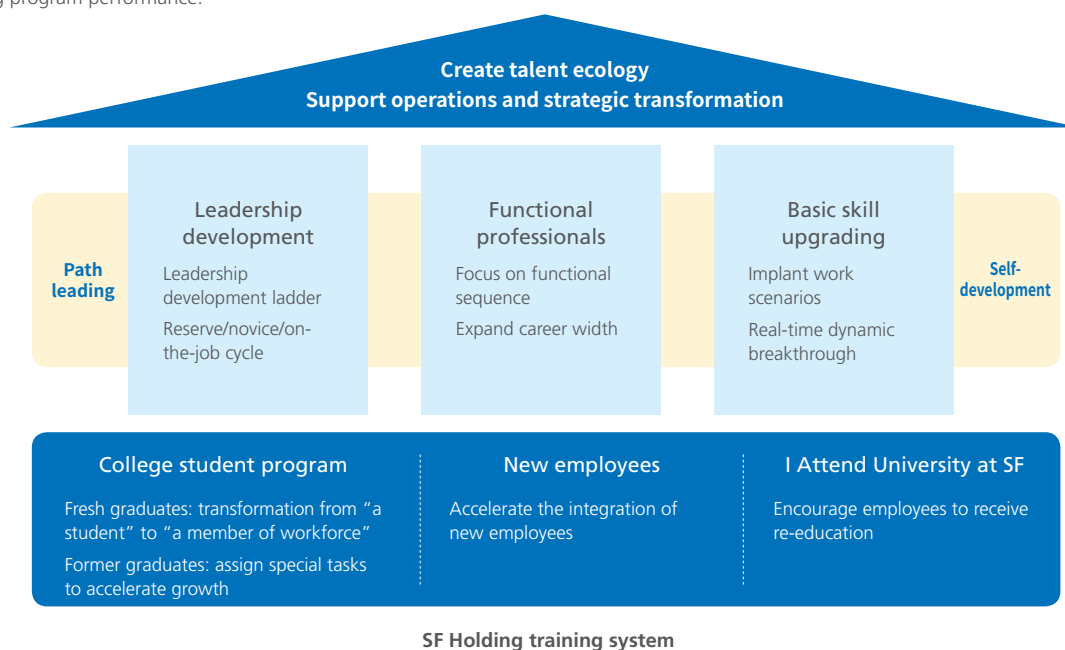
In 2019, we trained 459,715 workforces and provided 2,575,721 hours of off-line training. We conducted 22,285,007 online training sessions. We invested 130 million in training.<sup>4</sup>

SF Holding workforce training data in 2019

	Category	Training coverage	Online training sessions	Hours of offline training per person (Hours)
By gender	Male	89.7%	17,202,641	5.1
	Female	85.2%	5,082,366	4.1
By job function	Management employees (including primary-level managers)	97.1%	4,118,818	18.4
	Functional employees	88.5%	5,779,978	5.8
	Primary-level employees	88.8%	12,386,211	4.4

### General training system

We have established an SF University ecological training system covering employee induction, promotion, and education. This training system and its content is open to all our workforces. We offer a wide range of training and employment opportunities, especially for college students and fresh graduates. We have in place a system of on-the-job tutors to match college students with suitable SF Holding tutors, who will provide guidance throughout the training process. Tutors are also responsible for guiding college students in their transition from college to society, offering feedback on their training program performance.



<sup>4</sup> Online training refers to the number of knowledge, courses, blogs and live broadcast learning in the KMS learning platform. Offline training refers to the duration of class hours in which employees participate. The data does not include special training in the business field.

## SF Holding college students training program

The SF Holding training system helps fresh graduates transition from student life to the workforce and accelerates the growth of former graduates.

In 2019, we set up a training program for fresh graduates to conduct targeted training for management, functional employees, and branch network employees over a one-to-three year period. The program helps college students to complete the transition from student to professional in four stages. At each stage, class teachers and student partners offer guidance and feedback. In 2019, this program trained 89 management trainees, 427 functional trainees, and 163 operation trainees.

### Stages of training program for fresh graduates



## SF Holding leadership training system

SF Holding attaches believes in mutual growth with employees. We have established leadership training systems at the primary, middle, and senior levels. The system combines training with on-site practice, teaching employees team leadership.

### Primary-level leadership training – XinFeng Program

The XinFeng Program combines online and offline training to create a training portfolio based on scenarios. It includes offline management scenarios, business scenarios, and products/services. Trainees create their own training based on these scenario courses and training cases.

### Middle level leadership training – YuanFeng Program

The YuanFeng Program empowers trainees to overcome leadership challenges and cultivate an efficient management team. It offers a combination of online learning, offline centralized learning, and benchmark learning. It measures learning results through online tests, competition, and monthly performance evaluations.

### Senior level leadership training – LingFeng Program

The LingFeng Program enables trainees to exchange management and business experiences and to explore business pain points and opportunities using offline learning and exchange classes. It facilitates mutual understanding and integration between business organizations. The program also enables senior management personnel to maintain their market insight and understanding of customers in a competitive environment.



LingFeng Program



YuanFeng Program



XinFeng Program

## Support for degree

Academic study and certification have become key to individual competitiveness. In order to help employees and the Company to achieve common and together sustainable development, SF Holding actively promotes the optimization of internal talents' ability within the Company and encourages employees to participate in improve academic degree promoting education and skill certification. By doing this, SF Holding could for improving employees' satisfaction and sense of belonging.

By the end of 2019, SF Holding had supported 555 workforces in their degree studies, the total investment was 4,622,686.

### The I Attend University at SF program supports further study

Since 2016, SF Holding has launched the I Attend University at SF education program, which enables them to earn a higher degree while on the job via several channels including MBA, self-study examination, adult college entrance examination, and TV university. We reimburse employees who obtain academic credentials proportionately according to *SF's Application process for External Training*.

## Training management platform

We have established a knowledge management system (KMS) to store and manage knowledge harvested from programs, plans, achievements, and experiences as part of our knowledge pool. We upgraded the KMS in 2019, enhancing the management of knowledge assets and providing an integrated knowledge and learning management scheme.

In 2019, 51,217 person-times per day on average attended the online courses on KMS. There were 1,254 courses launched per month and 674 live broadcasts released on average, which received 160,000 times views.

We created the Xiao Mi Feng app as the main learning platform for couriers, who are often under significant time pressure. Much of its training content can be read in under a minute and is precisely targeted to each courier's needs. Couriers can also receive more in-depth skills and system training in areas including express safety education, customer communication skills, and our customer privacy protection and employee anti-corruption systems.

## 2.1.4 Occupational health and safety

We care for people and put safety first, abiding by laws and regulations including the *Law of the People's Republic of China on Production Safety*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, and *Measures for the Management of Emergency Plans for Workplace Safety Accidents*. Our workplace safety system and policy help us to manage safety risks, hazard identification and rectification, and safety training.

### Targets to reduce health and safety incidents:

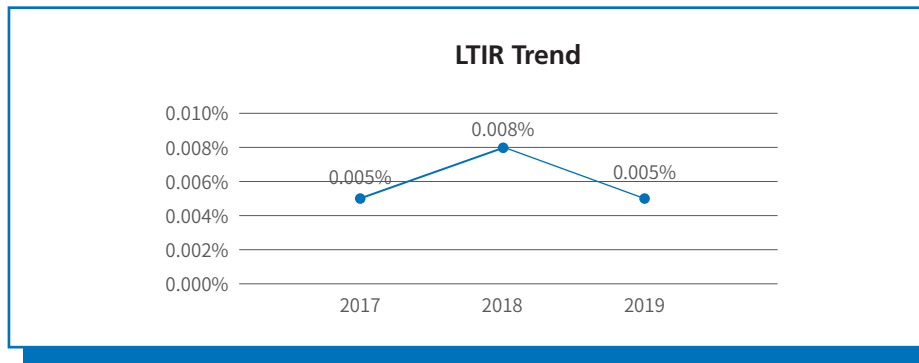
Prevent fire accidents;

Avoid major casualties;

Reduce personal injury accidents by over 10%, personnel safety index rises more than 10% in 2020 compared to 2019.

In 2019, our personnel safety index<sup>5</sup> rose to 900, while the work-related injury index fell by 25%, exceeding our target. Our total recordable injury rate was 0.004%, and the lost time injury rate (LTIR) was 0.005% which is 37.5% lower than in 2018. For full information on the performance of occupational health and safety management, please refer to the ESG Key Performance Table.

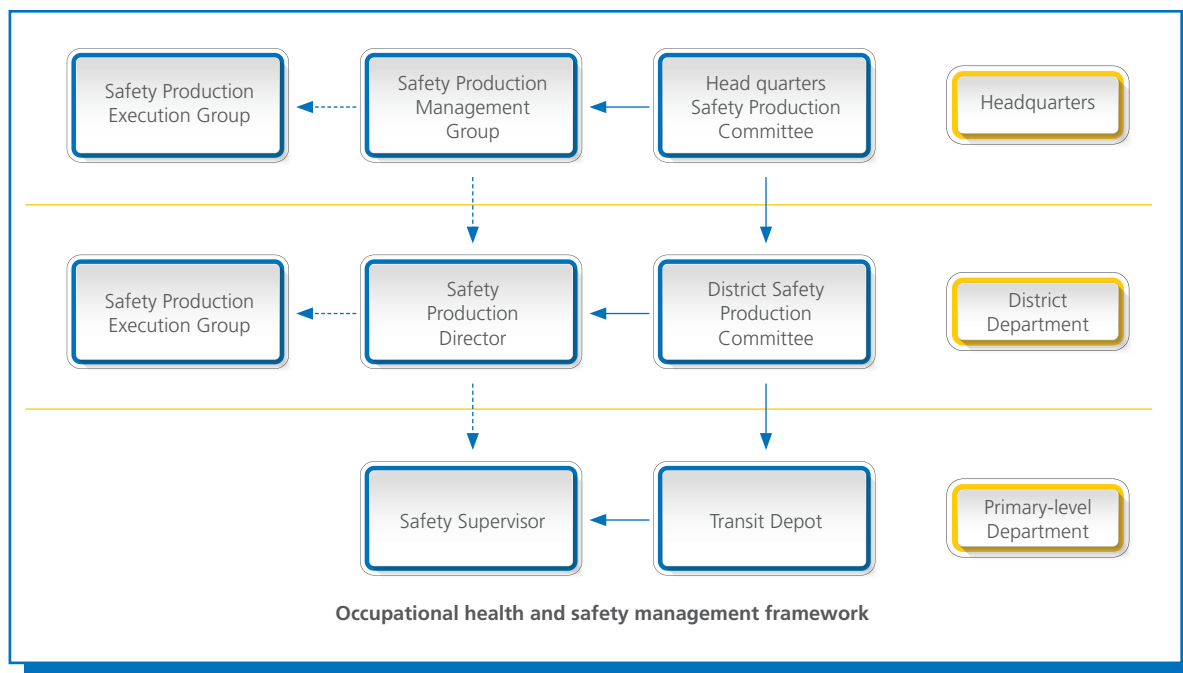
<sup>5</sup> Personnel safety index = average number of employees/accident coefficient



## Health and safety management system

Our three-tier safety management framework comprises our headquarters, regions, and basic level units. Its full-time occupational health and safety managers developed a *Safety Production Responsibility System*. We defined the managerial responsibilities for health and safety issues at all levels:

- The Headquarters Safety Management Committee is responsible for developing medium and long-term safety plans, setting health and safety targets and establishing safety measures. The CEO is ultimately in charge of workplace safety, responsible for providing safe and healthy workplaces and activities to prevent injury and health issues. He assumes the highest responsibility for workplace safety.
- The person in charge of occupational health and safety manages the occupational health and safety management system on behalf of the CEO, analyzing and summarizing safety operations in the current month or every quarter. He also participates in investigating and handling safety accidents and regularly reports to the CEO.
- The workplace safety management group under the Headquarters Safety Committee is responsible for cross-functional organization of major safety work items and coordinating the management of workplace safety.
- The Regional Safety Committee comprises functional management. Our Safety Director manages the safety of functional lines to implement safety requirements and improve the safety management system.
- The safety implementation unit comprises people in charge of various functions. It is responsible for the implementation of daily safety work and for meeting occupational health and safety objectives.



We have established an occupational health and safety management system according to ISO 45001:2018 (GB/T45001:2020). It covers our express service and has been certified to ISO 45001. Our *Occupational Health and Safety Management Manual* defines the scope of the safety management system, which includes stakeholders such as customers, employees, suppliers, and market supervision departments.

We track safety performance data and conduct internal health and safety audits at least once every year to ensure the effectiveness of the occupational health and safety management system. This lets us evaluate our performance against safety objectives and the effect of system implementation to promptly identify and correct problems. The internal audit is led by CHO, the audit team is responsible for the verifying the correction of the health and safety measures. We continuously improve the occupational health and safety system based on the results of internal audit. In 2019, combining the results of internal audits and national policy requirements, we updated the health and safety policies timely to maintain the applicability and advancement of our policies. We last updated the occupational health and safety policy in March 2020.

In 2020, SF Holding was certified to ISO 45001:2018 (GB/T 45001:2020).



## Safety management measures

We have established systems including the *Measures for the Safety Management of Operation Vehicles and Drivers*, *Fire Safety Management System* and *Measures for the Management of Fire-fighting Facilities and Equipment on Property Sites* to manage safety in transportation and shipment. Our employees must sign the *Workplace Safety Responsibility Letter* every year, which holds them responsible for safety. We also link safety and health performance to executive bonuses. For example, major safety accidents affect executive performance and remuneration. The safety index represents 10%-15% of the performance evaluation for regional leaders and human resources managers. We also hold a safety evaluation meeting monthly or quarterly to analyze and summarize the safety operation situation. It outputs the analysis summary as reporting on health and safety programmes and performance, which includes analysis of problems in the implementation of safety measures and process mechanisms, to effectively improve safety management.

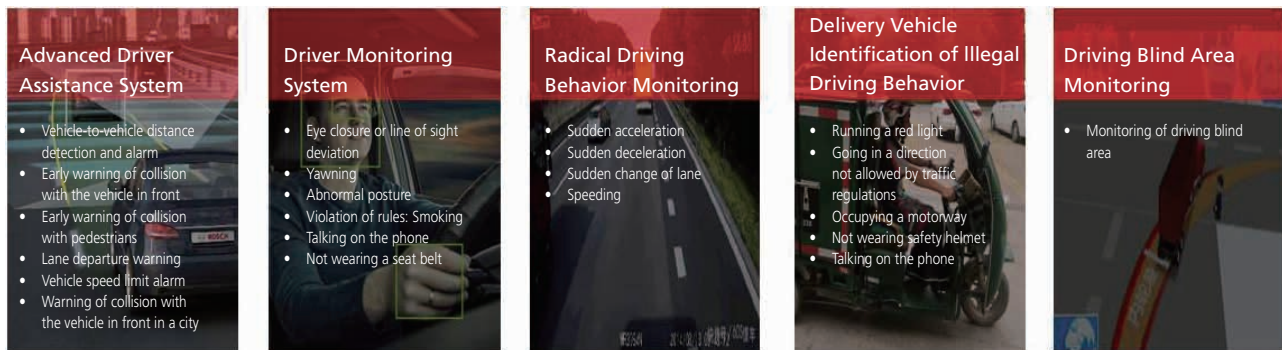
We concentrate on occupational health and safety management among our suppliers and have developed *Regulations on Safety Management of Logistics Suppliers*. We have signed safety management agreements with suppliers, including the *Safety Management Agreement for Logistics Handling and Sorting Services* and *Safety Management Agreement for Cargo Transportation Services by Road*. We have also detailed the relevant safety management contents in our contract terms guided by practical business scenarios, standardizing safe supplier operations and measures to deal with casualties.

In 2019, SF Holding invested 56.51 million in safety production.

## Prevention of safety risks.

We identify the key safety risks associated with express transportation and shipment. We use targeted measures, safety insurance, and technology to prevent safety risks and protect employees.

**Vehicle safety.** We ensure fleet safety by inspecting our vehicles against 17 items across five categories. Our Marvin vehicle safety management platform incorporates a traffic safety prediction model that uses big data to integrate over 130 safety dimensions' data including dangerous driving behavior, historical accident causes, and safety training. We collect vehicle and driving behavior data through our driver monitoring system (DMS) to identify risk factors including fatigue, distraction, speeding, driving too close to the vehicle ahead, and changing lanes. This enabled us to correct dangerous driving behaviors in real time. By the end of 2019 we had equipped 36.7% of our vehicles with ADAS and DMS. We factor accident records and safe driving mileage into our drivers' performance evaluation to raise safe driving awareness and reduce traffic accidents.



Vehicle safety risks identified by Marvin Platform

**Aviation Safety.** We established a Safety Management System to ensure aviation safety. Our air transportation has operated safely since its first flight, totaling approximately 346,000 hours. In 2019, the Civil Aviation Administration of PRC named us Safety Responsibility Compliance Entity in Central and South China for the tenth consecutive year.

**Storage Equipment Safety.** We have developed operating guidelines including *Safe Operation of Belt Conveyor (Sorting)* and *Safe Operation Procedures for Forklifts* to ensure the normal operation of belt conveyors, automatic sorting machines and other equipment. We invested special funds in the development and design of operations equipment and personal protective equipment (PPE) to improve the employee safety.

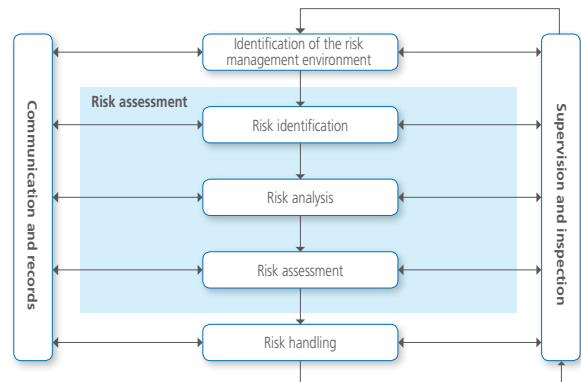
**Storage Site Safety.** We standardize on-site electricity and fire safety according to the *Fire Safety Management System* and the *Measures for the Management of Fire-Fighting Facilities and Equipment on Property Sites*. We also established a fire emergency leading group and a voluntary fire brigade. Self-inspections happen at least once a month with special inspections at least twice a year to ensure on-site safety management.

We also provide all-round safety insurance for employees including employer liability insurance and employee critical illness insurance. Employees suffering work-related accidents are covered by both employer's liability insurance and accident insurance. Work-related injuries due to occupational diseases are covered by employer's liability insurance. The labor union also represents employees' interests and negotiates with management on occupational health and safety-related matters. In 2019, employees raised the issue of PPE supplies and the labor union arranged a solution with the relevant regional departments.

## Hazard identification and risk assessment

Hazard identification is a fundamental task in corporate safety management. We developed the *Regulations on Safety Inspection, Hazard Identification, and Risk Management*. We identify potential risk factors in various positions and ask the relevant departments to rectify them in a stipulated time limit requirement.

SF Holding collates regional hazards and reviews various risk control measures, evaluating and classifying risks from multiple dimensions such as the status of control measures, the frequency of personnel exposure to hazardous environments, and the consequences of accidents. We then issue a list of identified hazards and corresponding risk control measures. In 2019, daily and special safety inspections covered 10,687 sub-stations and 193,714 vehicles. We identified and rectified 56,832 hazards.



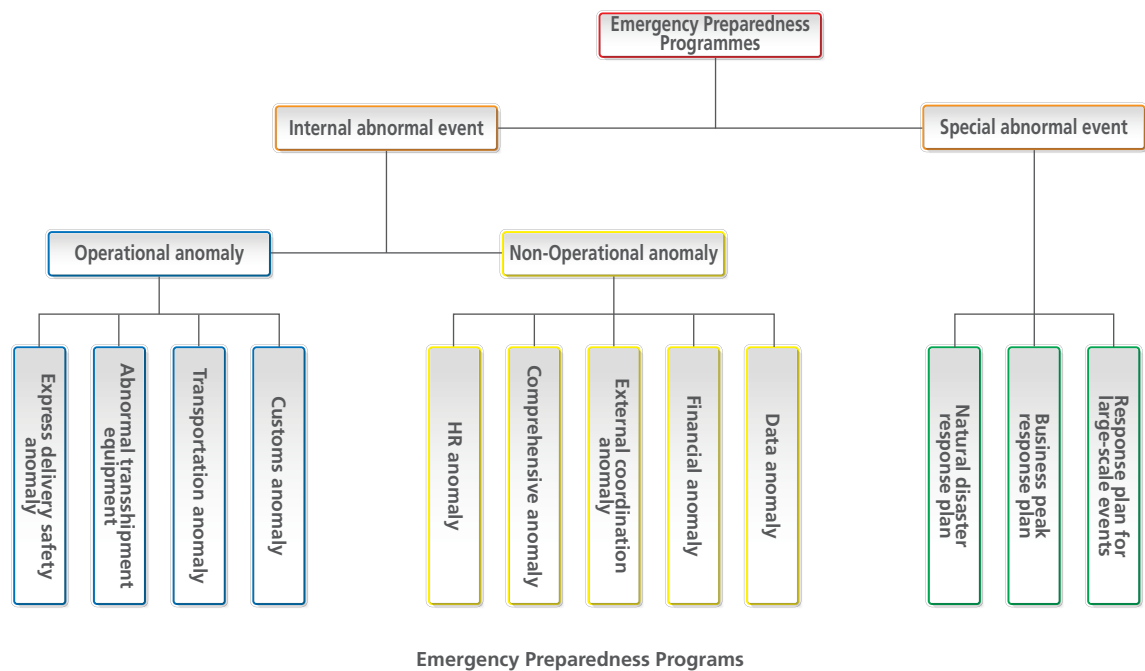
Safety hazard identification and rectification management



## Safety awareness

SF Holding emphasizes training of employees on safety awareness, and continuously improves the emergency preparedness programmes. In order to prevent safety accidents, the Company implements targeted safety training measures, standardizes the safety training content to, and effectively raises employees’ safety awareness and skills to prevent safety accidents.

**Emergency response capability.** SF Holding has established emergency preparedness programs for internal and special abnormal events. Our Emergency Preparedness Management System clarifies our emergency management actions from early warnings and emergency treatment to subsequent handling. It defines the contents of emergency preparedness awareness initiatives and drills to enhance our employees’ emergency preparedness.



Under the emergency preparedness program is a three-level emergency rescue management system comprising emergency preparedness, special emergency preparedness, and an on-site treatment plan. The system introduces the Internet + Safety Risk Management concept and includes an accident response information platform to handle safety accidents quickly and properly and enhance our emergency rescue capability.

We have designed our emergency response process in line with our *Emergency Preparedness Management System*. We conduct regular response drills and revise these measures as necessary. In 2019, we conducted 1,339 emergency drills covering traffic safety, site fires, special equipment accidents, and injury accidents.

In 2019, we experienced 0 major fire accidents and 0 level one or two accidents on our sites.

## Health and safety training programs

Our *Regulations on Safety Education and Training Management* specify three types of training, covering new employees, special operators such as vehicle and special equipment operators, and regular training for all employees. It also defines written and practical assessment tests to enhance employees' awareness and safety risk control abilities.

In 2019, our safety training covered 100% of the workforces. We organized 35 on-the-job safety training sessions for drivers and nine on-the-job training sessions for couriers. Each training session for drivers covered about 25,000 trainees, and each session for couriers covered about 340,000 trainees.

We also release all kinds of safety information via channels including our SFIM Official Account, our Xiao Mi Feng app, a safety knowledge map, a safety reminder on the start page of couriers' HHT<sup>6</sup>, and safety signs. We use various forms of text, pictures, and videos to raise employees' safety awareness and create a conducive environment for workplace safety.



Safety knowledge sharing

### 2.1.5 Welfare and care

SF Holding has implemented employee care systems including the *Welfare Management System for Employees of Express Business Group*, *Supporting Management Guidelines for Employees with Severe Diseases and Emergency Care*, and *Handling Mechanism for Employees*. They protect employees' rights, offer welfare and care, and help them to achieve work-life balance.

In 2019, SF Holding showed solicitude for over 1.61 million workforces and their families. We devoted 67.7 million for workforce concern.

In addition to statutory welfare and social security, we provide 24-hour accident and serious disease insurance and Shun e Million-yuan Medical Care Insurance for employees and their families.

SF Holding devotes itself to building an all-round, multi-channel and diversified welfare care system for employees, which provides welfare care throughout whole employment life cycle of employees. Based on the fundamental welfare care like employee birthdays welfare, holidays and anniversary welfare, etc., SF Holding builds "NuanFeng Program" welfare platform for employees.



<sup>6</sup> The "HHT" system is a set of data acquisition and transmission system that connects mobile phones or PDA terminals as carriers for data storage to bar code scanning guns.

Our NuanFeng Program welfare platform helps us care for employees during their entire time with us. It comprises three modules: NuanFeng E-HOME offers preferential discounts on high-quality medical, food, housing, and education products. NuanFeng Health offers mental health care through the NuanFeng Health hotline, NuanFeng lecture hall, NuanFeng mind decompression chamber, and NuanFeng news. Fengba Club is an online hobby community platform for our employees helps improve their work-life balance.

By the end of 2019, Fengba Club had 5,000 members within 12 clubs and had organized over 480 club activities throughout the year.



Fengba Club – Taekwondo Club



Fengba Club – Music Club



Fengba Club – Football Club

We offer exclusive welfare services for female employees and those with disabilities. We distribute exclusive welfare gifts to female employees on March 8 every year and organized 240 lectures focused on female employees' mental health and career development in 2019. We also provide parental leave to employees in accordance with national regulations. We give specific care and subsidies to eligible disabled employees and those with major illnesses.

### Highlights of SF Holding employee activities in 2019

- **Running Forward for Dreams on SF Holding's 26th anniversary:** In late March, we celebrated our anniversary by launching large-scale online and offline cultural activities for all employees to enhance staff cohesion.
- **My Days of Struggle at SF Holding video contest:** We held a full-network video contest from July to September to enrich our employees' spare time.
- **Team-building activities:** From August to September, various departments, BGs, and BUs organized team-building activities.



## 2.2 Philanthropic Donations and Support

SF Holding engages heavily in community support and philanthropy, encouraging employees to participate in volunteer activities. In 2012, approved by the Ministry of Civil Affairs, SF Holding's controlling shareholder and the company's subsidiaries founded SF Charity Foundation, which is a non-public offering foundation. To better support philanthropic efforts, SF Charity Foundation made regulations including the *Articles of Association of SF Charity Foundation* and the *Management System for Public Welfare Projects of SF Charity Foundation*. SF Holding focuses on education, medical assistance, poverty alleviation, and disaster management with its advantages of logistics. We promote equality and balanced development among communities by helping vulnerable communities and groups. In 2019, none of our operating sites had significant negative impacts on local communities. For more information on SF Holding's philanthropies, please refer to the *2019 Work Report of SF Charity Foundation*: <http://www.sfgy.org/newsInfo?id=558&moduleId=14>

In 2019, the SF Charity Foundation spent 92,448,564.6 on public welfare, involving 5,414 volunteers and 56,021 hours of volunteer service.

### 2.2.1 Support students

SF Lianhua Student Assistance Program is one of SF Charity Foundation's major educational programs. Launched in 2012, it offers financial assistance and programs including summer camps, dream sharing meetings, class teacher plans, and companion and nurturing plans to poor high-school students. It earned the title Public Welfare Project of the Year in Education with the Greatest Social Influence during the 2019 Shenzhen Education Reform and Innovation Award. SF Charity Foundation invested over 40 million in supporting poverty students during 2019, helping over 7,000 people.



SF Lianhua Primary School Program



SF Lianhua Student Summer Camp 2019



## 2.2.2 Medical assistance

The SF Charity Foundation Medical Assistance Program helps with physical and mental development among orphans and poor children by treating three types of disease: congenital heart disease, hematological diseases, and malignant tumors. It facilitates early detection, early treatment, and early recovery for children through free diagnosis and screening, medical assistance, and care.



SF Nuanxin Medical Program

## 2.2.3 Disaster management

SF Holding is committed to providing disaster relief. From January 24 to March 11, 2020, we responded to the outbreak of the COVID-19 pandemic with 190 rescue flights transporting over 4,600 tons of pandemic prevention materials. We arranged over 1,800 land transportation trips, moving over 9,800 tons of pandemic prevention materials. We delivered over 100 million packages to Hubei. For more details, please refer to the SF Holding Social Responsibility Report 2019: <https://www.sf-express.com/cn/sc/download/20200324-IR-17-2019.PDF>

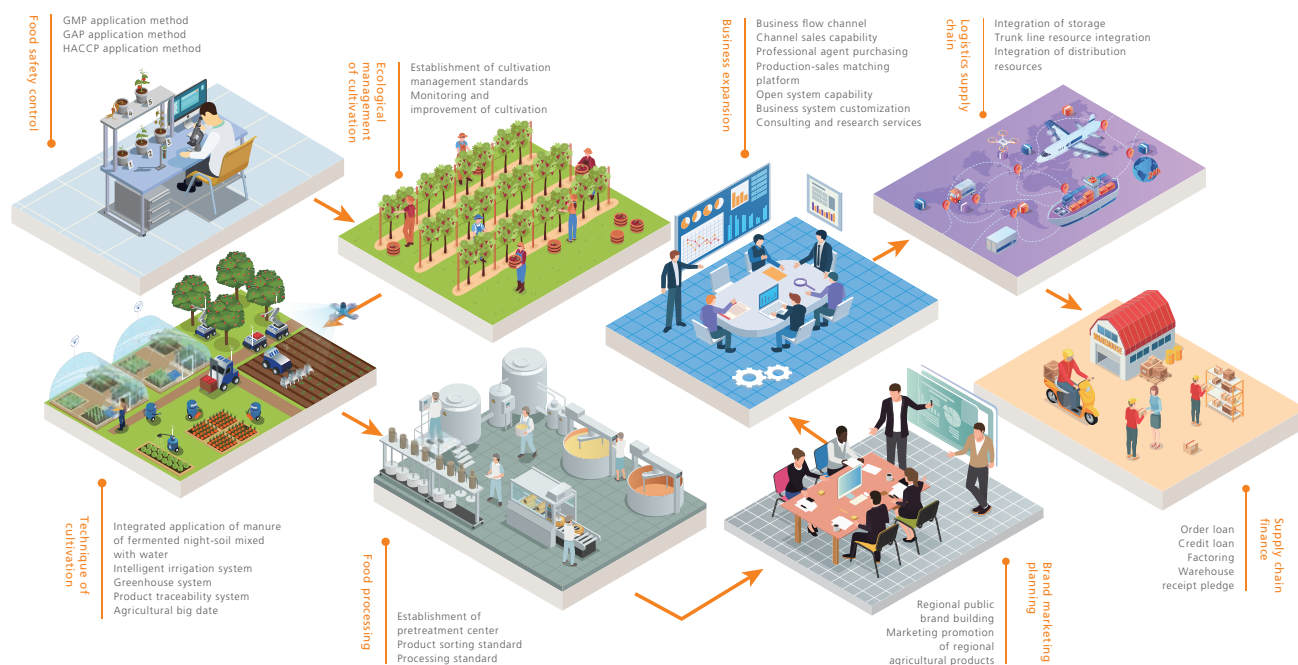


Loading COVID-19 pandemic prevention materials



## 2.2.4 Poverty alleviation

Our industrial poverty alleviation work revolves around our Fengnong Program, which supports local agriculture. It helps farmers to solve various problems across the entire agricultural process from crop planting to sales. It also contributes to rural revitalization.



Fengnong Program Map

## 2.2.5 Voluntary service

SF Holding calls on employees to participate in voluntary service for public welfare. By the end of 2019, we had established 19 volunteer associations. We also launched online SF Public Welfare Information Management System for volunteer management, providing an efficient channel for volunteering information management and data exchange among fund managers, employees, volunteers, and beneficiaries. It integrates data on personnel, programs, and activities, allowing fund managers to understand program status and collect community feedback.



SF Holding Volunteer










03

环境篇

ENVIRONMENT

Target	Emission reduction target for green packaging: By 2025, The Green Packaging Material Program will reduce greenhouse gas emissions by 400,000 tons.	
	Green transportation target: We will use 30% more clean energy vehicles for goods delivery by 2020.	
	Air transportation target: By 2021, the ground-based gasoline and diesel consumption will decline 0.1%.	
Policies	Emission Reduction Reward and Punishment System	
	Waste Oil Management Regulations	
	Operation Plan and Management Measures for Clean Energy vehicles in the Field	
	Measures for Office Space Management	
Key Performance	Indicators	Data
	Reduced greenhouse gas emissions through green packaging	36,000 tons
	Reduced greenhouse gas emissions through green transportation	67,000 tons
	Renewable energy generation capacity	1,296,826.4 kW·h
	Total greenhouse gas emissions	1,280,462.5 tCO <sub>2</sub> e
	Greenhouse gas emission intensity	11.4 tCO <sub>2</sub> e/million revenue

United Nations Sustainable Development Goals (SDGs)		Responses in This Chapter
Goal 6: Clean Water and Sanitation		SF Holding requires that wastewater discharge conforms to relevant national standards and has implemented systems including <i>Measures for the Management of Water and Electricity</i> . We avoid the large-scale use of water resources and water pollution in our own operation.
Goal 7: Affordable and Clean Energy		SF Holding has developed photovoltaic (PV) power generation projects in Yiwu and Hefei Industrial Parks. We also purchase clean energy vehicles and charging equipment to form a clean energy fleet.
Goal 11: Sustainable Cities and Communities		In our pursuit of a waste-free city, we have developed a series of circular express containers including Feng BOX, built a circular operation platform for data management, and worked with partners to create a circular ecosphere for express packaging.
Goal 12: Responsible Consumption and Production		We promote green packaging and recycling to make logistics more sustainable.
Goal 13: Climate Action		We have identified the climate change risks related to our own operations and adopted energy-saving and emission-reduction measures for industrial transformation and green development. We also help to create national policies related to climate change.

## 3.1 Developing Green Logistics

We pursue green logistics to support our environmental protection goals and our economic and social activity. We have implemented a plan to reduce greenhouse gas emissions across the logistics life cycle using green packaging, green transportation, and green shipments. We began establishing a certified environment management system in 2019 to help us implement our environment management policies and commitments and reach our environment targets. We will complete this system in August 2020.

In 2019, there was no event of violation of environmental laws and regulations happened.

2019 saw us conduct the first group-wide accounting of greenhouse gases and other environmental data. We consumed 4,540,461,748.0 kW-h during the year, and emitted 1,280,462.5 tCO<sub>2</sub>e of greenhouse gas at an intensity of 11.4 tCO<sub>2</sub>e/million revenue. We will expand our reporting scope in the future to include leasing and upstream and downstream industrial operations.

### 3.1.1 Green packaging

We are committed to the development and application of sustainable packaging products through packaging R&D, testing and design. We have established three R&D channels covering the recycling, reduction, and reuse of packaging products. We also created a reduced packaging scheme and a sustainable packaging recycling system. We cooperate with upstream and downstream industrial partners including packaging material manufacturers, logistics enterprises, consumers, and recycling enterprises, to promote the development of green packaging.

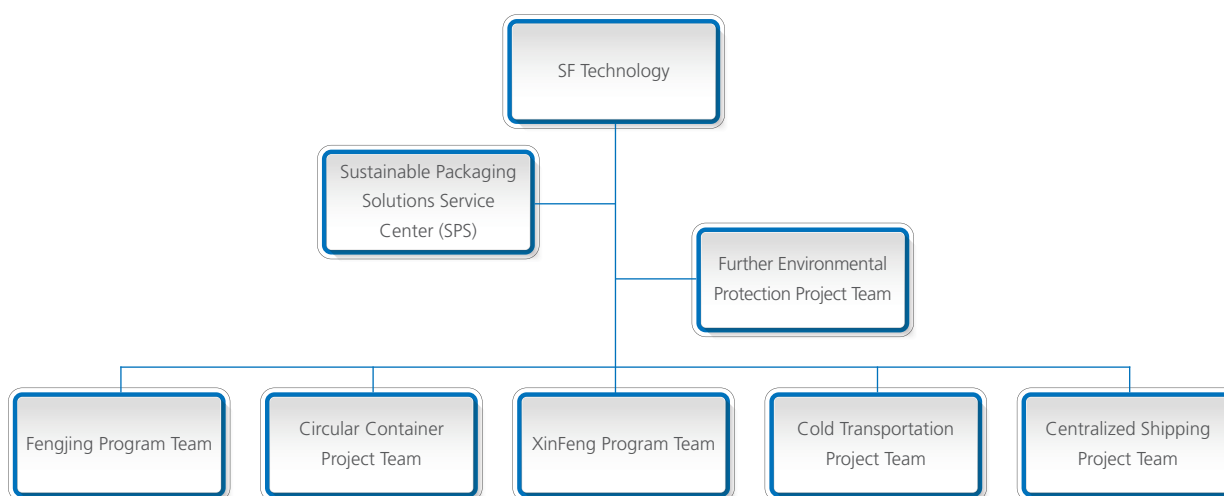
In 2019, our Green Packaging Material Program reduced greenhouse gas emissions by about 36,000 tons.

**Green packaging target:** The Green Packaging Material Program will reduce greenhouse gas emissions by 50,000 tons in 2020. It will reduce greenhouse gas emissions by 400,000 tons in 2025 based on 2020 levels.

SF Holding packaging material consumption in 2019

Packaging Category	Packaging Material	Unit	2019
Paper packaging materials	Express envelopes	kg	77,556,302.1
	Waybills	kg	18,569,099.2
	Cartons	kg	235,122,326.8
Plastic foam packaging materials	Plastic bags	kg	21,099,363.4
	Scotch tape	kg	23,360,289.1

We have advanced green reforms in logistics areas including express delivery, cold chain, heavy goods, and special goods. In 2013, we established SF Sustainable Packaging Solutions to explore packaging standardization. In December 2018, the State Post Bureau created and issued the *Green Packaging Guide for Express Delivery Industry (Trial)*. On January 19, 2020, the National Development and Reform Commission and the Ministry of Ecological Environment issued the *Guidelines on Further Strengthening Plastic Pollution Control*. SF Sustainable Packaging Solutions became a Sustainable Packaging Solutions Service Center (SPS) in 2018.



**Sustainable packaging solutions service center management framework**

## Green Packaging Program

At the beginning of 2019, SF Sustainable Packaging Solutions set a target of reducing greenhouse gas emissions by about 36,000 tons. It also made plans to accomplish this target through three measures: reduced packaging, recycled packaging, and using environmentally friendly packaging materials. Modular cartons and Feng BOX played an important role in this effort.

**Completion of Green Packaging Target for 2019:** In 2019, SF Holding saved 12,344 tons of raw paper materials and 19,620 tons of equivalent carbon emissions through four major measures: Feng BOX, modular cartons, document envelopes, and electronic waybills. We eliminated 5,142 tons of plastic and 16,408 tons of equivalent carbon emissions through gourd bubble film, plastic bags, and fastening packaging technology.

### SF Holding green packaging measures

Reduced Packaging	Recycled Packaging	Environmentally Friendly Packaging Material
Modular carton	Feng BOX	New packaging plan
Reduced thickness of plastic bags	Bulking container	Degradable material
Thinner document envelopes	Cage trolley	
Reduced SKU of wrapping film	Circular document envelope	
Two waybill sheets changed to one sheet with the introduction of QR code waybill		
Three digital waybill sheets changed to two sheets with the introduction of electronic waybill <sup>7</sup>		

<sup>7</sup> The electronic waybill changed from three sheets to two sheets: The waybill is changed from 3 sheets to 2 sheets, thus reducing the consumption of raw paper.

## Strengthened R&D innovation

We use scientific and technological innovation to fuel green development in the express delivery industry. In 2019, we filed for almost 200 packaging patents, including over 20 patents directly related to reuse, plastic reduction, and green printing. We also won eight national green product awards.

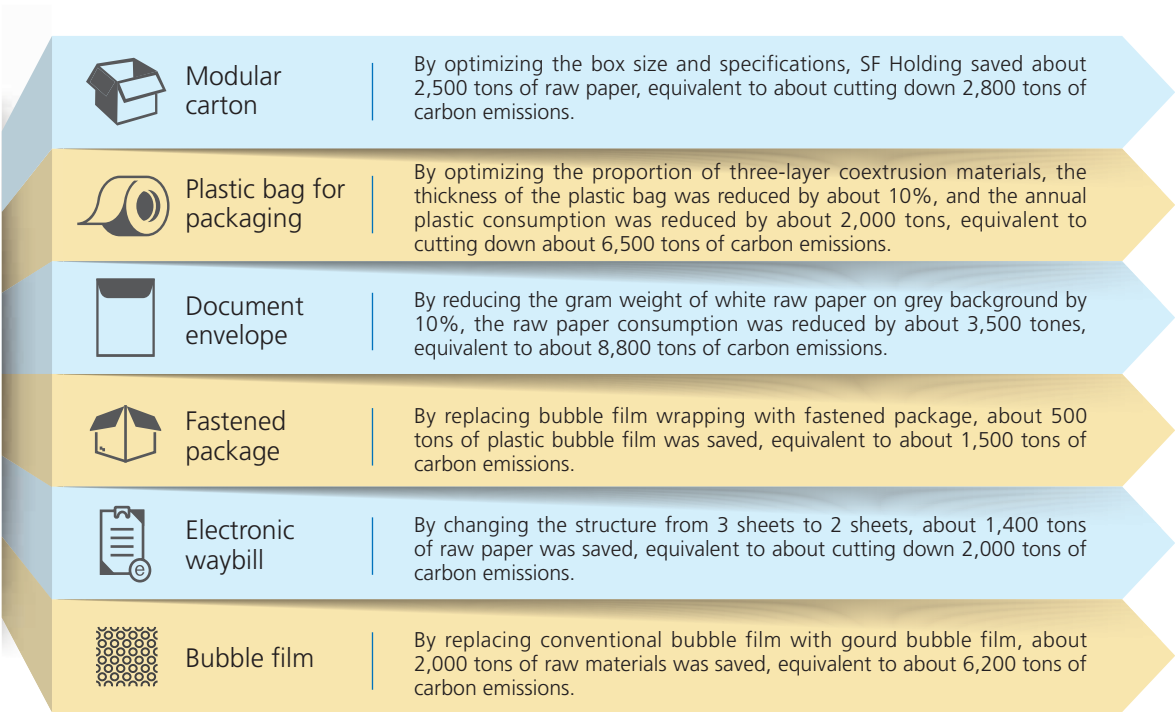
We cooperate with government departments and universities on green packaging competitions. We also contribute to national sustainable development-related standards in the express delivery and logistics industry.

By the end of 2019, SF Holding had helped create five national and industry standards and helped revise of three national standards in green packaging aspects.

**SF Holding University-Enterprise Cooperation Project promotes sustainable packaging**

SF Holding partners with universities to commercialize research. We worked with six universities on seven projects in 2018 and 2019 covering packaging material testing, the development of design systems, user experience improvements, materials research and fresh food research. Based on results from our second packaging design competition, we replaced EPE with pulp molding material and replaced single bags with ten connected bags. This improved the packaging efficiency of jade bracelets in the professional jewelry market five-fold and increased our loading capacity by nearly 50%.

**Reduced packaging:** We launched the Fengjing Program in 2018 to develop green packaging solutions and carbon emission evaluation standards and improve our resource usage efficiency using data-based management models. It adopts environmentally friendly materials and technologies to optimize and upgrade the cartons, tapes, document envelopes, fillers, and woven bags most used in the express delivery network. In 2019, it saved over 30,000 tons of carbon emissions, equivalent to 270,000 trees, electronic waybill utilization rate was 99.7%.



SF Holding reduced packaging project

### The Modular Carton Project reduces packaging consumption

Our Modular Carton Project reduces the space between cartons and consignments by optimizing box sizes and specifications, maximizing the use of carton space and reducing the consumption of raw materials while avoiding damage. As a key component of SF Holding's reduced packaging project, it has the following three advantages:

- Reduced usage of raw materials (the same number of cartons requires less raw paper)
- Space efficiency through neat stacking and accurate pallet matching
- Suitable for automatic stacking, laying a foundation for process automation

We saved about 2,500 tons of raw paper through optimized box size specifications in 2019, equivalent to approximately 2,800 tons of carbon emissions.



SF Modular Carton

**Recycled packaging:** Some cities are struggling with solid waste disposal issues. We developed four types of recyclable express containers as part of our zero-waste city concept, including the Feng BOX, bulking container, cage trolley and circular document envelope. We built a circular operation platform for data management and worked with stakeholders to create a circular model for express packaging to minimize the environmental impact caused by express operations.

### Feng BOX replaces traditional cartons

Feng BOX is a delivery box that the courier can reuse. It solves problems associated with disposable packaging such as cost, damage, and resource and operational inefficiencies.

A Feng BOX can be used dozens or even hundreds of times. 10 million Feng BOXES will replace 500 million cartons, 1.4 billion meters of adhesive tape, and 2.25 million cubic meters of filler. It has won 15 national patents and has been operating on a pilot basis in six cities (regions): Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin and Suzhou.



SF Holding's Feng BOX



**Environmentally friendly packaging material:** We implemented our XinFeng Program using new technologies, materials, and models. In 2019, the program pioneered ink-free laser-engraved cartons in the express delivery industry. This technology eliminates printing ink while offering high-precision, fast processing and its text is not easy to wear. We have trialed 36,000 laser cartons across five regions. They will gradually replace traditional cartons to help us achieve our green packaging goals.

### 3.1.2 Green transportation

SF Holding uses energy conservation and emission reduction measures to curb express delivery's environmental impact. We promote clean energy vehicles in land transportation and offer customers green supply chain solutions. We have also increased our investment in energy-efficient air transportation by renewing air routes, increasing direct flights, and reducing our usage of auxiliary power units.

**Land transportation target:** Purchasing and leasing 11,000 clean energy vehicles will enable us to put 30% more clean energy vehicles into service by 2020 compared to 2019, increasing our 67,000 tons of 2019 greenhouse gas emissions savings by 30%.

**Air transportation target:** Ground-based gasoline and diesel consumption will drop 0.1% by 2021 compared to 2019.

SF Holding land and air transportation energy consumption in 2019<sup>8</sup>

	Unit	2019
Electricity consumption of land transportation	kW·h	74,324,061.4
Gasoline consumption of land transportation	L	206,472.0
Diesel consumption of land transportation	L	151,920,855.0
Kerosene consumption of aviation	t	240,125.0
Water consumption of ground aviation	t	39,557.5
Electricity consumption of ground aviation	kW·h	4,072,429.9
Gasoline consumption of ground aviation	L	94,105.8
Diesel consumption of ground aviation	L	753,549.7
Total GHG emissions of land and air transportation	tCO <sub>2</sub> e	1,237,414.0

<sup>8</sup> Land transportation data covers the energy consumption in China mainland, Hong Kong and Macao. Ground aviation data covers the headquarters in Shenzhen as well as the bases in Beijing and Hangzhou.  
Electricity consumption of land transportation covers self-operated new energy vehicles, four-wheel delivery vehicle. Gasoline and diesel consumption of land transportation covers self-operated Operating vehicle.  
Kerosene consumption of aviation covers the energy consumption by SF Holding owned all-cargo aircrafts.  
Ground aviation gasoline usage is the gasoline consumption of administrative vehicles in the airport, and diesel consumption is the consumption of special operation vehicles in the airport.

## Land transportation

Land transportation is our most important mode of transportation and is a focal point in our carbon emission reduction effort. We have been purchasing new energy minivans in bulk since 2015. We have also created our Fengneng team to implement and run clean energy projects, increasing investment in clean energy vehicles and forming a green transport fleet.

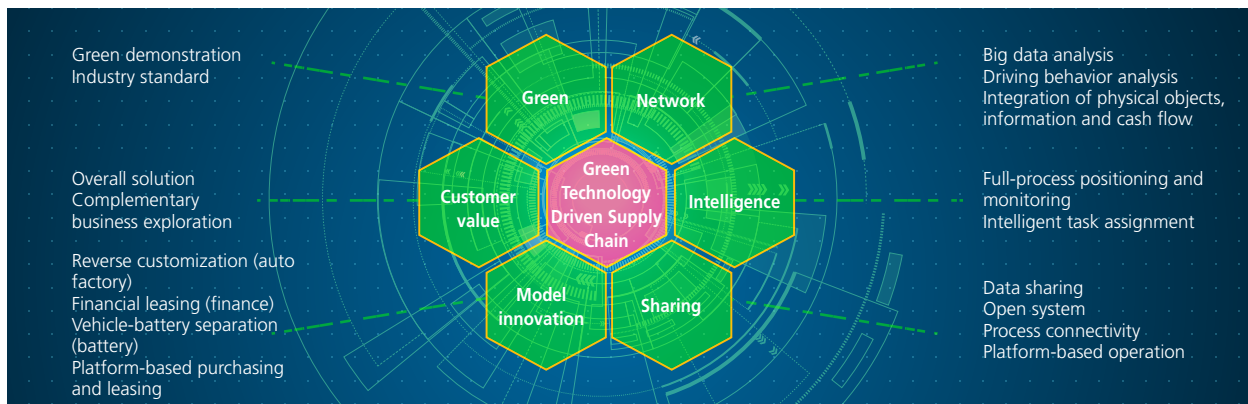
SF Holding uses clean energy vehicles for all trips under 180km spanning branch lines, heavy goods collection and distribution, and ordinary goods collection and distribution. We work with mainstream manufacturers for customized development of heavy goods collection and distribution vehicles, which entered into service in the first half of 2020. We also developed 4.2 meter and 5.3 meter clean energy light trucks for cold chain transportation. We are planning pilots of hydrogen fuel and extended-range light trucks for long endurance and cold area transportation in northern China. All the refrigerants used in our cold chain transportation are non-ozone depleting substances.

By the end of 2019, we had deployed clean energy vehicles in over 150 cities in 22 provinces across China. We put 11,155 clean energy vehicles and 846 charger piles into use via lease or purchase.

### SF Holding drives green supply chain development with technology

Clean energy vehicles are a key tool in SF Holding's green supply chain.

- **Green:** We participate in government-backed green demonstration projects and the formulation of industry standards.
- **Networks:** We obtain data on clean energy vehicles through the pile network, enabling us to optimize our operations.
- **Intelligence:** We use data to locate and monitor our people, vehicles, and goods throughout our operations, combining the Shunlu platform's transport capacity management capabilities for intelligent task assignment.
- **Sharing:** We share data with customer and supplier systems for more efficient platform-based vehicle operation.
- **Model Innovation:** We use innovative supply chain models including reverse customization, platform-based procurement and leasing, financial leasing, and separation of vehicles and batteries.
- **Customer Value:** Connected clean energy vehicles offer better, greener service capabilities upstream and downstream in the supply chain.



Schematic Diagram of a technology-driven green supply chain

We make last-mile transportation more efficient using electric tricycles and motorcycles to reduce fossil fuel consumption and greenhouse gas emissions. As of the end of the reporting period, we had put 53,000 electric bicycles and 137,000 electric tricycles into use. SF Holding has now launched the "two or three rounds of vehicle delivery intelligent module system" project to further monitor and manage the operation and energy consumption data of the delivery process.

## Air transportation

SF Holding has taken various actions in terms of system, management, monitoring and measures to reduce the environmental impact from air transportation.

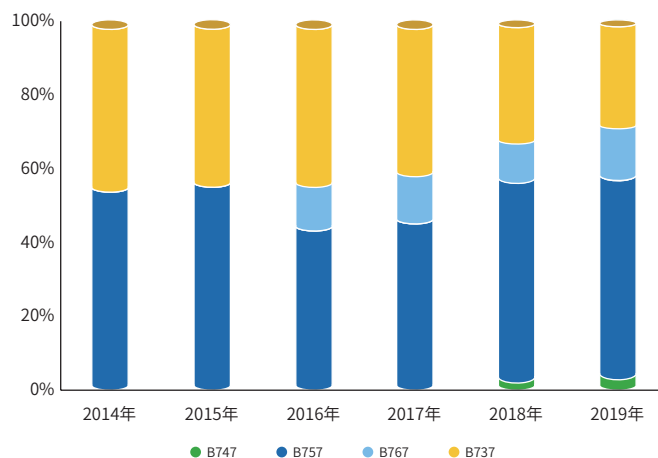
SF Holding complies with the requirements of the *Energy Conservation Law of the People's Republic of China*, the *Regulations of Guangdong Province on Energy Conservation*, and the *Interim Measures for the Management of Monitoring Carbon Dioxide Emissions from Civil Aviation Flight Activities*. We established the *Regulations on Energy Conservation Publicity, Education and Training*, the *Emission Reduction Reward and Punishment System*, and the *Energy Measurement Management System*. In addition, we set up an energy-saving fund to commend and reward departments and individuals that have made outstanding achievements in energy conservation.

We established an aviation energy management framework by forming a leading group to direct the energy management working group and review its proposals. The working group develops specific energy management work plans and measures, analyzing aviation kerosene, gasoline, diesel, gas, water, electricity, and other energy data, and reporting progress to the leading group. We audit and verify annual aviation kerosene, water, and electricity consumption data in line with Civil Aviation Administration of China (CAAC) requirements to ensure its accuracy. We report the audited data to the CAAC for inspection by relevant government departments.

We established the SF Holding Aviation Greenhouse Gas Emission Monitoring System in accordance with the *Interim Measures for the Management of Monitoring, Reporting and Verifying Carbon Dioxide Emissions from Civil Aviation Activities*. It audits observed fuel data and calculates the fuel used for each flight and the resulting emissions if the data is complete. If the Operation Control Department finds that the data record is incomplete, it will supplement the data using evaluation tools such as QAR (Quick Access Recorder) data or air traffic control bills.

By the end of 2019, we owned 58 all-cargo planes with an average age of 23.5 years. We are committed to building a green fleet with low energy consumption and high efficiency. In 2018, we stopped purchasing 737 cargo planes and started phasing out the existing seventeen in our fleet. We also began introducing 747, 757, 767 and other large new cargo planes. The proportion of new cargo planes in our fleet is increasing year by year. Compared with the traditional 737 cargo planes, the new cargo planes offer lower carbon emission when loaded and lower fuel consumption per ton per hour. In 2019 we purchased one Boeing 747 cargo plane, three Boeing 767 cargo planes, and four Boeing 757 cargo planes. 747 cargo planes consume 50% less fuel than 737 models. 767 cargo planes consume 45% less and 757 cargo planes consume 27% less.

The proportion of SF Holding's own large models increased from 2014 to 2019



### SF Holding aircraft fuel saving and emission reduction program in 2019

SF Holding Airlines implemented the Fuel Saving and Emission Reduction Program in 2019 to reduce aviation kerosene consumption.

- Control of planned landing residual oil: Consumption increases to unnecessary levels in aircraft carrying too much fuel. We can reduce fuel consumption by reducing the amount of landing residual oil in our planes.
- Straightening flight routes: We implemented straighter flight routes in coordination with the military and regulators, shortening our flight distance and cutting fuel consumption.
- Flight altitude optimization: We reduced cruising fuel consumption by flying at optimal altitudes as allowed by external flight conditions.
- Refined business load: We reduced the disparity between actual and estimated business load to prevent aircraft from carrying excess fuel and reduce unnecessary fuel consumption.
- Dynamic aircraft allocation: We reduced wasted shipping space by allocating aircraft models based on the predicted business load. This improved our efficiency and reduced energy consumption and cost.

We created the *Waste Oil Management Regulations*, which specifies the disposal of waste hydraulic and lubricating oil from aircraft maintenance. Maintenance personnel must manage stored waste oil in accordance with the *Dangerous Goods Management Procedure*. No tooling, parts, or oil must spill from waste oil storage tanks. This avoids foreign object debris (FOD<sup>9</sup>) from waste aviation products.

## Energy saving and consumption reduction on the ground

We use vehicle monitoring, route planning, and clean energy vehicles to reduce energy consumption in our airport ground vehicles. We retrofitted vehicles to meet exhaust standards in 2019. We also developed the *Operation Plan and Management Measures for Clean Energy vehicles in the Field* and trained staff in the use of clean energy vehicles.

### 3.1.3 Green shipment

SF Holding is building a green industrial park to reduce the environmental pollution from express shipment. We are improving our efficiency through the layout of warehouse space.

SF Holding industrial park environmental data in 2019<sup>10</sup>

	Unit	2019
Water consumption	t	326,459.5
Waste generation	kg	12,331,681.4
Renewable energy generation capacity	kW·h	1,296,826.4
Electricity consumption	kW·h	44,872,756.0
Greenhouse gas emissions	tCO <sub>2</sub> e	36,494.5

SF Holding has strengthened the use of renewable energy, launched a renewable energy program, and reduced greenhouse gas emissions. We also built photovoltaic power stations in our Yiwu and Hefei industrial parks.

- The solar photovoltaic power station in SF Holding Yiwu Industrial Park is a distributed photovoltaic power station with a total installed capacity of 723.84kW. It adopts a voltage level of 0.38KV and is connected to the national power grid system in a user-side grid connection mode where the power is generated for self use with surplus power transmitted to the grid. The project was officially put into operation in 2017.
- The solar photovoltaic power station in SF Holding Hefei Industrial Park is a distributed photovoltaic power station with a total installed capacity of 792kW. It adopts a voltage level of 0.38KV and is connected to the national power grid system in a user-side grid connection mode where the power is generated for self use with surplus power transmitted to the grid. The project was officially put into operation in 2019.



Photovoltaic power station in Yiwu industrial park



Photovoltaic power station in Hefei industrial park

<sup>9</sup> FOD is a foreign substance, debris or object that may damage the aircraft.

<sup>10</sup> Environmental data related to the Industrial Park cover SF Holding self-operated industrial parks in China main-land and Hong Kong. Environmental data for external tenants in the industrial park is not included. The electric power and water resources consumed by the ground aviation of SF Airlines in South China HUB industrial park are also excluded. This part of data is included in the table "SF Holding land and air transportation energy consumption in 2019" and "ESG Key Performance Tables".

## SF Holding Hong Kong industrial park certified as LEED

We incorporated our green elements concept into the Hong Kong industrial park (Asia Logistics Hub – SF Holding Center) during the planning phase. We required the park to achieve operational energy conservation, waste reduction, and sustainable development targets. In 2016, SF Holding Hong Kong industrial park won the LEED-CS Green Building Gold Award.



LEED Certificate for SF Holding Hong Kong industrial park



SF Holding Hong Kong industrial park

## 3.2 Addressing Climate Change

Climate change is an issue that has attracted worldwide attention. Enterprises must evaluate the medium to long-term impacts of climate change on production and operation to identify the related transition and entity risks. SF Holding is keenly aware that improving energy efficiency, reducing greenhouse gas emissions, and coping with extreme weather are important sustainable development measures that will enhance our competitiveness.

Based on feedback from air crew and land transportation personnel, we identified safety and operational risks from climate change factors including thunderstorms, typhoons, extremely cold weather and greenhouse gas emissions. We have identified the following risks related to climate change:

### Policy risk

The *Paris Agreement* has a long-term goal to restrict the average temperature rise to within 2 degrees Celsius from the pre-industrial level. Member governments will implement various policies and regulations to support this goal and capital markets and industry associations will follow suit. This creates potential policy and standard compliance risks.

### Cost risk

Express transportation consumes a large amount of energy, including gasoline, diesel, and aviation oil. This consumption is one of the most important sources of greenhouse gas emissions. As the world pays increasing attention to environmental protection, renewable energy has been given a higher priority. Compared to fossil energy, renewable energy may require enterprises to purchase new transportation vehicles or retrofit existing ones, presenting potential cost risks.

### Extreme weather risk

- **Transportation safety:** Due to climate change increases the frequency of extreme weather events such as thunderstorms, rainstorms, hail, and clear air turbulence, leading to volatile weather that affects transport safety.
- **More takeoff weight restrictions:** As temperatures rise, the atmospheric density decreases and the lift force generated by the wing decreases. High temperatures prevent loaded aircraft from taking off safely at certain times, leading to partial unloading or delays.
- **Lower flight punctuality:** Climate change increases low-visibility weather, causing substandard take-offs and landing conditions that increase flight delays.

### SF Holding measures to tackle climate change risks

**Participate in the formulation of standards and reduce policy risks:** We help formulate and implement policies and standards in the postal express industry and national transportation, and closely follow policy trends to avoid operational risks from policy changes.

- We attended the 2019 Green Freight Distribution Site Promotion Meeting and the Third Forum on Urban New Energy Logistics Vehicle Application and Development organized by the Ministry of Communications and the China Federation of Logistics and Purchasing, and made a keynote speech on experience promotion.
- We participated in the Review of Green Products, Green Models and Green Technologies at the Postal Industry event organized by the State Post Bureau and the Development Research Center.
- We attended the Smart Freight Forum on Efficient and Green Urban Freight organized by Smart Freight China to discuss the challenges China faces in achieving green and sustainable freight and explore potential solutions.

**Strengthen energy conservation and emission reduction, and reduce greenhouse gases:** We adopt green logistics measures across the entire package life cycle, including green packaging, transportation, and shipment. We purchase clean energy vehicles and implement energy conservation and emission reduction programs for aircraft fuel. These measures improve energy efficiency and reduce greenhouse gas emissions from each package.

**Develop green supply chain and promote industry transformation:** We offer customers circular packaging ecosphere and green supply chain solutions in areas including packaging and land transportation. We also work with upstream and downstream customers to enhance energy saving and emission reduction in the industry.

**Anticipate the weather changes and make early plans:** We arrange our transportation operations based on data from the meteorological system approved by the civil aviation authority. SF Holding controls the overall flight operation via the operation control center, and pre-judges weather via the weather seat<sup>11</sup> to ensure the safe and punctual operation of the flight.

<sup>11</sup> Weather seat refers to the meteorological management department of Air Traffic Management Bureau, which manages all kinds of support systems including radar, satellite and service terminal. Its main responsibilities include the forecast and release of meteorological data.



## 3.3 Fostering Environmental Protection Culture

2019 saw SF Holding launch many environmental protection campaigns including the SF Holding Creative Painting Competition of Changeable Express Boxes in Lianhua Primary School and Environmental Regeneration and Innovation Exhibition of Environmental Protection Creativity. We are committed to raising our employees' awareness of energy conservation and environmental protection. We have established internal systems such as *Measures for Office Space Management* and *Measures for the Management of Water and Electricity* to advocate for environmental protection among our employees.

### 3.3.1 Environmental activities

We are committed to advocating and promoting the development of green logistics. We promote environmental protection activities at all operational levels using carbon neutral and carbon offset measures to reduce greenhouse gas emissions. We also promote environmental protection concepts in society.

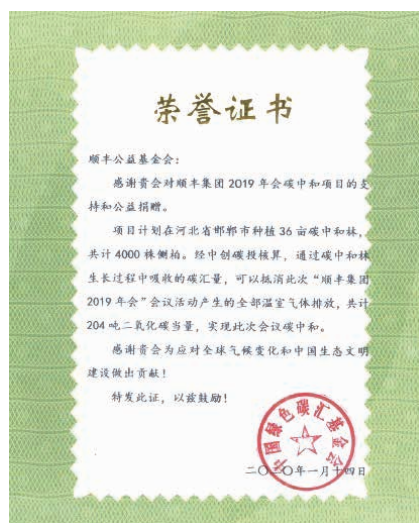
#### **"Join carton recycling, plant a "tree" in our hearts-SF Holding carton recycling program**

In August 2019, SF Holding launched carton recycling activities. SF Holding's carton recycling program includes carton recycling and reuse, as well as certain incentives for express delivery staff. While generating income for express delivery personnel, recycling cartons reduces pollution and waste of resources.

In October 2019, SF Holding established the carton recycling process and completed the development of carton recycling reports. We began piloting carton recycling in four regions in November, and began to promote it nationwide in February 2020. In 2019, SF Holding has collected 163,000 cartons in total. From January to May 2020, SF Holding has collected 17,847,000 cartons in total, with an average of 193,000 cartons per day across the entire network.

#### **SF Holding' 2019 annual meeting was carbon-neutral**

According to third-party professional accounting, the carbon dioxide emissions and the implied greenhouse gas emissions from the SF Holding Annual Meeting 2019 were equivalent to 204 tons of CO<sub>2</sub>. We neutralized those emissions by planting 36 mu of carbon neutralization forest in Shexian County, Handan City, Hebei Province, totaling 4,000 *Platycladus orientalis*. The planted carbon neutral forest is expected to absorb at least 384 tons of carbon dioxide in the atmosphere as the trees grow in the future. These carbon-neutral afforestation activities will eventually absorb all greenhouse gas emissions generated during the SF Holding Annual Meeting 2019.



Carbon neutralization certificate for SF Holding 2019 annual meeting

### 3.3.2 Green office

We promote the green office, encouraging employees to be economical with resources. We have put in place internal systems such as *Measures for Office Space Management* and *Measures for the Management of Water and Electricity* to ensure reasonable use of regional office space. We promote the use of shared office spaces and remote offices to improve the efficiency of our office space. We promote environmentally friendly construction by requiring that all materials used in small-scale decoration projects come with product certificates or material inspection forms. We also observe relevant government regulations in areas such as noise pollution, decoration garbage, and waste disposal during construction.

## SF Holding office and operation network 2019 environmental data<sup>12</sup>

Headquarters	Unit	2019
Paper used	kg	26,249.6
Electricity consumed	kW·h	5,459,125.6
Office waste produced	kg	1,528,800.0
Water consumed	t	72,174.9
Greenhouse gas emissions	tCO <sub>2</sub> e	4,567.7

### Green office measures

All our departments advocate green office practices including energy conservation and environmental protection. They promote energy conservation and environmental protection through awareness campaigns, use green construction techniques, and create a positive environment for green office work. We have installed intelligent management systems to reduce energy consumption. Our operations do not involve large amounts of water or wastewater discharge, nor do we develop products or businesses that pollute water resources.

By the end of 2019, SF Holding had installed energy-saving equipment at 19,576 sites throughout the network.

### SF Holding intelligent control of electricity consumption in Wenzhou

SF Holding introduced the Andeli Power Monitoring System into 164 outlets in the Wenzhou area for point-to-point intelligent control, timely discovery of abnormalities, and identification of hidden dangers. This power management system allows for the dynamic monitoring and analysis of energy consumption, enabling us to spot abnormal power consumption and identify energy-saving opportunities. As of February 2019, this system had cut our electricity consumption cost by 206,700, saving about 380,000 kW·h.

### SF Holding green office measures

- Develop electronic contract signatures for the contract printing and stamping process with major customers to reduce paper usage.
- Set the brightness of computer screens to an appropriate level and implement a power usage scheme.
- Eliminate daytime and constant lighting to make full use of natural light.
- Reduce energy consumption of office and operations electrical equipment in a standby state.
- Set air conditioner temperatures to 25-28 degrees Celsius with the doors and windows closed and switch off the power supply when not in use.
- Properly control the water flow, avoid opening faucets, and close them immediately after use.
- Make prompt requests to repair damaged water supply equipment.

### Environmentally friendly construction measures

- We use commonly available materials for small-scale decoration works in the region. All materials must come with product certificates or material inspection forms.
- We dispose of waste from the decoration process according to green construction standards or recycle it using professional third-party companies to minimize waste pollution.
- Lamps at decoration sites are all energy efficient.
- Our decoration work meets local noise management requirements to avoid affecting the daily life of local residents.

<sup>12</sup> Environmental data on SF Holding office and operation network cover the sites used by SF Holding in Shenzhen Software Industry Base Building, Shenzhen Man Kee Commercial Building, Shenzhen Richinfo Technology Building and Shenzhen Chuangzhi Tiandi Building (collectively referred to as headquarters office). In 2020, SF Holding will work to improve the collection methods of environmental data from its nationwide network and will gradually expand the coverage of data in the future.



04

经济篇  
ECONOMY

<b>Target</b>	Customer service dissatisfaction will be under 6% in 2020.	
<b>Policies</b>	Privacy Policy Data Compliance Management System Emergency Plan for Information Security Incidents of SF Holding Guidelines for the Formulation and Implementation of IT System Emergency Plan Regulations on Green Procurement Management of Procurement Supply Chain Center Sunshine Procurement Notification Letter	
<b>Key Performance</b>	Indicators	Data
	Major cybersecurity and information leakage incidents	0
	<i>Social Responsibility Clause</i> signing rate	100%
	<i>Supplier Integrity Agreement</i> signing rate	100%

United Nations Sustainable Development Goals (SDGs)		Responses to This Chapter
<b>Goal 9: Industry, Innovation, and Infrastructure</b>		We innovate in all aspects of collection, transfer, transportation, and dispatch of express shipments, enhancing industry competitiveness through smart logistics.
<b>Goal 13: Actions on Climate</b>		We advocate green procurement, strengthening our environmental protection requirements for suppliers and emphasizing their operational compliance.

## 4.1 Service and Product Optimization

We continuously optimize our service quality to be customer-centric while protecting customer privacy and promoting product innovation. We offer our customers safe, fast, secure, and smart express delivery services. We adjusted our direction in 2020, focusing on customer complaints and WeChat comments about our order processing. We acted to improve our service quality after conducting a root cause analysis.

**Customer service target:** In 2020, SF Holding will achieve a customer dissatisfaction rate of under 6%.

### 4.1.1 Customer and service optimization

SF Holding has created the *Rules for Rewards and Penalties of Customer Lines*, *Exception Handling Mechanism of Time Effectiveness*, and *Differentiated Service for Customers*. We explore customer service needs across different scenarios and design service plans suitable for different customers based on service product and customer needs. We then specify the transfer operation guidelines for our couriers. We also operate a knowledge base for pre-sales and after-sales customer service to help ensure targeted high-quality services.

We maintain a high-quality service team by integrating training course resources from our network and producing easy-to-understand online courses addressing operational situations. We assess customer service personnel according to metrics including the customer satisfaction rate, service error rate, postal appeal rate, and claims processing time. We use these assessment results along with incentives to improve service levels through performance management.

#### SF Holding focuses on users with disabilities

In 2019, we took several steps to better meet the needs of users with disabilities in areas including ordering and posting. We optimized the accessibility of our public WeChat account, official website, and WeChat applets, and invited feedback from users with disabilities. These users can place orders and book express couriers through these channels. The WeChat public account and applets allow them to track waybills, modify delivery times, and change their forwarding address.

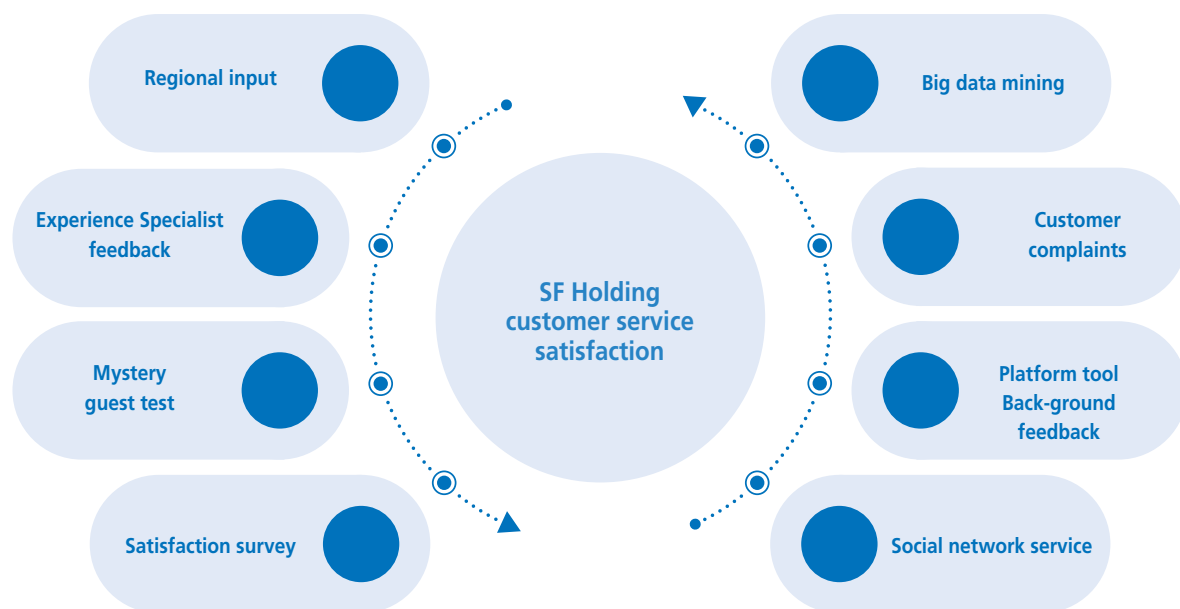


Disabled users placing orders

## Strengthen communication with customers

We attach great importance to customer feedback and continue to broaden its collection and analysis using techniques including big data mining, platform analysis, monitoring of online social services, and satisfaction surveys. This enables us to spot and rectify problems.

In 2019, SF Holding received over 50,000 customer demands, with a 96% overall customer satisfaction rate, achieving 93% of the original target. We ranked first in the satisfaction survey conducted by the State Post Bureau of the People's Republic of China for the 11th consecutive year.



SF Holding 2019 delivery service satisfaction survey

Delivery Service	Survey Contents
Service for key customers	Satisfaction with customer service regarding timeliness and problem-solving capabilities
Data Beacon	Functions of online tools
Quick prints and monthly statement	Functions of online tools
Express	Overall satisfaction of express operation and each link
Self-posting and collection at branches	Image and service attitude
WeChat applets	Functions of online tools



## 4.1.2 Technology and product innovation

We continue to distribute a diverse range of products and build a smart logistics system to improve industry efficiency.

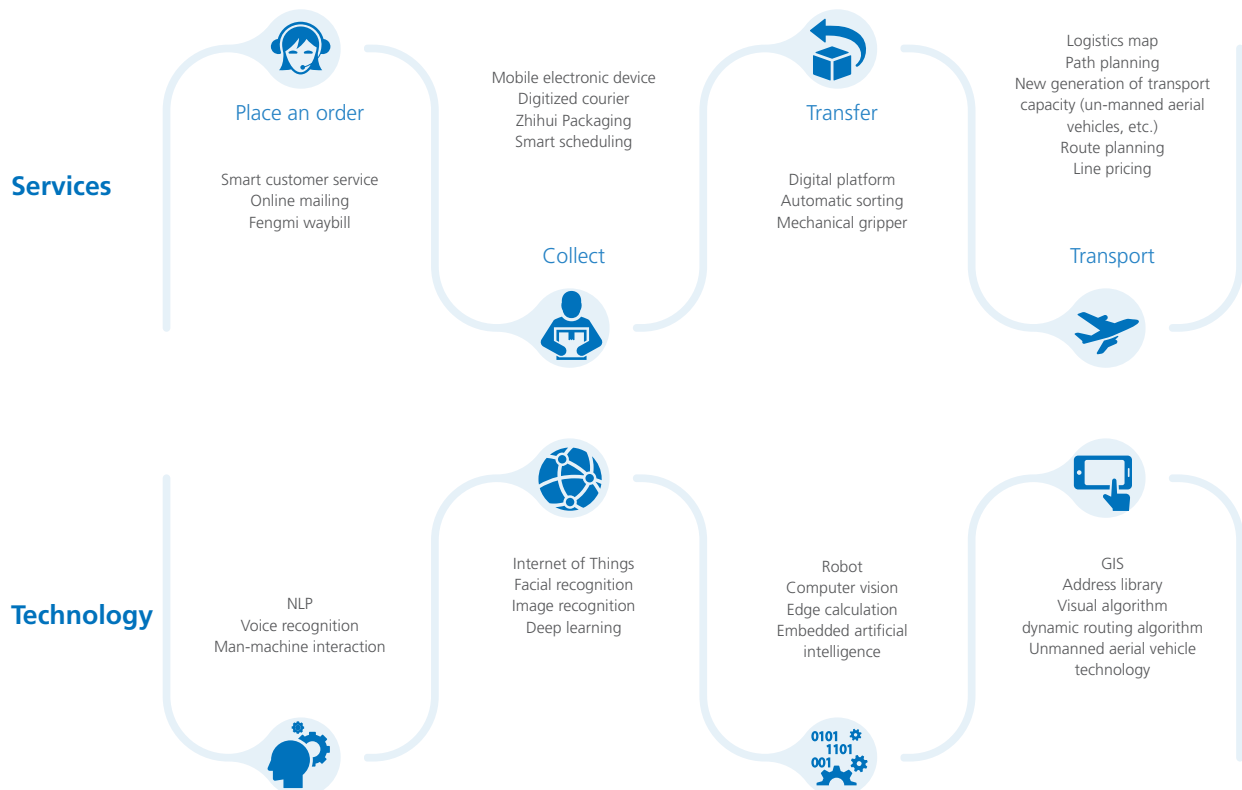
In 2019, SF Holding Technology invested 3,667.8 million in science and technology including 2,565.4 million in R&D.

### Diversified logistics products

Based on the diverse needs of different industries, customers and scenarios, SF Holding adheres to the product design philosophy of “customer-centric, demand-driven and experience-based”. The company focuses on each industry’s unique characteristics, and starts from the application scenarios to explore customers demands under different scenarios within the end-to-end process and other personalized demands. Thus SF Holding is able to design suitable products, services and solutions for customers. Vertically SF Holding enriches its product series with express delivery, economy express delivery, freight, cold chain and pharmaceuticals, intra-city instant delivery, international express and supply chain business. Horizontally SF Holding diversifies product tiers to meet the needs of customers in more market segments. Meanwhile, SF Holding enables product innovation with technologies to create industry solutions and provide customers with integrated comprehensive logistics services. Over the years, SF Holding has forged high-quality service experience through continuous innovation to provide solid and strong support for customers’ success.

### Building a smart logistics system

Through technological innovations, SF Holding empowers the logistics industry with intelligent, digital, visual and customized transformation. SF Holding has independently researched and developed a complete set of smart network platforms, integrating SF Holding’s core operation systems (including ordering, receiving, transferring, transporting and dispatching), the SF Map platform, big data platform, information security platform, and smart O&M management platform. The set of all those platforms has covered all business segments and scenarios to enable business in a fast, flexible, safe and comprehensive manner, and has promoted information interconnection of the whole logistics chain, which has created a smart and solid foundation for the diversified business development of the Company. Moreover, SF Holding has also integrated internal resources, as well as internal and external data. The Company used big data calculation and analysis, operation optimization, artificial intelligence and other technologies to establish intelligent management and intelligent decision-making platforms such as logistics operation analysis platform and business forecasting platform. By utilizing data and technology the company makes decisions, operates and optimizes processes, which has increased the efficiency and scientificness of operation, created SF Holding’s “intelligent brain” and realized data-driven technology and technology-enabled logistics.



How technology powers an express delivery

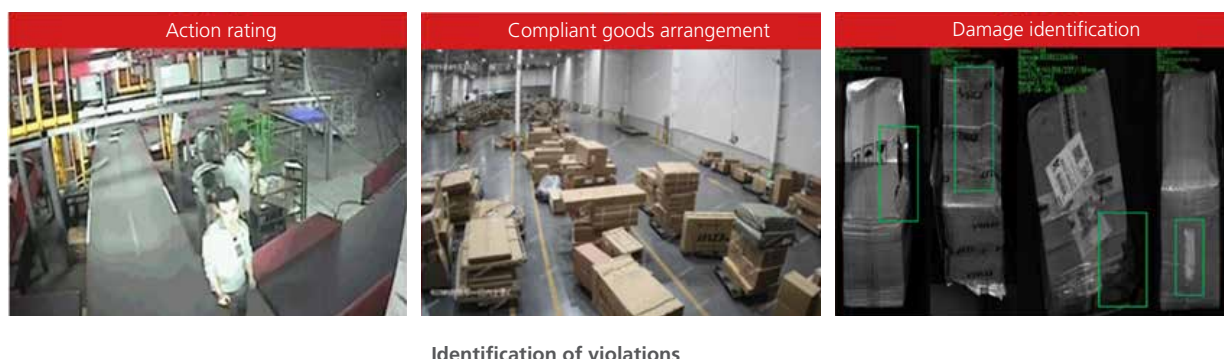
**Ordering:** Our address matching service supports the customer ordering process by helping users to complete their address entry, improving address standardization and user experience. We accurately identify customers' intentions and automatically obtain key information through smart voice interaction and heuristic language design.

**Receiving and dispatching:** We customized wearable smart Bluetooth headsets supporting voice wake-up and command interaction to help couriers in their daily work. We use electronic waybills with encryption and hiding functions to protect customers' private information and create a greener logistics operation. We provide diverse, smart choices for different packaging requirements through R&D of our traceable and recyclable Hive box, food and medicine temperature control packaging systems, and professional heavy cargo packaging solutions.

**Transfer and storage:** We have developed low-cost, reliable automatic sorting systems that offer 24-hour continuous high-speed package processing and reduced sorting error rates. We have also built a complete digital warehouse automation system supporting environments including cold transport and pharmaceutical warehouses.

### Better operation efficiency using computer vision technology

We developed AI Argus, the first domestic smart video analysis product for the logistics industry. It traces detects damage and spots operations violations in real time, reducing the probability of damaged and missing items.



**Transportation:** We improve our transportation efficiency using data mining technologies to match vehicles and goods. We have set up a network and route planning system that allocates transportation capacity and operation resources. We also use unmanned aerial vehicles to supplement our existing transportation capacity and extend our service coverage.

### SF Holding used drones for 'first kilometer' matsutake delivery

In 2019, we launched a delivery service for matsutake, a highly prized mushroom. We put over 100 unmanned aerial vehicles into the 'first kilometer' delivery of matsutake. From the mountains, it only took UAV 30 minutes for one-way loading, which increased the efficiency by over four times, ensured the timeliness of product transportation and helped local communities to achieve industrial upgrading and development.



## Stimulate innovative breakthroughs

We pursue innovation in three ways: cultivation, generation, and application.

In 2019, SF Holding won 1,235 innovative works and schemes, with 85.3% of the participants in various product innovation and activity sectors. Through the relevant intellectual property rights, SF Holding obtained over nine government-funded projects.

### Innovation cultivation

Starting from improving employees' basic innovation ability and creating an innovative atmosphere, SF Holding encourages employees to strengthen the cultivation of innovative thinking and methods through training, building a closed-loop platform for discovering, digging, discussing and giving feedback.

### Innovation generation

Through the micro-innovation of daily work and the annual innovation competition, SF Holding provides a platform for displaying excellent innovation projects, and makes use of high rewards and daily incentive mechanisms to urge employees on innovation. It also arouses experience, ideas, reusable tools and works for individual work.

### Innovative applications

SF Holding pays close attention to the establishment of the intellectual property mechanism. Through tracking and sorting out each product, it focuses on high-value intellectual property rights, so as to achieve 100% application of intellectual property rights before the planned market - oriented products, and enhance the application value of intellectual property rights.

## SF Holding Innovation Competition stimulates technical excellence

Our 2019 Innovation Competition generated 135 innovation projects, of which 63 were pre-research science and technology projects. We assessed the projects over three rounds of evaluation on qualities including market value, innovation, value output, and technical ability. Six projects won the competition.



The roadshow for the final of the 2019 Innovation Competition

## Intellectual property protection

We created the *Operation Guidelines for Handling Group Infringement Incidents* and the *Management System Trademark* in accordance with the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*. These documents regulate patent management and the use of company trademarks to prevent infringement. In 2019, we experienced no intellectual property right infringements.

By the end of 2019, SF Holding had obtained 1,005 patents, of which 328 were newly authorized in 2019. We ranked first in the domestic express delivery industry in terms of patent holdings.

We have established an internal safety review mechanism to protect our core technologies. It includes approval levels designed for different technology levels.

We protect the copyright of our own products through online monitoring, offline actions, and other measures to crack down on piracy.

- Online, we search for links to products with fake SF Holding trademarks and brands through major e-commerce platforms including Taobao, Jingdong, and Pinduoduo. We complain to those platforms via the Group Material and Customer Service Departments to minimize the impact on our brand by deleting illegal links on the platform.
- Off-line, we rely on law firms to spot indicators of piracy including violations at physical stores and the use of company names in various regions. We protect our rights by issuing legal letters and filing complaints with the local market supervision and administration authorities.

**Intellectual property training.** We strive to protect property rights, train employees, and communicate IP-related laws and regulations through on-site meetings, telephone calls, conferences, and emails. We also explore new laws and regulations and judicial interpretations, and we share typical IP use cases. In 2019, we organized 11 IP-related training events.

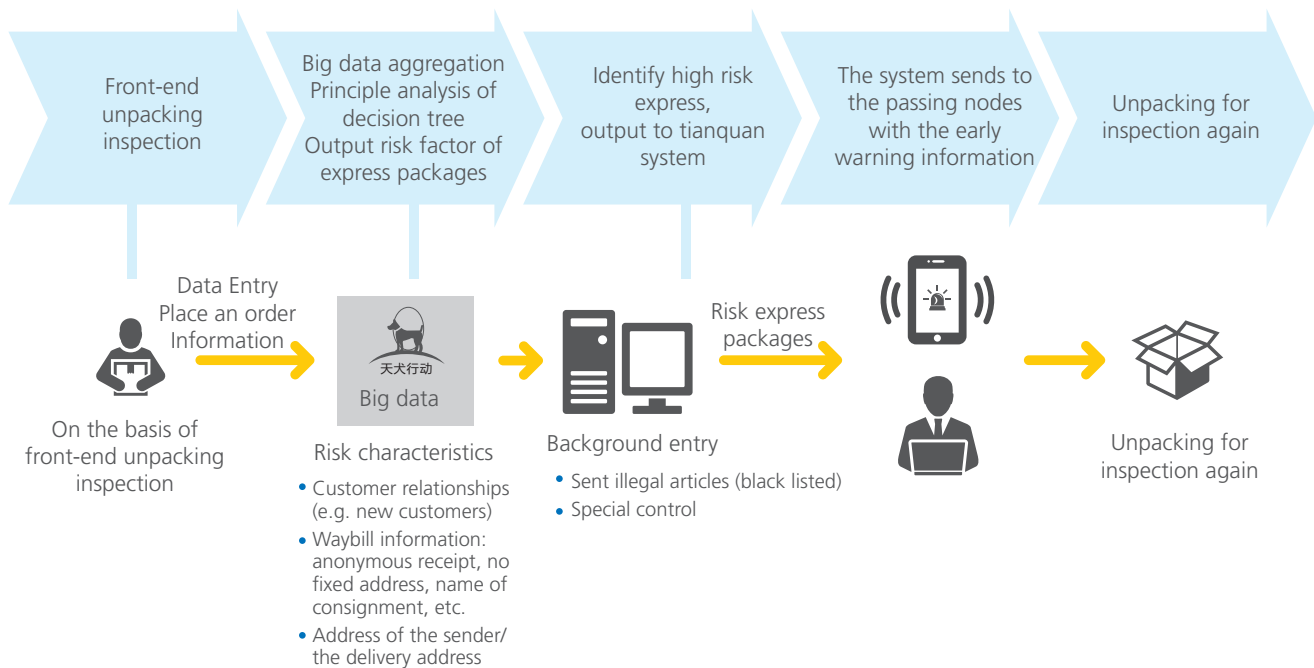
### 4.1.3 Safe delivery and transportation

SF Holding abides by the *Administrative Measures for Post Delivery Safety Supervision*. We created systems including the *Dangerous Goods Transportation Manual*, *Operation Procedures for Receiving and Sending Express Mail Containing Lithium Batteries*, and *Operation Procedures for Receiving and Sending Express Mail with Real Names*. We established a working group to promote the use of the real name system for delivery. It defines the division of responsibilities and improves controls in areas including receiving and sending standards, inspection operations, rewards, and penalties throughout our entire process to ensure safe delivery.

#### Placing and receiving orders: controlling high-risk items

**Real name posting.** We integrate a real-name authentication system into our system logic. We display real name information on the system and monitor the use of real names across our network.

**Inspection on receiving and posting.** We issue order reminders to our couriers according to the nature of the customer placing the order, such as 'new', 'check', and 'strict check'. We provide each courier with a hand-held terminal to query our contraband database. Our Tianquan early warning system also identifies risks, controlling the flow of high-risk items through our express channels.



Posting and delivery safety management process

In 2019, SF Holding intercepted 10,573 illegal and contraband items.

**Passing the security check.** Our smart security check system collects and displays the operational status of security check machines, the number of packages passing through the machines, and the types and the number of illegal contraband items found. In 2019, we organized seven training sessions for 329 security personnel.

### Transportation and transfer: ensuring safe delivery

**Ensuring the safety of items with high spontaneous combustion risk:** We reduce the risk of spontaneous combustion and damage of batteries and fragile articles using intensive express delivery and professional container loading. We use flame-retardant containers for the collection and transportation of electronic products such as lithium batteries and other A-standard separated delivery items. We also use automatic fire alarm systems, anti-static towing zones, and anti-static collection and packaging materials in vehicles to ensure safe delivery.

**Ensuring the safety of cold chain products:** Our *Regulations for Grading Management of Food Safety Risks in Cold Transport Division* have helped us establish a sound quality management system to ensure food quality in the cold chain logistics process. We established logistics service and internal control standards for transporting medical products. These include a specialized medical transportation vehicles and facilities, a full-chain temperature guarantee and monitoring system, and a logistics system with traceability and visualization.

### SF Holding passed ISO 22000 certification and obtained third-party logistics qualification for drugs and medical devices

In 2019, SF Holding successively obtained the Five-Star Cold Chain Logistics Enterprise (integrated type), *Catering Cold Chain Logistics Service Standard*, and Advanced Unit of Standardized Cold-Chain Operations qualifications. We also became the first domestic logistics enterprise to pass the ISO 22000 food safety management system certification.

We obtained third-party logistics qualifications for drugs and medical devices in Hubei Province and Sichuan Province, and for drugs in Guangdong Province. We also earned the double five-star certification for transportation scale hardware capability, transportation quality, and service capability under the *Assessment Standard for Logistics Quality and Service Capability of Drug-related Transportation Enterprises*.

**Strengthening transportation security management.** We use van-type trucks for transportation, equipped with regulator or electronic locks and sealing labels. We can monitor the parking position of vehicles in real time and regulate parking time and driving routes to ensure the safety of express packages in transit.

Secure delivery is part of our personnel assessment. We impose administrative penalties on regional management personnel for security issues during delivery. The assessment results directly affect management year-end performance.

In 2019, SF Holding launched 29 training sessions on safe delivery for couriers with 7.76 million participants and a 99.4% qualification rate.

## 4.1.4 Data privacy and security policy

SF Holding has a sound data privacy and network security protection policy and management framework. We conduct regular internal and external data privacy and network security tests, creating detailed emergency response guidelines. We have also established a full-chain customer privacy protection strategy to meet customers' expectations.

We assist the *State Post Bureau of the People's Republic of China* in developing information and network security standards: the *Guide to the Classification of Security Level Protection for Postal Information Systems* (2015), the *Basic Requirements for Security Level Protection for Postal Information Systems* (2016), and the *Guide to the Implementation of Security Level Protection for Postal Information Systems* (2018). We also helped create the *Security Technical Specification for the Internet of Things Platform and Perception Layer Device Security of the Internet of Things Technical Specification* led by the Shenzhen Institute of Standards and Technology, which were released on June 25, 2019. We proposed internet of things security control standards to promote the technology's safe application.

In 2019, there were no major network security or information disclosure incidents in SF Holding.



In 2019, SF Holding passed the following certifications: ISO 29151 for Personal Identity Information Protection Practice Guide Certification; ISO 27701, the new international standard of privacy information management of 2019, based on the ISO 27001 Certification Standard; and the National Information Security Level Protection Level III Certification and National Information Security Level Protection Level II Certification.



## Data privacy and network security policy

As a global company we abide by applicable data collection and processing laws and regulations around the world, including the *Internet Security Law of the People's Republic of China*, the *Personal Data (Privacy) Regulations*, the *General Privacy Protection Law (GDPR) of Europe*, the *Personal Information Protection Law of Japan*, the *Health Insurance and Portability Act of the US (HIPPA)*, and the *Personal Information Protection and Electronic Documents Act of Canada*.

We have established a three-tier data privacy and network security management organization including decision-making, management, and implementation organizations. The Technical Committee is ultimately responsible for information security decisions, appointments, and instructions. The CEO serves as its chairman and is the highest responsible person for information and data security. All employees must sign the *Employee Information Security Undertaking* to make commitments on the security and privacy of assets including company data, customer information, and employee personal information.

### SF Holding's information and data security organization and management responsibilities

Management Level	Job Responsibilities
Decision-making	<ul style="list-style-type: none"> <li>Top leadership</li> <li>Information security decisions, appointments, and instructions</li> </ul>
Management	<ul style="list-style-type: none"> <li>Formulating information and data security policies and standards</li> <li>Planning and implementing information and data security work</li> <li>Auditing information and data security</li> <li>Providing information necessary for the decision-making organization</li> <li>Information and data security-related training</li> </ul>
Implementation	<ul style="list-style-type: none"> <li>Supervising and confirming departmental information and data security management</li> <li>Implementing and developing specific information and data security control measures</li> <li>Coordinating and facilitating the implementation of information and data security requirements</li> </ul>



**SF Holding's data and information security organizational structure**

Our official website carries our *Privacy Policy*, which is applicable to S.F. Express and its affiliated companies. We also created the *Data Compliance Management System*, which applies to all our member companies (including those overseas) and divisions. It makes commitments including implementing leading data protection standards for handling personal information. It mandates principles including:

- **Legality, legitimacy and necessity.** Data processing must be necessary to provide goods or services unless otherwise agreed with the person who is the subject of the personal information. Data should be processed for legitimate purposes only.
- **Purpose.** Personal information collected may only be used for the purpose that its subject agrees to at the time of collection. The subject must provide further consent for the use of subsequent personal information beyond the original purpose.
- **Truth and accuracy.** Member companies shall promptly delete, correct, or supplement inaccurate or incomplete personal information, in accordance with legal provisions upon receipt of a request or complaint from the subject.
- **Transparency.** Member companies shall inform the subject about the purpose, method, scope, data controller, and data processor in a clear, understandable, and reasonable manner. They will also inform the subject about other third parties or categories of third party that may receive data.
- **Consent.** The consent of the subject of the personal information must be obtained prior to or at the time of collection of personal information.

In addition, we have stipulated the rights of individual information subjects in the *Data Compliance Management System*, including:

- The subject may ask for the type of personal information stored, the collection method and purpose, the storage period, the data controller, and the data processor.
- If the personal information is incorrect or incomplete, the subject may request correction or deletion.
- If personal data is breached, subjects will be promptly notified.
- If subjects have questions about their personal data, they can contact the official customer service team by telephone. They will receive a reply within 15 days.

(For full information, please refer to SF Holding Privacy Policy:

[https://www.sf-express.com/cn/sc/Privacy\\_Policy/](https://www.sf-express.com/cn/sc/Privacy_Policy/))

## Network security

SF Holding has established a three-tier information and data security management organization, and created the *Emergency Plan for Information Security Incidents of SF Holding* to specify operational measures to monitor and respond to a cyber-attack. We created detailed emergency response and remedial measures for different types of cyber-attack to ensure that all types of cyber security incidents are dealt with quickly and properly.

SF Holding conducts regular internal and external network security monitoring, conducts daily configuration checks, and has established a Blue Team to conduct penetration testing every quarter. White hat operatives discover system and business security vulnerabilities through our SF Security Response Center. We have 1,136 white hat users with a high number of vulnerability submissions and user activity. We have also established cooperative relations with external security media and network information security companies to help find potential security risks in the system. From June to September 2019, we completed security testing and remediation of our web applications, along with emergency preparedness and response drills for security incidents.



SF Security Response Center

We emphasize network security awareness among our employees and include network security education in our induction training courses. We provide professional skills training for system development and network security maintenance personnel.

## Data and information security

We have created information security systems such as the *Group Information Security Management Policy Manual* and the *Guidelines for the Formulation and Implementation of IT System Emergency Plans* to standardize our information security management and clarify our information security management policies and requirements. We also set up a systematic data security management platform governing the creation, storage, and use of data. We have also raised employee awareness of data and privacy protection through regular training.

We conduct annual internal and external risk assessments and internal audits of our business systems to discover and remediate vulnerabilities and prevent the leakage of customer, employee, and Company information. We conducted two internal audits in 2019 and found 25 non-conformance incidents with medium and low risks, rectifying them all within the specified time.

### SF Holding information and data security risk assessment and internal audit routine

Internal Risk Assessment	Daily routine security audits including log audits, vulnerability scans, and baseline audits. Annual risk assessments covering threats to the system, existing weaknesses, impacts, and the possibility of risks arising from the combination of the three.
Internal System Audit	Annual internal privacy information management system audit and risk rectification, minimizing the security threats to our confidential and private information, systems, and networks, and improving overall privacy protection.
External Penetration Testing	White hat penetration testing to find vulnerabilities including such as buffer overflows, business process issues, communication protocol bugs, and weak passwords.

We created the *Measures for the Management of Information Disclosure-Related Security Incidents* and the *Emergency Plan for Information Security Incidents of SF Holding*. These specify risk levels for breaches involving data types such as customer information, personal information, and business information. We list emergency response teams and measures, and specify workflows for information disclosure incident response.

## SF Holding operational measures to monitor and respond to data breaches

<b>Receiving Reports</b>	<ul style="list-style-type: none"> <li>The information security monitoring group receives and reports information disclosure security incidents through various channels, such as the monitoring and dispatching platform, email, telephone, and external channels.</li> </ul>
<b>Preliminary Analysis and Grading</b>	<ul style="list-style-type: none"> <li>We conduct preliminary analysis on reported incidents, including preliminary problem positioning, customer information, and scope of influence.</li> <li>We grade the security event based on the preliminary analysis results and the event grading standards.</li> </ul>
<b>Investigation and Analysis</b>	<ul style="list-style-type: none"> <li>If the breach involves a customer waybill and account numbers, we check the waybill exception inquiry, account login, and operation log analysis to locate personnel, abnormal operation content, and system exceptions.</li> <li>If employee personal information is involved, we can locate personnel or system abnormalities through SAP, Fengsheng and other systems, combined with e-mail and internet behavior.</li> <li>In business information breaches we consult the operation log of the platform holding the information for personnel or system abnormalities. We also check logs such as outgoing e-mails, online behavior, and software connection systems.</li> </ul>
<b>Rectification Process</b>	<ul style="list-style-type: none"> <li>Our investigation results guide suggestions for rectification. We handle those involving personnel review in coordination with the security team. We submit the investigation report to the Human Resources Department, and refer serious cases to the Legal Department.</li> </ul>

## SF Holding adopts end-to-end customer privacy protection policy

SF Holding protects customer data security and privacy using an end-to-end strategy spanning ordering, receiving, dispatching, transferring, after-sales and operation. It covers the entire data life cycle including collection, transmission, storage, processing, exchange, and destruction.

### Data and privacy life cycle security control procedure

Collection	Transmission	Storage	Access	Use	Cooperation
<ul style="list-style-type: none"> <li>Reasonable collection</li> <li>User authorization</li> </ul>	<ul style="list-style-type: none"> <li>Credit channel</li> <li>Upstream and downstream authentication</li> <li>Channel/content encryption</li> </ul>	<ul style="list-style-type: none"> <li>Resource/column-level encryption</li> <li>Backup encryption</li> </ul>	<ul style="list-style-type: none"> <li>User authentication</li> <li>Function permission control</li> <li>Data permission control</li> </ul>	<ul style="list-style-type: none"> <li>Query desensitization</li> <li>Export desensitization</li> <li>Test desensitization</li> </ul>	<ul style="list-style-type: none"> <li>Authority control</li> <li>Confidentiality agreement</li> </ul>

### Security control of data and privacy business scenarios procedure

Place an order	Collect	Transfer/After-sale	Operation
The Fengmi waybill hides the four middle digits of the receiver's phone number and defines whether to print the sender's information and the product information to protect the customer's privacy.	Our hand-held HHT7 terminals use asterisks in the calling interface, phone records, and message interface, hiding some numbers when contacting customers.	We use data desensitization and intelligent outbound calling to contact the customer. The system calls customers directly from the background and the customer service personnel do not need to know the customer's phone number.	We encrypt customer information during storage and transmission in various business systems and big data platforms, using ciphertext transmission during data flow.



## 4.2 Supplier Cooperation

SF Holding focuses heavily on supply chain construction, following the principles of equal consultation and mutual benefit. We operate a fair supplier management system.

### 4.2.1 Supplier management mechanism

We have created systems including the *Measures for the Management of Material Procurement and Sourcing in the Procurement Supply Chain Center*, and *Measures for the Management of Material Suppliers in the Procurement Supply Chain Center*. They standardize the entire supplier management life cycle including admission, daily management, assessment, and exit. We use supplier relationship management and supplier settlement platforms to implement online interactions throughout the supplier life cycle.

**Access admission.** We require business qualification and financial credit and conduct on-site supplier evaluations covering their business, quality, and technology. We also assess the compliance of secondary suppliers in areas including safety and environmental protection. In 2019, we introduced 3,157 suppliers including 701 centralized suppliers and 2,456 sub-suppliers, all of which have passed the relevant certification requirements.

**Daily assessment and evaluation.** The company controls supplier quality and conducts quarterly, semi-annual, and annual performance evaluations along with project performance evaluations for suppliers. The procurement specialist leads and reports on annual on-site audits. We match supplier capabilities to ensure stable supply quality. We divide suppliers into five grades according to the results of performance evaluation: A, B, C, D, and E. Grade A represents excellent performance, while we eliminate E-grade suppliers.

**Communication and training.** We communicate and cooperate with our suppliers, enhancing this with periodic events and activities such as supplier training covering company development, practical skills, and employee safety. We use on-site or remote training to share updates to our supplier quality standards or experiences around problem prevention or quality improvement.

**Exit process.** We remove companies from our list of qualified suppliers under conditions including: Failing our post-rectification review due to major quality or delivery abnormalities; scoring a D grade twice consecutively or E for each quarter; failing to cooperate with the corrective action; scoring an E grade in their annual performance.

#### SF Holding organized supplier training to enhance industry exchanges

In 2019, SF Holding used various forms of communication and training to improve suppliers' product knowledge. We also carried out sharing and exchange activities with brand suppliers in transmission and sorting, information technology, mechanical and electrical equipment, and transportation and packaging materials.



## 4.2.2 Procurement with integrity and fairness

We follow the principles of fairness, openness, and impartiality. We impose standards of transparent access at the front stage of procurement, fair process at the middle stage, and fair supervision at the back end.

Authorization Principles	The Purchasing Department is the only unit to make commercial commitments to suppliers. It is invalid and illegal for other departments to circumvent the Purchasing Department to make similar commitments to suppliers.
Principle of Integrity	Cooperation with suppliers and all business activities must follow the standards of integrity and business ethics.
The Principles Of Fairness, Openness and Justice	The Purchasing Department is responsible for obtaining the best overall value for the Company, ensuring openness in purchasing behavior, fairness in treating suppliers, and fairness in purchasing decisions.

We manage risk during the supplier bidding process, monitor aspects including supplier association, and prevent collusion with other suppliers during quotations. Clients must sign our *Integrity Agreement* along with our cooperation contract, prohibiting any form of bribery between the two sides. Our Audit Department investigates abnormal activities with a focus on examining procurement ethics supporting fairness, openness, and justice in our procurement.

We created the *Sunshine Procurement Notification Letter* to better manage procurement-related risks, integrating supplier certification, procurement sourcing, material delivery confirmation, and supplier performance evaluation. We also trained suppliers in their rights to confidentiality, complaint, reporting, and information. In 2019, we conducted a supplier satisfaction survey to identify purchasing and supplier cooperation problems. The survey covered questions related to procurement and personnel competence and quality. 300 central suppliers and sub-suppliers participated in the survey, indicating a 92.8% satisfaction.

In 2019, the suppliers signing rate of the integrity agreement reached 100%.

## 4.2.3 Striving for responsible supply

SF Holding attaches great importance to a responsible supply chain, opens communication channels, strengthens multiparty cooperation, and continuously drives suppliers to fulfill their responsibilities. We created the *Regulations on Green Procurement Management of Procurement Supply Chain Center* in response to the State Post Bureau's call for a green procurement pilot. We added corresponding environmental protection requirements to our supplier certification standards, bidding regulations, contract signing, and daily management. We also implemented green environmental protection requirements for suppliers to ensure green procurement.

In 2019, we supplemented *The Social Responsibility Clause* in our contractor agreements, defining the responsibilities of all partners in operations and employee care. We emphasize environmental compliance and require suppliers to take effective pollution prevention and emission management measures. We mandate supplier respect for human rights, fair and compliant employment measures, and require the reduction of potential safety hazards through preventive maintenance, safety work procedures and continuous safety training.

In 2019, the suppliers signing rate of the Social Responsibility Clause reached 100%.

## Policy List

### Regulations (GOVERNANCE)

Articles of Association of SF Holdings Co., Ltd.

Management System of Company Risk Control

Management System of SF Holding Crises

SF Holding Anti-Corruption Management System

SF Holding Integrity Handbook

Administrative Measures for Relatives Avoiding

Rewards and Penalty Management Regulations

Reporting Management Measures

Notice on Issuing the 'Self-declaration of 842 Employees With No Worries'

Employee Handbook (Chinese and English version)

Letter of Commitment to Anti-corruption

Integrity Agreement

## Regulations (SOCIETY)

Employee Handbook (Chinese and English version)

the Regulations on Employee Dismissal

Measures for Management of New Employees

Regulations on Attendance Management

Labor Contract

Irregular Working Hours System

Incentive Plan for Stock Appreciation Rights

Regulations on Management of Outstanding Employees

Employee Communication Management Regulations

Talent Promotion Management System

Guidelines for Non-Senior Management Promotion

Operational Guidelines for Senior Management Promotion

SF Instructor Management System

SF Teaching Material Management System

External Training Management System

SF's Application Process for External Training

Occupational Health and Safety Management Manual

Safety Production Responsibility System

Measures for the Safety Management of Self-operated Vehicles and Drivers

Fire Safety Management System

Measures for the Management of Fire-fighting Facilities and Equipment on Property Sites

Regulations on Safety Management of Logistics Suppliers

Safety Management Agreement for Logistics Handling and Sorting Services

Safety Management Agreement for Cargo Transportation Services by Road

Safe Operation of Belt Conveyor (Sorting)

Safe Operation Procedures for Forklifts

Regulations on Safety Inspection, Hazard Identification, and Risk Management

Emergency Preparedness Management System

Regulations on Safety Education and Training Management

## Regulations (ENVIRONMENT)

Emission Reduction Reward and Punishment System

Waste Oil Management Regulations

Operation Plan and Management Measures for Clean Energy vehicles in the Field

Measures for Office Space Management

Measures for the Management of Water and Electricity

## Regulations (ECONOMY)

Rules for Rewards and Penalties of Customer Lines

Exception Handling Mechanism of Time Effectiveness

Differentiated Service for Customers

Operation Guidelines for Handling Group Infringement Incidents

Management System Trademark

Dangerous Goods Transportation Manual

Operation Procedures for Receiving and Sending Express Mail Containing Lithium Batteries

Grading Management of Food Safety Risks in Cold Transport Division

Employee Information Security Undertaking

Data Compliance Management System

Privacy Policy

Emergency Plan for Information Security Incidents of SF Holding

Group Information Security Management Policy Manual

Guidelines for the Formulation and Implementation of IT System Emergency Plans

Management of Information Disclosure-Related Security Incidents

Measures for the Management of Material Suppliers in the Procurement Supply Chain Center

Regulations on Green Procurement Management of Procurement Supply Chain Center

Sunshine procurement Notification Letter

## ESG Key Performance Tables

Index (GOVERNANCE)	Unit	2019
Number of shareholders' meetings	Times	4
Follow-up feedback rate of effective reporting	%	100
Completion rate of "three ones" in handling complaints	%	99
Workforce' signing rate of the <i>Letter of Commitment to Anti-corruption</i>	%	87.9
Total duration of workforce anti-corruption education	Hours	9,738

Index (SOCIETY)	Unit	2019
Number of labour union members	10,000 people	15
Collective bargaining agreements cover rate	%	20.7
Resolution rate of workforce communication and advise	%	93
Employee satisfaction survey results	%	87
Employment contract signing rate	%	100
Total number of workforces	People	522,912
Couriers turnover rate	%	20.9
Percentage of rural workforce	%	80
Total number of workforce online trained	Person-times	22,285,007
Total hours of workforce training	Hours	2,575,721
Total investment in workforce training	100 million	1.3
Male workforce online training	Person-times	17,202,641
Female workforce online training	Person-times	5,082,366
New workforce training	Person-times	120,828
Total number of workforces receiving financial support for degree	Person	555
Total amount of educational certification subsidy	RMB	4,622,686
Total recordable injury rate	%	0.004
Lost time injury rate (LTIR)	%	0.005
LTIR trend based on 2018	%	-37.5
Serious express fire accident	Number	0
Fire accidents of Level I and Level II	Number	0
Personnel safety index	—	900
Safe production investment amount	10,000	5,651
Number of safety loopholes discovered and rectified in various safety inspections and activities	Number	56,832
The number of safety drills	Times	1,339
Safety drill site	Number	1,320
Safety training coverage rate	%	100
Condolences to workforces and their families	10,000 Person-times	161
Input of workforce consideration services	10,000	6,770



Index (ENVIRONMENT)	Unit	2019
Gasoline consumption	L	300,577.8
——Gasoline consumption of land transportation	L	206,472.0
——Gasoline consumption of ground aviation	L	94,105.8
Diesel consumption	L	152,355,602.3
——Diesel consumption of land transportation	L	151,920,855.0
——Diesel consumption of ground aviation	L	753,549.7
Electricity consumption	kW·h	128,728,372.9
——Electricity consumption of land transportation	kW·h	74,324,061.4
——Electricity consumption of ground aviation	kW·h	4,072,429.9
——Industrial park electricity consumption <sup>13</sup>	kW·h	44,872,756.0
——Electricity consumption of the headquarters office	kW·h	5,459,125.6
Aviation kerosene consumption	t	240,125.0
Greenhouse gas emissions from refrigerant	tCO <sub>2</sub> e	1,986.4
Comprehensive energy consumption <sup>14</sup>	kW·h	4,540,461,748.0
Comprehensive energy intensity	kW·h/million revenue	40,470.1
Total greenhouse gas emissions <sup>15</sup>	tCO <sub>2</sub> e	1,280,462.5
——Greenhouse gas emissions (Scope 1)	tCO <sub>2</sub> e	1,169,038.0
——Greenhouse gas emissions (Scope 2)	tCO <sub>2</sub> e	111,424.6
Greenhouse gas emission intensity	tCO <sub>2</sub> e/million revenue	11.4
Water consumption	t	438,191.9
——Water consumption of industrial parks	t	326,459.5
——Water consumption of the headquarters building	t	72,174.9
——Water consumption of ground aviation	t	39,557.5
Waste production	kg	13,860,481.4
——Waste production of industrial park	kg	12,331,681.4
——Production of office waste of the headquarters office	kg	1,528,800.0
Paper used of the headquarters office	kg	26,249.6
Total use of packaging items	kg	375,707,380.6
——Consumption of express envelope	kg	77,556,302.1
——Consumption of waybill	kg	18,569,099.2
——Carton consumption	kg	235,122,326.8
——Consumption of plastic bags	kg	21,099,363.4
——Consumption of scotch tape	kg	23,360,289.1

<sup>13</sup> Renewable energy generation capacity (1,296,826.4 kW·h) has been included in the power consumption of the industrial park.

<sup>14</sup> Comprehensive energy intensity and Greenhouse gas emission intensity data cover SF Holding self-operated industrial parks in China mainland and Hong Kong, the headquarters office, owned all-cargo planes, ground aviation (Shenzhen headquarters and the bases in Beijing and Hangzhou) and parts of self-owned vehicles of China mainland, Hong Kong and Macao.

index (ECONOMY)	Unit	2019
Technology investment	10,000	366,776.8
Research and development investment	10,000	256,540.0
Number of patents granted	Number	1,005
Number of new patents in 2019	Number	328
Coverage rate of training on safe delivery for couriers	%	81.4
Number of safety training courses on safe delivery	Number	29
Pass rate of delivery safety training	%	99.4
Rate of special equipment with certificates	%	100
Number of illegal and prohibited products intercepted	Number	10,573
Major cybersecurity and information leakage incidents	Number	0
Effective complaint rate of consumers	PPM	0.15
Handling rate of consumer complaints	%	100
Customer satisfaction	%	96
Number of internal audits on information security	Times	2
Number of suppliers in China	Companies	18,212
Number of suppliers in Hong Kong, Macao and Taiwan	Companies	22
Number of suppliers in America	Companies	4
Number of European suppliers	Companies	3
Number of suppliers in Asia (excluding China)	Companies	2
Suppliers with systematic management	Companies	18,243
Newly introduced centralized purchasing supplier in 2019	Companies	701
Newly introduced sub-suppliers in 2019	Companies	2,456
Signing rate of social responsibility clauses	%	100
Signing rate of supplier integrity agreement	%	100
Supplier satisfaction rate	%	92.8

# GRI Standards Index

GRI Standard	Disclosure	Chapter
<b>Organizational profile</b>		
102-1	Name of the organization	About the company
102-2	Activities, brands, products, and services	About the company
102-3	Location of headquarters	Please refer to the SF Holding 2019 Annual Report
102-4	Location of operations	Please refer to the SF Holding 2019 Annual Report
102-5	Ownership and legal form	Please refer to the SF Holding 2019 Annual Report
102-6	Markets served	About the company
102-7	Scale of the organization	About the company
102-8	Information on employees and other workers	Recruitment and promotion
102-9	Supply chain	Supplier management mechanism
102-10	Significant changes to the organization and its supply chain	Supplier management mechanism
102-11	Precautionary Principle or approach	Green transportation; Green office
102-12	External initiatives	Internal integrity management system
102-13	Membership of associations	Internal integrity management system
<b>Strategy</b>		
102-14	Statement from senior decision-maker	Chairman's speech
102-15	Key impacts, risks, and opportunities	ESG risk management
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behavior	Internal integrity management system
102-17	Mechanisms for advice and concerns about ethics	Internal integrity management system; Anti-corruption measurement
<b>Governance</b>		
102-18	Governance structure	Sustainable development management
102-19	Delegating authority	Sustainable development management
102-20	Executive-level responsibility for economic, environmental and social topics	Sustainable development management
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholder identification and communication
102-22	Composition of the highest governance body and its committees	Please refer to the SF Holding 2019 Annual Report
102-23	Chair of the highest governance body	Please refer to the SF Holding 2019 Annual Report
102-24	Nominating and selecting the highest governance body	Please refer to the SF Holding 2019 Annual Report
102-25	Conflicts of interest	Internal integrity management system
102-26	Role of highest governance body in setting purpose, values and strategy	Sustainable development management

GRI Standard	Disclosure	Chapter
102-27	Collective knowledge of highest governance body	Identification and communication of stakeholders
102-29	Identifying and managing economic, environmental, and social impacts	Materiality issues; ESG risk management
102-30	Effectiveness of risk management processes	Risk management system
102-31	Review of economic, environmental, and social topics	Materiality issues
102-32	Highest governance body's role in sustainability reporting	Sustainable development management
102-33	Communicating critical concerns	Stakeholder identification and communication
102-34	Nature and total number of critical concerns	Stakeholder identification and communication; Materiality issues
102-35	Remuneration policies	Rights protection
102-36	Process for determining remuneration	Rights protection
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	Stakeholder identification and communication
102-41	Collective bargaining agreements	Rights protection
102-42	Identifying and selecting stakeholders	Stakeholder identification and communication
102-43	Approach to stakeholder engagement	Stakeholder identification and communication
102-44	Key topics and concerns raised	Materiality issues
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	Please refer to the SF Holding 2019 Annual Report
102-46	Defining report content and topic Boundaries	About the report
102-47	List of material topics	Materiality issues
102-48	Restatements of information	About the report
102-49	Changes in reporting	Not applicable
102-50	Reporting period	About the report
102-51	Date of most recent report	Not applicable
102-52	Reporting cycle	About the report
102-53	Contact point for questions regarding the report	About the report
102-54	Claims of reporting in accordance with the GRI Standards	About the report
102-55	GRI content index	GRI Standards Index
<b>Economic Standards</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Green Office
103-3	Evaluation of the management approach	Anti-corruption measurements; Supplier management mechanism

GRI Standard	Disclosure	Chapter
<b>GRI 201 Economic Performance</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	ESG risk management; Addressing climate change
103-3	Evaluation of the management approach	ESG risk management; Addressing climate change; Poverty alleviation
201-1	Direct economic value generated and distributed	Poverty alleviation
201-2	Financial implications and other risks and opportunities due to climate change	ESG risk management; Addressing climate change
201-3	Defined benefit plan obligations and other retirement plans	Rights protection
<b>GRI 202 Market Presence</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
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103-3	Evaluation of the management approach	Rights protection
<b>203 Indirect Economic Impacts</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Philanthropic donations and support
103-3	Evaluation of the management approach	Philanthropic donations and support
203-1	Infrastructure investments and services supported	Philanthropic donations and support
203-2	Significant indirect economic impacts	Philanthropic donations and support
<b>204 Procurement Practices</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Procurement with integrity and fairness
103-3	Proportion of spending on local suppliers	Procurement with integrity and fairness
<b>205 Anti-corruption</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Internal integrity management system; Anti-corruption measurement
103-3	Evaluation of the management approach	Internal integrity management system; Anti-corruption measurement
205-1	Operations assessed for risks related to corruption	Internal integrity management system
205-2	Communication and training about anti-corruption policies and procedures	Internal integrity management system; Anti-corruption measurement
205-3	Confirmed incidents of corruption and actions taken	Anti-corruption measurement



GRI Standard	Disclosure	Chapter
<b>206 Anti-competitive Behavior</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Internal integrity management system
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<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Green packaging; Green transportation
103-3	Evaluation of the management approach	Green packaging; Green transportation; Green Office
<b>GRI 301 Materials</b>		
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103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Green packaging
103-3	Evaluation of the management approach	Green packaging
301-1	Materials used by weight or volume	Green packaging
301-2	Recycled input materials used	Green packaging
301-3	Reclaimed products and their packaging materials	Green packaging
<b>302 Energy</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Green transportation
103-3	Evaluation of the management approach	Green transportation
302-1	Energy consumption within the organization	Green transshipment
302-3	Energy intensity	Green transportation
302-4	Reduction of energy consumption	Green transportation
302-5	Reduction in energy requirements of products and services	Green transportation
<b>303 Water and Effluents</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Green Office
103-3	Evaluation of the management approach	Green Office
303-1	Interactions with water as a shared resource	Not applicable
303-2	Management of water discharge-related impacts	Not applicable
303-3	Water withdrawal	Green Office

GRI Standard	Disclosure	Chapter
<b>304 Biodiversity</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Not applicable
103-2	The management approach and its components	Not applicable
103-3	Evaluation of the management approach	Not applicable
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable
304-2	Significant impacts of activities, products, and services on biodiversity	Not applicable
304-3	Habitats protected or restored	Not applicable
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable
<b>305 Emissions</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Green packaging; Green transportation
103-3	Evaluation of the management approach	Green packaging; Green transportation
305-1	Direct (Scope 1) GHG emissions	ESG Key Performance Tables
305-2	Energy indirect (Scope 2) GHG emissions	ESG Key Performance Tables
305-3	Other indirect (Scope 3) GHG emissions	ESG Key Performance Tables
305-4	GHG emissions intensity	ESG Key Performance Tables
305-5	Reduction of GHG emissions	ESG Key Performance Tables
305-6	Emissions of ozone-depleting substances (ODS)	Green transportation
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103-3	The management approach and its components	Green Office
306-2	Evaluation of the management approach	Green Office
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306-4	Transport of hazardous waste	Not applicable
306-5	Water bodies affected by water discharges and/or runoff	Not applicable

GRI Standard	Disclosure	Chapter
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103-3	Evaluation of the management approach	Green transportation; Addressing climate change
307-1	Non-compliance with environmental laws and regulations	Developing green logistics
<b>308 Supplier Environmental Assessment</b>		
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103-2	The management approach and its components	Striving for responsible supply
103-3	Evaluation of the management approach	Striving for responsible supply
308-1	New suppliers that were screened using environmental criteria	Striving for responsible supply
308-2	Negative environmental impacts in the supply chain and actions taken	Striving for responsible supply
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103-2	The management approach and its components	Rights protection
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401-1	New employee hires and employee turnover	Recruitment and promotion
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Welfare and care
401-3	Parental leave	Welfare and care
<b>402 Labor/Management Relations</b>		
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103-3	Evaluation of the management approach	Rights protection
402-1	Minimum notice periods regarding operational changes	Rights protection

GRI Standard	Disclosure	Chapter
<b>403 Occupational Health and Safety</b>		
<b>GRI 103 Management Approach</b>		
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403-5	Worker training on occupational health and safety	Occupational health and safety
403-6	Promotion of worker health	Occupational health and safety
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403-8	Workers covered by an occupational health and safety management system	Occupational health and safety
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<b>404 TRAINING AND EDUCATION</b>		
<b>GRI 103 Management Approach</b>		
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103-2	The management approach and its components	Training and development
103-3	Evaluation of the management approach	Training and development
404-1	Average hours of training per year per employee	Training and development
404-2	Programs for upgrading employee skills and transition assistance programs	Training and development
404-3	Percentage of employees receiving regular performance and career development reviews	Training and development
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103-2	The management approach and its components	Not applicable
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410-1	Security personnel trained in human rights policies or procedures	Not applicable
<b>411 RIGHTS OF INDIGENOUS PEOPLES</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Not applicable
103-2	The management approach and its components	Not applicable
103-3	Evaluation of the management approach	Not applicable
411-1	Incidents of violations involving rights of indigenous peoples	Not applicable



GRI Standard	Disclosure	Chapter
<b>412 HUMAN RIGHTS ASSESSMENT</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Rights protection
103-3	Evaluation of the management approach	Rights protection
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Striving for responsible supply
<b>413 LOCAL COMMUNITIES</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Philanthropic donations and support
103-3	Evaluation of the management approach	Philanthropic donations and support
413-1	Operations with local community engagement, impact assessments, and development programs	Poverty alleviation
413-2	Operations with significant actual and potential negative impacts on local communities	Philanthropic donations and support
<b>414 SUPPLIER SOCIAL ASSESSMENT</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Supplier management mechanism
103-3	Evaluation of the management approach	Supplier management mechanism
414-1	New suppliers that were screened using social criteria	Striving for responsible supply
414-2	Negative social impacts in the supply chain and actions taken	Supplier management mechanism
<b>415 PUBLIC POLICY</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Not applicable
103-2	The management approach and its components	Not applicable
103-3	Evaluation of the management approach	Not applicable
415-1	Political contributions	Not applicable

GRI Standard	Disclosure	Chapter
<b>416 CUSTOMER HEALTH AND SAFETY</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Safe delivery and transportation
103-3	Evaluation of the management approach	Safe delivery and transportation
416-1	Assessment of the health and safety impacts of product and service categories	Safe delivery and transportation
<b>417 MARKETING AND LABELING</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Technology and product innovation
103-3	Evaluation of the management approach	Technology and product innovation
417-2	Incidents of non-compliance concerning product and service information and labeling	Technology and product innovation
<b>418 CUSTOMER PRIVACY</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Data privacy and security policy
103-3	Evaluation of the management approach	Data privacy and security policy
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data privacy and security policy
<b>419 SOCIOECONOMIC COMPLIANCE</b>		
<b>GRI 103 Management Approach</b>		
103-1	Explanation of the material topic and its Boundary	Materiality issues; About the report
103-2	The management approach and its components	Business ethics management
103-3	Non-compliance with laws and regulations in the social and economic area	Business ethics management

# Readers' Feedback

Dear reader:

Thank you for taking the time to read the 《2019 S.F. Holding Co., Ltd. Sustainability Report》.

To improve our sustainable development program and this report, we would like to hear your comments and suggestions.

Please answer the following questions and submit it to us via emails [sfir@sf-express.com](mailto:sfir@sf-express.com)

《Readers' Feedback Form of 2019 S.F. Holding Co., Ltd. Sustainability Report》

Name\_\_\_\_\_

Company\_\_\_\_\_

Tel\_\_\_\_\_

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Your comments: (Please put a check mark in the corresponding box)

	Very Good	Good	Average	Poor	Very Poor
Do you think this report has informed you about the material impact that SF Holding has made on our environment and society?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What's your overall evaluation of the information contained in this report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What's your overall evaluation of the format and design of this report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Which part of the report are you most interested in?  
\_\_\_\_\_

What other information do you think is needed in this report?  
\_\_\_\_\_

What comments and suggestions do you have for SF Holding in terms of its report on social responsibility programs?  
\_\_\_\_\_

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