



中國外運股份有限公司
SINOTRANS LIMITED

Stock Code : 00598 HK 601598 SH

Corporate Social Responsibility Report (ESG Report) 2018



2017 年度報告



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GENERAL INFORMATION

This report covers Sinotrans Limited (“Sinotrans” or “the Company”, together with its subsidiaries, collectively “the Group”). The content contained herein involves the environment, social & governance performance of the Group in the main business locations (i.e. Mainland China). After the Group has further enhanced and refined the work within the range of environment, social & governance, and data collection has become more mature, the report’s coverage will be extended to the business outside Mainland China, and continuous optimization and improvement will be made on indicators disclosed.

REPORTING PERIOD

The report covers the period from 1 January 2018 to 31 December 2018 and some of the content is traced back to the previous years as needed.

BASIS OF PREPARATION

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) of Hong Kong Stock Exchange and Guidelines for Environmental Information Disclosure of Listed Companies of the Shanghai Stock Exchange, with reference to the Sustainability Reporting Guidelines (“G4”) of Global Reporting Initiative (“GRI”). As for the information related to the Group’s corporate governance, please refer to the “Corporate Governance Report” of the Group’s Annual Report for the year ended December 31, 2018.

DATA SOURCE

All data in this Report (the “Report”) are from official documents and statistical reports of Sinotrans Limited. The amount of currency involved in this Report is denominated in RMB, unless otherwise stated.

PUBLICATION

You can obtain a PDF version of this Report in Chinese and English on the homepage of Sinotrans Limited at www.sinotrans.com.

This report is published in both Chinese and English. In the event of any discrepancy between the versions, please refer to the Chinese version.

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2 RESPONSIBILITY 2018

2.1 KEY PERFORMANCE

Total Assets
(RMB)

61.49
billion

Total Profits
(RMB)

4.11
billion

**Total Tax
Contributed
to China**
(RMB)

1.78
billion

Revenue
(RMB)

77.31
billion

**Investment
in R&D of Science
and Technology**
(RMB)

43
million

**Number of
Total Employees**
(Pax)

33,676

**Proportion of
Female Employees**

36.1%

**Number of
Total Suppliers**

12,368

2 RESPONSIBILITY 2018

2.2 MAIN HONORS – IMPORTANT AWARDS RECEIVED IN 2018



- First place in the top 100 Chinese Logistics Enterprise in 2018



- 2018 Outstanding Chinese Logistics Enterprise



- Representative Enterprise of the Logistics Industry for 40 Years of Reform and Opening Up



- 2018 Asia Innovational Logistics Intelligence Award (Transport Logistic China)



- Digitalised Warehousing Management (cloud warehouse) Platform won the Excellent Case of 2018 Logistics Information Platform



- Global Gold Supplier2018
– Huawei Technologies Co., Ltd

3 CHAIRMAN'S STATEMENT



Li Guanpeng
Chairman and President



I. REVIEW OF OPERATIONS

2018 witnessed a moderate growth of the world economy and a slackened momentum. China's economy sought progress while maintaining stability. In terms of phased changes, China's economy had shifted from a stage of rapid growth to a stage of quality development. China's foreign trade kept a steady growth with imports and exports hitting record highs, whereby China could hopefully maintain the world's largest trading nation in commodities. In 2018, China's GDP recorded a year-on-year growth of 6.6% while the total value of imports and exports of commodity trade in China increased by 9.7% year on year. The total value of imports and exports in China denominated in US dollar increased by 12.6% year-on-year, of which, exports and imports increased by 9.9% and 15.8% respectively.

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CHAIRMAN'S STATEMENT

In 2018, the Group maintained a steady development trend and kept performance growth in all aspects. 2018 marked the Group's winning of honors and awards, including The First Place among China's Top 100 Logistics Enterprises, China's Outstanding Logistics Enterprise Award, 2018 Asian Star of Intelligence and Innovation Logistics (Asia Logistics Biennale) and Representative Enterprises in the Logistics Industry for the 40th Anniversary of Reform and Opening-up, whereby the comprehensive competitiveness and brand influence kept enhancing. In 2018, the Group achieved revenue of RMB77.312 billion, representing an increase of 5.68% as compared to 2017; achieved net profit of RMB3.199 billion, representing an increase of 7.3% as compared to 2017; and achieved net profit attributable to shareholders of the Company of RMB2.704 billion, representing an increase of 17.36% as compared to 2017. Earnings per share were RMB0.45 (2017: RMB0.38).

II. DIVIDENDS

The Board has proposed to recommend a final dividend of RMB0.13 per share (tax included), total allotment of RMB962,104,504 (tax included), at the forthcoming annual general meeting to reward shareholders for their continuous support to the Group.

III. ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

We believe that active performance of social responsibilities represents an essential quality for a good company, which is very important in terms of both the community's future and the sustainable operation of the company.

Since the establishment of the ISO9001:2015/ISO14001:2015/OHSAS18001:2007 quality and EHS (Environment, Health and Safety) management systems of the Group in 2007, the Group has formulated procedures for identifying, assessing and controlling environmental factors. Suitability assessment and tracking of relevant laws and regulations on safety and environment have been conducted. Controllable environmental factors in the operating activities and relevant services of the Group that might have an impact were fully, adequately and effectively identified, assessed and updated. We have ensured that necessary attention is given to significant environmental factors and effective control is exercised to minimize adverse impact on the environment. Since 2015, the Company has been preparing and issuing an "Environmental, Social and Governance Report" annually, stating its performance in the previous year. For more information on the Group's performance of environmental and social responsibilities in 2018, please refer to the "Social Responsibility Report (ESG Report)" to be published by the Company subsequently.

IV. INVESTOR RELATIONS

With a strong emphasis on investor relations, on the premise of conformity with relevant laws and regulations, the Group has always sought to ensure effective communications between investors and Management. Latest updates on the Group's business development and operations are released in a timely manner through a variety of means, and accurate information disclosure is being conducted in accordance with corporate governance principles.

I am deeply convinced that sustained and effective communications with investors will improve the management transparency and corporate governance standards, and create greater value for shareholders.

V. PROSPECTS

In 2019, China is still in an important period of strategic opportunity for development and has ample resilience, Economic structure should be optimized and upgraded, scientific and technological innovation capacity should be continuously enhanced, reform and opening-up should be deepened, and the process of green development should be accelerated. The economic fundamentals are remain sound over the long term. Joint efforts to pursue the Belt and Road Initiative are producing a pace-setting effect, cooperation mechanisms for countries along its routes are steadily improving, and economic cooperation, trade, and cultural and people-to-people exchanges under the Initiative have gathered momentum. Substantive steps were taken in the planning and building of the Guangdong-Hong Kong-Macao Greater Bay Area, Fully deepening mutually beneficial cooperation with the Mainland. Transportation and Logistics Industry, The current 10% tax rate of transportation industry will be reduced to 9%. The urban land use tax of logistics enterprises will be reduced, and the industry tax burden will be significantly reduced. At the same time, the government should clean up and standardize all kinds of fees related to enterprises, promote the reduction of logistics costs, and promote logistics enterprises to reduce costs and increase efficiency.

In 2019, the Group will deepen regional integration; continue promoting the integration of contract logistics, whereby achieving the sharing and coordination of resources between subsidiaries and contract logistics business. In the meantime, we will complete the digital planning with more investment in digitization and more efforts in R&D of new technology industrialization application. We will be in a better position to enhance operation quality by perfecting the systems. Additionally, we will strengthen the performance assessment and emphasize the result-oriented culture, to safeguard the promotion of the Group's transformation.

VI. APPRECIATION

On behalf of the Board, I hereby would like to take this opportunity to express my honest gratitude to all shareholders, partners, and customers for their lasting attention, supports and assistance. And also, I would like to extend my deepest appreciation and respect to the extraordinary efforts and treasurable contribution made by all the Directors, Supervisors and staff in 2018. Sinotrans will constantly reform and innovate, and endeavor to create more value.

Li Guanpeng

Chairman and President

Beijing, the PRC

25 March 2019

4 ABOUT US

4.1 COMPANY INTRODUCTION

Sinotrans was incorporated on 20 November 2002, listed on the Hong Kong Stock Exchange on 13 February 2003 and listed on the Shanghai Stock Exchange on 18 January, 2019 (601598.SH). As the subsidiary and logistics platform for CMG, Sinotrans Limited aims to build a world-class business platform with intelligent logistics services. By the end of 2018, total assets of Sinotrans was RMB61.49 billion, net assets was RMB27.85 billion and the number of employees in total was 33,676.

Sinotrans is a leading integrated logistics services provider in China. Sinotrans' network covers all of China and important economic regions of the world. Sinotrans is the largest integrated logistics integrator in China, and is a national 5A comprehensive logistics enterprise whose principal businesses include freight forwarding, professional logistics, storage and terminal services, and other services mainly engaged in logistics equipment leasing, shipping, trucking and express services.

As an integrated logistics service provider, Sinotrans understands the vital importance of social responsibilities to the Group's future, and also realizes the far-reaching influence the Group's business model has over the environment and society. At the same time of pursuing maximization of business profit, corporate value and shareholder interests, Sinotrans also lays high emphasis on the Group's sustainable development, pays attention to the environmental and social effect from the Group's operations, and incorporates sustainable development strategies into corporate culture and business plans.

4.2 PRODUCTS & SOLUTIONS

Sinotrans' service and products including sea freight forwarding, air freight forwarding, international express service, highway and railway transportation, shipping agency, storage, distribution, terminal services. No matter what the shipment is, wherever the shipment is, Sinotrans is always devoted to provide excellent services to facilitate our customers' products facing the market with a more safe, secure and efficient manner to acquire advantage in the competition.



➤ Sea Freight Forwarding



➤ Air Freight Forwarding



➤ Shipping Agency



➤ Terminals for Container Yards



➤ Road and Rail Services



➤ International Express



➤ Supply Chain Management



➤ Logistics Information System

- **Observe Logistics Laws and Regulations**

Sinotrans strictly observes all laws and regulations in connection with logistics services (including: regulations on the carriage of dangerous goods, overload transport, embargo, etc.). Taking hazardous chemicals for example, Sinotrans attaches great importance to safe handling, transport and warehousing of hazardous chemicals. Sinotrans Chemical International Logistics Co., Ltd. ("Sinotrans Chemical Logistics") is a subsidiary of the Group specializing in transport and warehousing of hazardous chemicals. From the year of 2008 when Sinotrans Chemical Logistics built the first emergency team in Shanghai, it now has established a nation-wide network for emergency rescue of hazardous chemicals, with an emergency team who has received overseas professional training and advanced emergency equipment available. For example, it has equipped with an emergency operation vehicle featured with 7*24 rapid response and night-time emergency operation functions, and a specialized chemical fire engine. Sinotrans Chemical Logistics' emergency network is able to handle all kinds of off-site emergency events, including disposal of large bulk liquid chemicals, flammables & explosives, hazardous & toxic chemicals, etc., and upon occurrence of any accident within 200 kilometers, it basically can arrive at the scene within two hours. Sinotrans Chemicals Logistics has strived to explore the value of emergency response solutions and strived to develop the chemicals emergency resolutions into its specialized products, to provide more professional off-site emergency services to chemical manufacturers.

The Group has established its examination and control procedures for examining the required quality of its various operation management and business operations, environment management, to ensure all products, services and environment meeting the standards and requirements of related regulations. The Group also abides by the national polices, laws and regulations on health and safety. There is no product recalled as the Group only provides integrated logistics services to its clients.

- **Protect Client Privacy**

During any bidding process of major projects and when signing logistic contracts, Sinotrans signs Confidential Agreement with its clients, avoiding disclosure of the clients' information and safeguarding the clients' privacy. Within the reporting period, no complaint caused by disclosure of client information was received by the Group. In the future, the Group will further improve measures for protecting client privacy and information, so as to avoid disclosure of client information (including: name, contact, content of consignment, etc.).

4.3 VISION & MISSION

Corporate Vision

To become a world-class intelligent logistics platform corporation starting from an integrated logistics integrator.

Corporate Mission

Focusing on Customer's Requirement, Latent Business Pressure and Challenges, Continuously Creat Business and Social Value through Best Solutions and Services.

5 COMPLIANCE OPERATION

5.1 OPERATION OF THREE COMMITTEES

In accordance with the requirements of the Company Law, the Securities Law and other relevant laws and regulations, the Company has established a corporate governance structure consisting of Shareholders' General Meeting, Board of Directors, Board of Supervisors and the Management, forming a mechanism of mutual coordination among the authorities, the decision-making body, the supervisory authority and the management which check and balance with each other by clarified power and responsibilities as well as standardized operation. The Company has formulated a series of rules and regulations such as the Articles of Association, the Rules of Procedure for the Shareholders' General Meeting, and the Rules of Procedure for the Board of Directors.

- **SHAREHOLDERS' GENERAL MEETING**

The Company organizes shareholders' general meetings and strictly implement the poll procedure in compliance with the rules and regulations including the Articles of Association, to safeguard the legitimate rights and interests of shareholders. General meetings are extremely important to the Company. In any notice of general meeting to shareholders, the Company clearly sets forth the right of the shareholders to attend meetings and their rights, the agenda and polling procedures of the general meeting. All shareholders of the Company are encouraged to attend general meetings. The Company will strive to make it an effective channel of communication through which the Board and the investors of the Company may engage in direct dialogue and foster positive relationships.

- **BOARD OF DIRECTORS**

The Board is accountable to the general meetings under its commitment to pursue the best interests of the Company. Board members collectively and individually accept the responsibility for the management and control of the Company in the interests of shareholders and spare no efforts in the performance of their duties as a Director.

During 2018, the Board carried out the following corporate governance functions including: a) to develop and review the Company's policies and practices on corporate governance; b) to review and monitor the training and continuous professional development of Directors and senior management; c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report of the Annual Report, etc..

- **SUPERVISORY COMMITTEE**

The Company has set up the Supervisory Committee, which comprises two external supervisors and one Staff-representative Supervisor. The Supervisory Committee is responsible for reviewing the financial affairs, supervising the Board and its members as well as the senior management, so as to safeguard the interests of the shareholders of the Company. The Supervisors examined the Company's financial situation, legal compliance of its operations and the performance of duties by its senior management through convening meetings of the Supervisory Committee, attending the meetings of the Board and its committees, and undertaking checking on the site of subsidiaries and investigation. Each Supervisor undertook various duties in a proactive manner with diligence, prudence and integrity.

For information on corporate governance of the Company, please refer to the "Corporate Governance Report" contained in our annual report for the year ended 31 December 2008.

5.2 INTERNAL CONTROL

In 2018, Sinotrans strictly abided by various laws and regulations, effectively controlled internal risks, ensured that it adhered to civic duties, and operated in compliance with laws and regulations.

Based on the macro environment, industry status, and laws and regulations, together with its operations, Sinotrans effectively identified the possibility and impact of potential compliance risks, and designed a corresponding internal control system and a management system. At the same time, risk management and internal control were deeply integrated into the daily business of the Company. In order to ensure the efficient implementation of the Company's risk management and the internal control system, the Company's Board of directors is also responsible for the continuous supervision of internal control implementation. The Company also has established an internal control evaluation department that regularly evaluates the Company's operational risks in relation to compliance. The results of the work of the department must also be reviewed and confirmed by the Company's audit committee. All of the above initiatives aim to monitor the risk within the Company's acceptable range and ensure the effectiveness of the associated risk management and internal control systems. During the reporting period, the Company did not identify any significant internal control deficiencies related to compliance operations.

Sinotrans pays particular attention to the construction of an incorruptible culture within the Company. The Company actively carried out warning and education, supervised and inspected special rectifications and honesty talks, organized knowledge contests of party rules and party disciplines and other activities, and continued to strengthen the sense of integrity and self-discipline of leading cadres, and created an incorruptible atmosphere. In the business area where there are risk factors for corruption, the Company has also established strict rules and regulations and approval process, dealing with matters from culture to system, to control risks in a two-pronged manner. During the reporting period, the Company did not have any corruption cases.

In addition to effective compliance risk management, internal control and construction of a fair, impartial and open corporate culture, Sinotrans also continuously strengthens the awareness of compliance management in terms of governance, and further effectively ensures that the Company complies with various laws and regulations and internal systems. On the basis of the Company's sound operation, it fully fulfils its responsibilities as a corporate citizen.

5.3 ANTI-CORRUPTION

In 2018, the Group vigorously strengthened anti-corruption construction and further improved the supervision system. In accordance with the deployment of the 2018 Anti-corruption Work Conference of the Group, we conscientiously implemented the provisions on the integrity of state-owned enterprise leaders, based on the internal control of the Company, carried out the prevention and control of integrity risks, and constantly established and improved the system of regulating and supervising the operation of power, and strengthened the checks and balances of power constraints, put more emphasis on accountability through which the responsibilities were fulfilled. The Group has continued to strengthen anti-corruption education in line with the building of an incorruptible culture. Through the establishment of intranet publicity columns, subscription of warning books, briefing of typical cases, visits to anti-corruption education bases, and other varied ways to educate employees to operate in compliance and abide by the law, we created an incorruptible business environment in the Group.

In 2018, the Group incorporated anti-corruption construction into KPI assessment, clarifying the main responsibility and supervisory responsibility. In daily work, the Group strengthened the supervision of the management by means of suggestion boxes, reporting telephone calls, and reporting mailboxes, and insisted on investigating corruption cases and punishing relevant personnel. We advocate a "zero tolerance" attitude toward corruption in the Group, and so employees "dare not, cannot and do not want to be corrupt". The Group complies with national and local laws and regulations regarding the prevention of bribery, extortion, fraud and money laundering. During the reporting period, there were no corruption lawsuits filed against the Group or its employees. With the development of the business, the Group will further improve the anti-corruption construction, continuously strengthen supervision, and provide a strong guarantee for the sustainable development of the Group.

SOCIAL RESPONSIBILITY MANAGEMENT

6.1 RESPONSIBILITY CULTURE

Fulfilment of corporate social responsibilities is not only an external requirement to adapt to the economic and social development, but also an inherent need to enhance the Company's sustainability. Sinotrans firmly relies on the vision and mission of development, runs the social responsibility management system, smooths the communication with stakeholders, and aims to promote social responsibility practices in an all-round way, and strives to create returns for shareholders, serve customers, care for employees, join hands with partners, develop in greening and give back to society, and contribute to national development, social harmony, and environmental friendliness.

6.2 SOCIAL RESPONSIBILITY

Sinotrans actively fulfilling social responsibilities is an inevitable choice for enterprises to achieve sustainable development. The Group effectively links our fulfillment of social responsibilities with corporate development strategies, incorporate social responsibilities into all aspects of corporate production and operations, and strive to build Sinotrans as a respectable international company. In 2018, we further strengthened the disclosure and management of social responsibility information according to the requirements of regulatory agencies such as the SASAC, the China Securities Regulatory Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and enhanced our quality and standard for disclosure of environment, society and governance information.

6.3 COMMUNICATION WITH STAKEHOLDERS

The Group maintains ongoing dialogue and engages with stakeholders, including regulators, shareholders, employees, customers, partners, media, Community and public, etc., to understand their expectations and address their concerns. The Group collects views from stakeholders through a range of channels such as meetings, interviews, internal discussions, surveys and feedback plans etc..

Stakeholder	Expectation and requirement	Communication methods and channels	Company response
Regulators	Operate safely Abide by law Compliant operation	Formulate policies Information submission Daily communication High-level meeting	<ul style="list-style-type: none"> • Law-abiding management and tax payment; • Strictly abide by various laws and regulations; • Carefully study the policy documents and actively cooperate with the regulatory agencies; • Promote the use of clean energy and vigorously advocate energy-saving technological transformation
Shareholders	Profit level Cash dividend Information disclosure Corporate governance	Shareholders' general meeting Company announcement Periodic reports Reverse roadshow	<ul style="list-style-type: none"> • Continuously improve the Company's profitability; • Maintain cash dividend policy; • Increase the Company's information disclosure efforts; • Continuously improve corporate governance in compliance with policies, regulations and market opinions
Employees	Compensation and benefits Health and safety Career development Education and training	Employee representative Employee communication Labour contract Life care	<ul style="list-style-type: none"> • Improve the performance compensation system and employee protection system; • Provide good working conditions and environment; • Provide opportunities for long-term career development; • Enrich training forms and improve training quality
Customers	Quality service Reasonable price	Service guarantee Product supply Contract signing Customer service Company website	<ul style="list-style-type: none"> • Scientific adjustment and control to ensure the stability and security of services; • Provide quality, customized products and services • Establish convenient and agile sales network
Partners	Open tender Fairness and justice Honesty	Contract and agreement Service quality Cooperative development Joint development	<ul style="list-style-type: none"> • Open, fair and equitable tender process; • Strictly execute contracts and agreements
Media	Transparent information	Report release Multi-channel disclosure	<ul style="list-style-type: none"> • Regular disclosure of social responsibility information and major events of public concern
Community and Public	Harmonious community Charitable activities	Co-construction Promotional activity Community Building	<ul style="list-style-type: none"> • Participate in the construction of a harmonious community; • Carry out charitable activities; • Drive economic development in the operating region

ECONOMIC RESPONSIBILITY

7.1 STEADY BUSINESS DEVELOPMENT

In 2018, the Group maintained a stable development and continued to achieve good performance growth in all aspects. In 2018, the Group won the honour of the first place in the top 100 Chinese logistics companies, the Outstanding Chinese Logistics Enterprise Award, the 2018 Asia Innovational Logistics Intelligence Award (Transport Logistic China) and Representative Enterprise of the Logistics Industry for 40 Years of Reform and Opening Up and other honours and awards, and its comprehensive competitiveness and brand influence continued to increase. In 2018, the Group achieved revenue of RMB77.312 billion, representing a year-on-year increase of 5.68%; net profit of RMB3.199 billion, representing a year-on-year increase of 7.30%; net profit attributable to shareholders of listed company RMB2.704 billion, representing a year-on-year increase of 17.36%; earnings per share was RMB0.45 (same period in 2017: RMB0.38).

In 2018, the Group adhered to the “13th Five-year” Plan, and worked on quality enhancement, transformation, integration, innovation, reform, and enabling, with the joint efforts of staff at all levels, thereby creating positive developments in various respects and opening up a brand-new landscape of development.

- Enhancement in both quality and efficiency for a fast and enduring success. By means of opening sources, lowering costs and expenditures, reduction and leveraging intelligence, the quality and efficiency was improved, which in turn drove the continuous refinement of the operational quality of the Company.
- Visualization on strategy ignited efficiency. (1) Leveraging the visualization of strategies, the Company expanded the freight forwarding business into an entire supply chain service, upgraded its professional logistics to a value-chain optimization service, built the e-commerce platform and ecosystem, and centralized the network resources for its businesses based on channeling; (2) the Company put its strategies into practice in order by using the system of strategy management, which steadily enhanced the operational quality, facilitated continuous improvement of customer structure, and released the effects of the strategies; and (3) the Company kept reviewing its business segment strategies and adjusted them, and even further clarified the positioning and direction for business transformation.
- Breakthroughs in transformation. The path for the business segment transformation was further detailed. (1) The productization of agency services achieved an initial success; (2) the professional logistics improved the value chain's capability to integrate; (3) the digitalization promoted the e-commerce business and accelerated the on-line principal operations to a full extent; and (4) the building of five channels quickened the whole network operation.
- Breakthroughs in integration. Aiming at becoming an integrated logistics integrator of China Merchants' logistics business, the Company expedited the integration of the resources and made some substantive achievements in 2018. (1) The integration among companies of professional services was underway; and (2) the integration of the five regional companies came into shape.
- Digitalization-driven smart logistics. The Company was driven to transform from a labor-intensive enterprise into a technology-intensive one by virtue of intensifying innovation and focusing on the development of digitalization and smart logistics. (1) The innovation mechanism was improved day by day; (2) the digitalized transformation was going full blast; (3) the A+H capital operation platform was established; and (4) the smart logistics was markedly effective.
- Heightening of infrastructure and enabling. The infrastructure management was fully boosted. (1) The BMS system was on a fast track to online operation; and (2) The subordinated enterprises stepped up efforts to solidify the establishment of three defenses of risk control and internal control.

7.2 DIVIDEND POLICY

PLAN OF SINOTRANS ON SHAREHOLDER RETURN FOR THE NEXT THREE YEARS (2018-2020)

The formulation of this Plan shall be in compliance with applicable laws and regulations and the Articles of Association. It will focus on the reasonable investment return to investors as well as the sustainable development of the Company and aim to maintain the sustainability and stability of the profit distribution policies.

- (I) Profit distribution methods: the Company may make profit distribution in the forms of cash dividends, share dividends or a combination of the two forms; where permitted, the Company may make interim profit distribution;
- (II) Cash dividend payment conditions: except in cases of special circumstances, the Company may distribute dividends in cash after setting aside a sufficient amount of profits for the statutory reserve and the discretionary reserve, if the Company is profitable in that year and the aggregate undistributed profit value is positive.
- (III) Ratio of cash dividend payment: the Company shall maintain the sustainability and stability of profit distribution policies, and subject to the satisfaction of cash dividend payment conditions, the profits distributed in cash by the Company in any three consecutive years in aggregate shall not be less than 30% of the average distributable profits in such three years, and the profits distributed in cash by the Company for each year shall not be less than 10% of distributable realized profit in that year; the Board of Directors shall take into account the features of the industry where the Company operates, development stage, operation mode, profitability and arrangement of major capital expenditures and other factors, and put forward a policy of differentiated cash dividend distribution according to the following circumstances, pursuant to the procedures set forth in the Articles of Association:
 - (1) If the Company's development is in the phase of maturity and no material capital expenditure has been arranged, the minimum ratio of cash dividend in that profit distribution shall be 80%;
 - (2) If the Company's development is in the phase of maturity and material capital expenditure has been arranged, the minimum ratio of cash dividend in that profit distribution shall be 40%;
 - (3) If the Company's development is in the phase of growth and material capital expenditure has been arranged, the minimum ratio of cash dividend in that profit distribution shall be 20%.

When the Company conducts profit distribution, the Board shall determine the specific stage of the Company according to specific circumstances. If it is difficult to identify the Company's phase of development but material capital expenditure has been arranged, it can proceed according to the previous provision.

- (IV) Conditions of the distribution of share dividends

When the operation of the Company is satisfactory and the Board of Directors believes that Company's share price is disproportionate to the share capital size of the Company and the distribution of share dividends is in the interests of all shareholders of the Company as a whole, the share dividend distribution plan can be proposed at general meeting for consideration and approval subject to the satisfaction of the above conditions of cash dividend payment.

8 SAFETY RESPONSIBILITY

Employees are the most valuable treasure of Sinotrans. The Group attaches importance to its relationship with employees, keeps improving occupational health & safety systems, and provides all-round protective measures for employees, with an expectation of putting an end to all possible health & safety risks. For example, the Group's headquarters arrange physical examination for employees every year, and employ a specialized physical examination agency for analysis and reporting on key indicators that have an effect on employees health.

In 2018, Sinotrans, according to relevant requirements of the national safety laws and regulations and the Group's safety management systems, Sinotrans revised Sinotrans Limited Integrated Emergency Plans for Safety Production Accidents (2018) (《中國外運股份有限公司安全生產事故綜合應急預案(2018版)》), which formed the integrated emergency plans for safety production accidents for Sinotrans, and also formed the integrated plans, special emergency plans, site handling programs, and emergency management system for emergency handling cards for key posts for all of its branches and subsidiaries. Moreover, the Company also formulated and released Sinotrans Limited Measures for Safe Production Objective Management Assessment (2018) (《中國外運股份有限公司安全生產目標管理考核辦法(2018版)》) and Sinotrans Limited Safety Production Standards and Specifications for Road Transport Units (2018) (《中國外運股份有限公司道路運輸單位安全生產標準規範(2018版)》) to further enhance the safety production responsibilities at all levels and improve the safety production management system. Meanwhile, the Company also further strengthened the construction of safety management talents, and established the sixth session of the Company's safety production expert group. In addition, it also focused on the research on safety management in terms of fire fighting, road transport, hazardous chemicals and on-site operations etc. Based on this, it has developed Practical Manual for Safety Production Check (《安全生產檢查實務手冊》).

8.1 INSPECTION:

We persist in attaching importance to fundamental work, and continue to strengthen the guidance of safety production inspection. In 2018, the Company's leadership and sometimes the safety supervision and management department organized the inspection and supervision of 136 grassroots units, helping them to "identify problems, provide remedies and implement the remedies"; special campaigns for firefighting were comprehensively carried out; vulnerabilities and shortcomings in security management were identified; all kinds of violations of regulations were corrected; 653 hidden hazards were troubleshot, and major hidden hazards were highlighted and addressed under supervision to ensure that rectification was in place.

8.2 ACCIDENT:

On 28 October 2018, a fire accident occurred in Dagang warehouse of Jiuling Branch of Sinotrans in Tianjin, causing no casualties. The accident grade, cause and responsibility are to be determined.

The Group did not have any production safety accident resulting in fatalities during 2018. The number of working days lost due to work injury was 225 days.

8.3 DRILL:

Adhering to the principle of close to practical and attention to results, we organized and carried out training and drills on various emergency plans and on-site response programs. All levels of the subsidiaries organized more than 2,000 drills throughout the year, and more than 58,000 people participated in the drills. The emergency handling has been effectively publicized. The scientificity, practicability and reliability of the plans and the ability to deal with emergencies were enhanced.



8.4 TRAINING:

Taking the activities of "Safe Production Month", "Safe Production Law" Publicity Week and 119 Firefighting Publicity Day as an opportunity, we comprehensively carried out safety production training and education, and promoted the in-depth implementation of the main responsibility of safety production at all levels. All levels of the subsidiaries organized more than 1,600 safety trainings, such as regular training, special training and qualifications, and there were more than 300,000 attendees throughout the year, which has strengthened the safety awareness of all employees and improved their expertise and skills.



ENVIRONMENTAL LIABILITY

The Company is not included in the *List of Key Pollutant Discharging Units in Beijing City 2018* issued by the Beijing Municipal Environmental Protection Bureau.

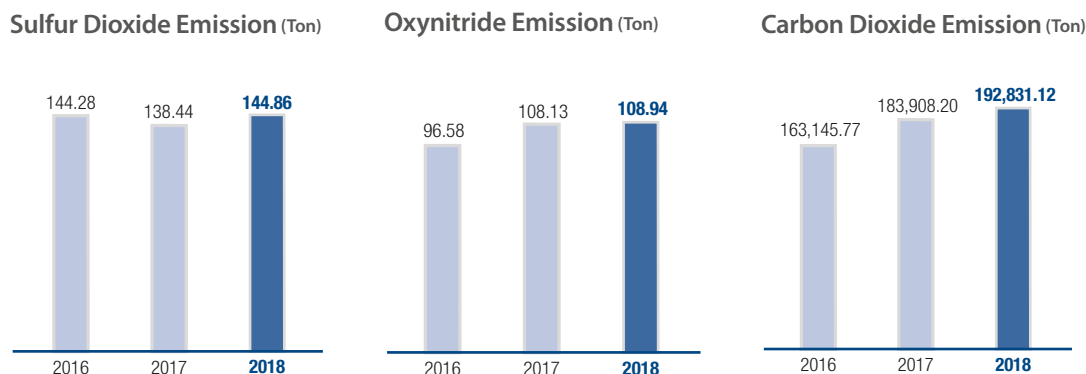
9.1 EMISSIONS

The main emissions of the Group are carbon dioxide and sulfur dioxide, which are mainly discharged from the vehicles and ships in transportation. The Group, at the same time of pursuing economic benefits, will treat environmental protection as an important part of business operations.

As a logistics service provider, the Group has no business involving industrial production and has not produced large quantity of hazardous or non-hazardous waste. Neither has it dumped large quantity of hazardous or non-hazardous waste into water or into land. For this reason, the Group has no specific statistics about hazardous or non-hazardous waste; nor has the Group developed any relevant regulations. However, the Group has set out Management Guidelines for Outdoor Storage of Hazardous Chemicals (《危險化學品露天儲存管理指南》) in accordance with state laws and regulations and relevant requirements as set in the Group's Management Regulations on Safe Production (《安全生產管理規定》). The guidelines clarify that hazardous chemical waste shall not be cast aside without any treatment and shall be under disposal of companies specialized in waste treatment, and that there must be no combustible waste stored in the areas where hazardous chemicals are kept for subsequent treatment. As for non-hazardous waste (e.g. waste paper, waste plastics, etc.), the Group tries to avoid production of waste from the source by adopting environment-friendly printers and scanners, advocating office automation to cut down paper utilization, and encouraging double-sided printing to reduce paper waste. The Group has been engaging in a variety of recycling work and performing unified treatment for waste produced in offices, e.g. taking back waste paper for recycling by specialized agencies, taking back waste cartridges, etc. The Group knows, only through mastery of quantitative data to conduct a detailed analysis on the environmental impact of business operations could the environmental performance be improved continuously.

Sinotrans strictly complies with laws and regulations related to air pollution, such as Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》). The Group has formulated Sinotrans Limited Measures for the Administration of Energy Conservation & Emission Reduction (《中國外運股份有限公司節能減排管理辦法》), wherein, according to the energy consumption and emission of main pollutants, the Group divides companies under it into three classes: Focused, Attention and General, and makes adjustments on an annual basis as per the energy consumption and emission volume, so as to realize targeted supervision; allocates the responsibility of energy conservation & emission reduction to each relevant branch, management department and working team, and tries to reduce the environmental impact of exhaust gas emission wherever possible.

In terms of sewage treatment, the Group conducts examination on companies that store hazardous chemicals, and requires companies to set up sewage pools and possess sewage treatment capabilities; in terms of transport vessels, the Group has formulated relevant requirements, e.g. vessels at anchor or dock are not allowed to discharge sewage overboard; sewage discharge of vessels outside special areas shall comply with the provisions of Article 15 in Appendix I of 73/78 Pollution Prevention Convention (《73/78防污公約》), which is issued by International Maritime Organization (IMO).



In 2018, Sinotrans, centred on promoting the implementation of the “13th Five-Year” Plan and the work policy of “improving quality and efficiency” and themed on “transforming the economic growth pattern towards green development”, insisted on the synchronization between development and energy conservation, took a number of measures to reduce irrational energy consumption from the source, eliminated backward production capacity, continually reduced operational energy consumption, restrained the growth in production capacity of heavy energy consumption industries, promoted the upgrading and transformation of traditional energy-consuming technologies, and continually carried out energy conservation and emission reduction work. The specific measures included:

- Strengthen statistical monitoring and management of energy conservation indicators, take targeted measures to save energy and reduce consumption, and ensure the completion of annual energy conservation and emission reduction targets.
- Eliminate backward production capacity, play the role of technological innovation, and promote the upgrading and transformation of traditional energy-consuming technologies.
- Continually promote energy conservation and emission reduction for vehicle fuel consumption and the private warehouse management process. Optimize the configuration of self-operated vehicles, enhance scheduling management and monitoring, and increase the warehouse operation efficiency and the modern management level.
- Improve the production and operation model, and actively explore the quality and efficiency of production and operation, to achieve the target of improving quality and increasing efficiency.
- Encourage innovation in energy conservation and emission reduction businesses, optimizing energy consumption structure through optimizing the business types and transportation routes, and give full play to the advantages and make full use of clean energy.
- Perform well in the troubleshooting and curbing of ecological and environmental protection problems, reinforce the recycling use of resources, and reduce the emission of wastes.

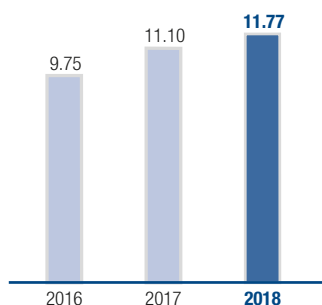
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ENVIRONMENTAL LIABILITY

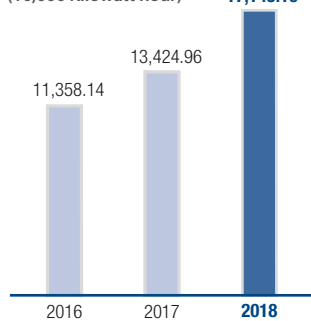
9.2 USE OF RESOURCES

Sinotrans is devoted to increasing the efficiency of energy utilization. As a logistics service provider, the Group consumes most of energy in its operation, mainly in the field of road transport. Thus, regarding to the use of energy, the Group strictly implements the energy regulations and strictly observes the requirements of Measures for the Administration of Inspection and Supervision on the Fuel Consumption of Road Transport Vehicles (《道路運輸車輛燃料消耗量檢測和監督管理辦法》), Table of Road Transport Vehicle Models with Standard Consumption of Fuels (《道路運輸車輛燃料消耗量達標車型表》) and Green Freight Vehicle Standards (《綠色貨運車輛標準》), strictly implements vehicle condition monitoring, and enhances maintenance and emission management; controls vehicle selection criteria, and promotes the LNG vehicle model. By optimizing the configuration of self-operated vehicles, in combination with the enterprise's actual situation, the Group strengthens vehicle management, unifies dispatch vehicles and makes reasonable planning for vehicle routing, and realizes all-round monitoring with the aid of GPS, so as to further increase the efficiency of vehicle operation, and reduces the energy consumption of vehicle operation. In the meantime, it strengthens the routine management of electrical energy saving by standardized management for the warehouse and improves the modernization level of warehouse management by gradually putting in high-density warehouse storage, using the drive-in and shuttle racks, as well as increasing the input of advanced operational equipment and logistics technology. In addition, the Group attaches importance to pushing forward the transformation of advanced technologies, accelerating the elimination of backward production capacity and reducing operational energy consumption by means of equipment renewal and introduction of clean energy, including replacing diesel-powered and gasoline-powered equipment with electric power equipment. With regard to daily office work, member companies of the Group at all levels rigorously promote all measures related to energy conservation and environmental protection, strictly controls the temperature of air conditioning at workplaces, and keep promoting the use of LED lights; implement unified management of official business vehicles, and reduce separate or repeated vehicle dispatching.

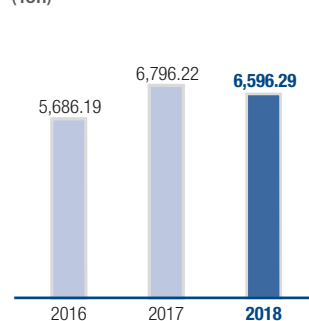
Total Energy Consumption
(10,000 Tons of Standard Coal)



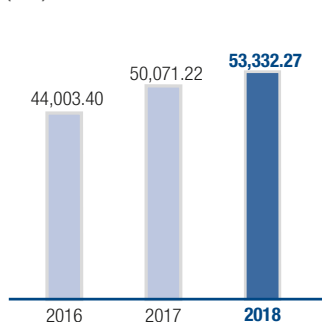
Total Electricity Consumption
(10,000 Kilowatt hour)



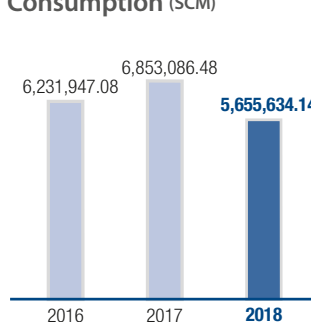
Total Gasoline Consumption
(Ton)



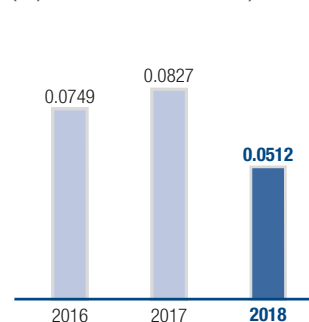
Total Diesel Consumption
(Ton)



Total Natural Gas Consumption
(SCM)



Total Coal Consumption
(10,000 Tons of Standard Coal)



Notes: 1) Some subsidiaries reduced the total coal consumption to a large extent by replacing coal-fired boilers with gas-fired boilers and eliminating and disposing of outdated ships. 2) The total power consumption increased due to the development of chemicals, dangerous goods, cold-chain transportation and warehousing businesses as well as the improvement of service requirements. 3) The increases or decreases of other indicators are within the normal range compared with the increase in the revenue of the Group.

In 2018, the Group has further improved energy consumption and pollutant discharge monitoring systems of its subsidiaries, and on the basis of summing up energy consumption statistics over previous years, strives to conduct on-time statistics and proper monitoring; once anything is found abnormal, efforts would be made to perform timely tracking, investigate causes, identify responsible persons and get appropriate measures in place. As the Group would not consume large quantity of water and other raw materials, it has no formal statistics on water consumption and product packaging materials. Meanwhile, there is no problem that relates to water sources.

Dedicated to its environmental responsibilities, Sinotrans pays close attention to the idea of green building, strives for optimized energy consumption structure and devotes itself to exploitation of solar energy. In order to significantly improve the proportion of clean energy to total energy consumption, the Group takes advantage of its self-owned warehouses and launches rooftop distributed Solar Photovoltaic project.

To achieve energy saving and emission reduction and effective use of resources, improved management system is needed. More importantly, the implementation of relevant policies lies on the cooperation and support of the employees. Firstly, the Company vigorously promoted to hold video conferences and teleconferences in order to reduce business trips and energy consumption. In 2018, the Company held a total of 525 video conferences with 33,725 participants, of which, 29,879 were from the subsidiaries of the Company. The participants of desktop video conferences and teleconferences respectively reached 15,200 and 18,900. Secondly, the Company replaced its original distributed printing mode by collective printing mode. Meanwhile, the Company also fully promoted the use of recycled paper. Thirdly, in order to save energy, the Company introduced the blacked out period for an hour at lunch break.

9.3 ENVIRONMENT AND NATURAL RESOURCES

The business nature of Sinotrans has no significant effect on the environment or natural resources (e.g. biodiversity). The Group will continuously reinforce the work of environmental protection and reduce any possible impact of business operations on the environment. The Group formulated identification & evaluation control procedures of environmental factors to ensure important environmental factors could receive necessary attention and effective control, so as to reduce adverse impacts on the environment.

According to the provisions of China's environmental laws, regulations and relevant policies, when carrying out certain construction project, for example, the logistics center construction project, the company concerned shall submit an environmental impact report to the environmental authority, involving assessment on such aspects as possible pollution in the production process, feasibility of control measures, whether the production process and product conform to the clean production requirements and effect of final pollutants on the surrounding environment.

10 EMPLOYEE RESPONSIBILITY

10.1 EMPLOYMENT

Sinotrans always adheres to the “People-oriented” concept to protect the rights, interests, health and safety of employees. The Group gives great importance to the personal safety and the physical and mental health of employees, is committed to creating a safe, harmonious working environment for employees, and continuously improves occupational health and safety systems. The Group pays attention to its relationship with employees, encourages a rational transfer of employees within the Group, and provides learning or promotion opportunities for employees. The Group has organized a number of activities to enrich the lives of employees in order to meet the needs of physical and mental health for the Group’s employees.

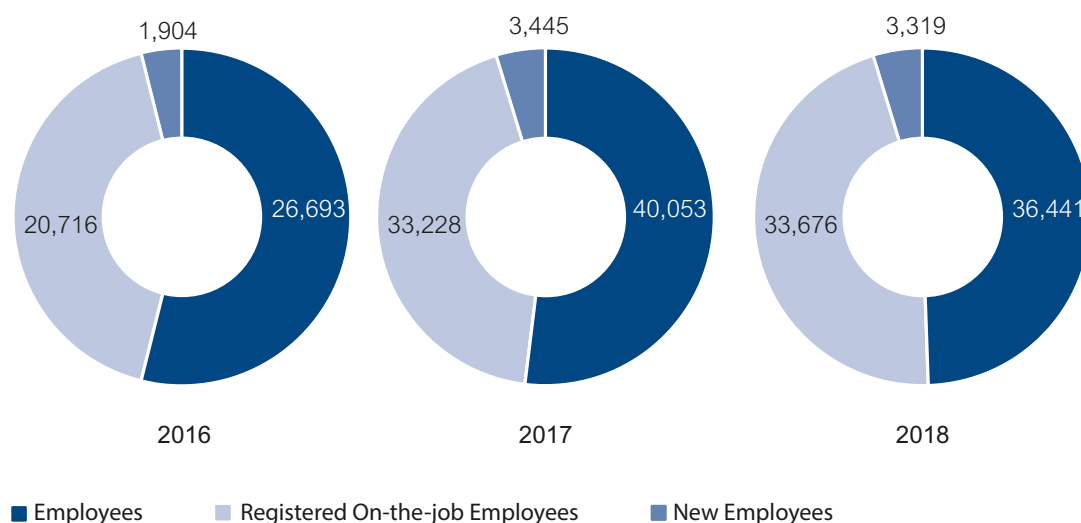
Sinotrans is devoted to creating a good working environment for employees. The Group has strictly complied with the relevant PRC laws and regulations on labor and personnel such as Labor Law (《勞動法》), Labor Contract Law (《勞動合同法》) and The Regulation on the Implementation of the Labor Contract Law (《勞動合同法實施條例》). The Group has followed the principles of “Openness, Fairness, Selecting the Best Talents”, and has formulated various regulations in compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination and benefits and welfare, including Sinotrans Limited Measures for the Administration of Recruitment at Headquarters (《中國外運股份有限公司總部招聘管理辦法》), Sinotrans Limited Measures for the Management of Labor Contract (《中國外運股份有限公司勞動合同管理辦法》), Sinotrans Limited Measures for the Administration of Working Hours, Attendances and Leaves (2018 Revision) (《中國外運股份有限公司工作時間、考勤、請休假管理辦法》(2018年修訂版)), Sinotrans Limited Guiding Opinions towards Reward and Punishment Management for Staff (Temporary) (《中國外運股份有限公司員工獎懲管理(暫行)指導意見》), Sinotrans Limited Measures for the Administration of Dismissal for Staff at Headquarters (Temporary) (《中國外運股份有限公司總部員工離職管理(暫行)辦法》), Sinotrans Limited Measures for the Administration of Performance (Trial) (《中國外運股份有限公司績效管理(試行)辦法》), so as to achieve diversified and equal employment, and to absolutely refuse labor discrimination and eliminate the use of child labor.

As at 31 December 2018, Sinotrans had a total of 36,441 employees, including 33,676 registered on-the-job employees and 3,319 new employees.

Notes:

1. Employees include contracted employees and employees in other employment forms, e.g. dispatched labor, part-time employees, etc.
2. Registered on-the-job employees refer to contracted on-the-job employees amongst employees.

Employment Status of Sinotrans



Number of Employees (divided by age and position grade)

Position Grade	Age					Total
	30 and below	31-40	41-50	51-60	60 and above	
Persons in charge of company	24	410	691	282	3	1,410
Persons in charge of department	360	1,657	1,135	340	0	3,492
General employees	11,661	10,566	4,860	1,676	11	28,774
Total	12,045	12,633	6,686	2,298	14	33,676

Number of Employees (divided by degree of education and position grade)

Position Grade	Technical secondary school/ Senior high school and below						Total
	Higher than graduate	Graduate	Bachelor	College	Technical secondary school/ Senior high school	Junior high school and below	
Persons in charge of company	6	182	743	403	73	3	1,410
Persons in charge of department	5	196	1,559	1,107	485	140	3,492
General employees	4	821	9,741	9,004	6,801	2,403	28,774
Total	15	1,199	12,043	10,514	7,359	2,546	33,676

Number of Employees (divided by gender and position grade)

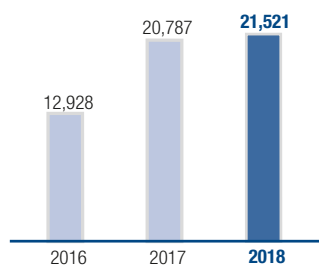
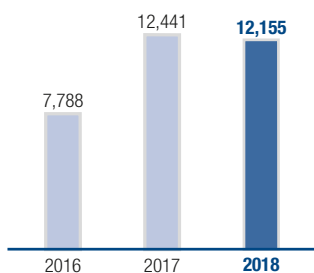
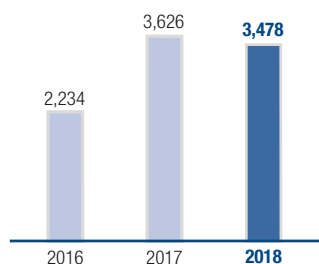
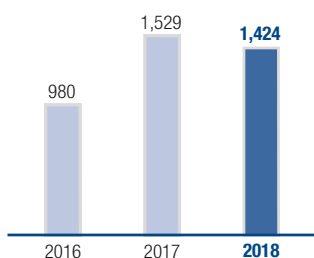
Position Grade	Male	Female	Total
Persons in charge of company	1,151	259	1,410
Persons in charge of department	2,327	1,165	3,492
General employees	18,043	10,731	28,774
Total	21,521	12,155	33,676

Notes:

1. The above employee statistics is as of 31 December 2018.
2. Scope of Statistics: Registered on-the-job employees of the Group in 2018.
3. Persons in charge of company refer to company-level managers of the headquarters and each subsidiary of Sino-trans; persons in charge of department refer to department-level managers of the headquarters and each subsidiary of Sino-trans; general employees refer to ordinary employees of the headquarters and each subsidiary of Sino-trans.

10

EMPLOYEE RESPONSIBILITY

Sinotrans Employee Gender CompositionTotal Number of
Male EmployeesTotal Number of
Female Employees**Sinotrans Manager Gender Composition**Total Number of
Male ManagersTotal Number of
Female Managers**10.2 DEVELOPMENT AND TRAINING**

Sinotrans cherishes every employee and believes they will keep growing up along with the Group's business expansion, and the Group provides targeted, systematic and forward-looking training for employees, and explores their potential to support the Group's sustainable development. The Group has formulated Sinotrans Limited Guiding Opinions towards Training Management (《中國外運股份有限公司培訓管理指導意見》) and Sinotrans Limited Rules for Training Management at Headquarters (《中國外運股份有限公司總部培訓管理細則》), in order to guide and standardize the development and training for the employees of the Group in a better way.

In 2018, the Group's offline training hours were 1,523,002 in total; 3,887 online training courses were completed, equivalent to 14,274 learning hours. The Group's training content mainly included: company organization strategy and corporate culture training, basic work skills training, business knowledge training, management skills & leadership training, new employee training, self-directed learning, etc. With the development of the Group and to ensure the constant improvement of team quality, we will increase training opportunities for employees, and keep checking and improving training courses, so as to support business operations and employees' needs.

Training Hours & Percentage Divided by Position Grade

Position Grade	Average Training Hours	Average Training Percentage
Persons in charge of company	12.8	113%
Persons in charge of department	26.1	258%
General Employees	49.1	564%

Notes:

1. The above employee statistics data is as of 31 December 2018.
2. Calculation of average training percentage: training participants/employees. As the same employee might participate in multiple training activities, the average training percentage of ordinary employees beyond 100% doesn't mean all employees have participated in training.

10.3 LABOR STANDARDS

Sinotrans strictly observes national and local labor laws and regulations, and with a strict recruitment process and entry formalities, resolutely puts an end to illegal behaviors such as the use of child and forced labor. To establish incentive and restraint mechanisms that link employees income and position with performance, the Group has formulated a series of remuneration management, performance assessment and reward & punishment management systems applicable to the headquarters and its subsidiaries, respectively, which would, at the same time of complying with national and local policies, ensure the remuneration stays at a reasonable level of competitiveness in the market. Besides, the Group's headquarters have set up a "President Reward Fund" to give special rewards to individuals or teams with outstanding contributions to the Group's benefits, so as to boost employees' passion for innovation. The remuneration for employees in different regions takes into account the local living standard and operational condition, and therefore the remuneration for the same position grade in different regions might vary to some extent. The Group is committed to providing equal opportunities so that employees are hired, promoted and assigned on the basis of their skills and abilities. During the reporting period, the Group did not receive any reported cases.

Sinotrans respects gender equality by adopting the same remuneration level and structure for male and female employees, and taking the same way to determine their remuneration. The Group attended a job fair specifically for minorities, and recruited a total of 465 minority employees, remaining the same as 2017. The Group also recruits disabled persons according to the actual needs, and if it fails to reach the disabled employment proportion stipulated by the state, the Group would pay employment security funds for disabled persons in accordance with the relevant requirements.

11 WIN-WIN COOPERATION

11.1 SUPPLY CHAIN MANAGEMENT

For the long-term operation of the Group, the Group continues to deepen its understanding in the industry and tailors the optimal supply chain solutions for customers. In respect of the supply chain management, the Group has formulated policies, including Sinotrans Limited Measures for the Administration of Overseas Network (《中國外運股份有限公司海外網絡管理辦法》) and Purchasing Control Procedures (《採購控制程序》), and prepared List of Qualified Suppliers (《合格供方名錄》).

In order to deepen the intensive supplier management of the Group, improve and optimize the supplier management system, standardize the procurement behaviours, guard against supply risks, promote integrity operation and fair competition of suppliers, as well as improve market competitiveness and operational efficiency, the Group issued Measures for the Management of Suppliers (Trial) (《供應商管理辦法(試行)》) in 2018, where classified catalogue and entry criteria of suppliers are defined, supplier evaluation and hierarchical management are established, integrity behaviours of suppliers are standardized, and supplier management system of the joint stock company is built preliminarily. At the same time, the Group used the customer and supplier data management platform for comprehensive recording of all suppliers, so as to strengthen supplier management. Among the suppliers of the Group, 12,368 suppliers were qualified in 2018, among which 11,982 from mainland China while most of the other qualified suppliers from Asia, Europe and American region. The Group conducts at least one annual review of the suppliers with long-term cooperation with it (i.e., more than 2 years). For suppliers that cannot meet the requirements, the Group will decide whether to disqualify them as qualified suppliers according to the procedures.

As for supplier management, the principles of “centralized management, hierarchical implementation and information sharing” as well as “openness, fairness and impartiality” are followed to manage the selection, use, evaluation, cultivation and exiting of suppliers in full life circle.

The Group launched the online implementation of the supplier management information system, and promotes the classified management of suppliers step by step to provide important data support for the next step of information sharing, performance evaluation, data analysis and the development of centralized purchasing strategy.

In 2018, the Group issued Implementation Rules for Procurement Management of Sinotrans Limited (Trial) (《中國外運股份有限公司採購管理實施細則(試行)》) and normative documents to further optimize the procurement system environment, comprehensively improve the applicability, pertinence and operability of the procurement system, and meet the high-frequency, time-sensitive and diversified procurement requirements of the integrated logistics industry.

The Group implements the procurement mechanism integrating centralized procurement with independent procurement, makes every effort to broaden the scope of centralized procurement, centralizes the procurement demands of different periods and regions, so as to improve procurement efficiency and reduce procurement cost.

The Group has a sound quality and EHS (Environment, Safety and Health) management system, which has been accredited with ISO9001:2015, ISO14001:2015 and OHSAS18001:2007 by internationally renowned certification institutions. The Group has obtained more than 60 certificates with its system, and a total of more than 1,500 management staff has been trained for its professional system, with over 800 internal auditors registered. The Group has implemented standard operating procedures and management requirements for safe operation, and has established detailed and feasible contingency plans for all sections of logistics to ensure the security and efficient transfer of the goods.

11.2 ADVERTISEMENT LABELLING

The Group has no general regulation and system for advertisements and tags. To maintain a standardized visual image of the Group and to enhance the brand name and reputation of the Group, the policy relating to advertisement and labelling of the Group will make reference to Administrative Measures of Corporate Visual Image of Sinotrans & CSC (《中國外運長航集團企業視覺形象管理辦法》), which was established by Sinotrans & CSC, the controlling shareholder of the Group.

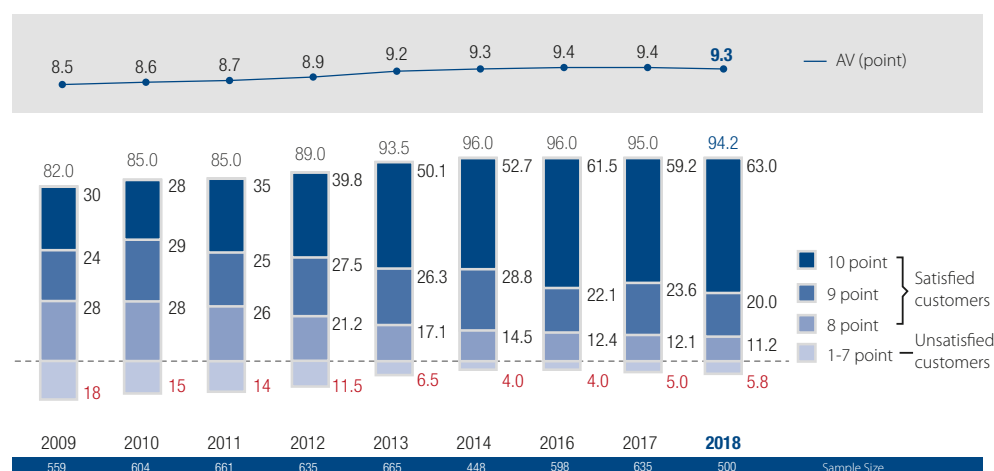
11.3 CUSTOMERS

Sinotrans strictly performs service contracts, and lays emphasis on improving service quality to enhance client satisfaction. The Group has established an inspection mechanism to evaluate client satisfaction of business operations from time to time, investigate and analyze shortcomings, monitor the contract execution, logistics distribution and warehousing service quality, formulate preventive measures and supervise their implementation.

Over the past few years, Sinotrans has entrusted independent investigation agencies for client satisfaction surveys from time to time, covering clients of provincial/municipal subsidiaries and specialized subsidiaries under the Group (other than clients of Sinotrans (Hong Kong) Logistics Co., Ltd. and China Shipping Agency Co., Ltd.). In 2018, the Company accelerated its restructuring of principal business innovation and proactively promoted the transformation and upgrading of its business segments. The Company also made proper adjustments to its system of measuring customer satisfaction.

In order to better serve the customers, constantly improve service quality, and enhance customer satisfaction and loyalty degree, the Company carried out a 2018 annual customer satisfaction survey. This survey covered regional branches, provincial/municipal subsidiaries, specialized subsidiaries and operation units at headquarters, which were mainly located in North China, Central China, South China, Northeast China, Northwest China, Southwest China and many other regions. There were a total of 500 samples. The Group will continue to uphold the idea that services can create values for customers to enhance the experience of customers and their satisfaction. The results of client satisfaction survey of 2018 conducted by the Group in 2019 are as follows:

Comparisons of Overall Customer Satisfaction towards Sinotrans over the Years (score: 1-10 points) (%)

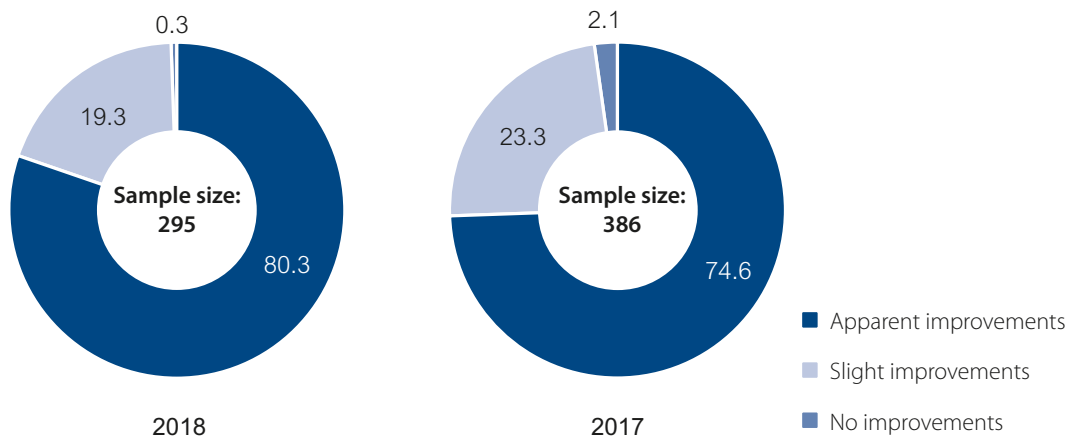


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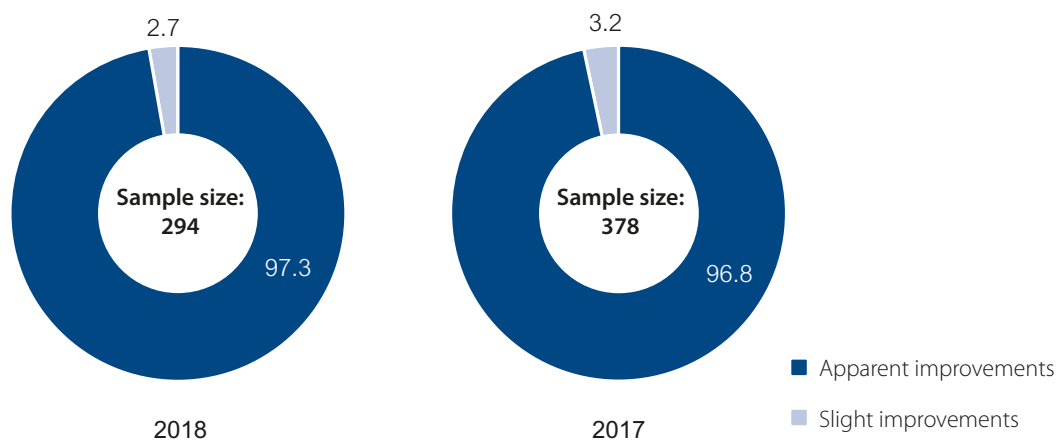
WIN-WIN COOPERATION

Client opinions are key to the enterprise's sustainable development. In 2018, 80.3% of the clients expressed that Sinotrans made significant improvements, higher than 74.6% in 2017, wherein 97.3% of the clients expressed that Sinotrans communicated improvement actions to them, with a slightly higher proportion than 96.8% in 2017.

Sinotrans improvements (%)



Whether improvement actions are got back to clients (%)



Notes:

1. 80.3% of the customers said that Sinotrans made remarkable improvements on the suggestions/complaints. The proportion is higher than the 74.6% in 2017.
2. 97.3% of the customers said that feedback was given to them after improvements were made. The proportion is higher than the 96.8% in 2017.

12 COMMUNITY RESPONSIBILITY

The Group pays attention to corporate culture construction, and increases efforts in publicity of corporation culture via such media as window column, electronic display screen, cultural banner, cultural wall newspaper, cultural video, cultural MMS, WeChat, Weibo platforms, electronic weekly, etc., and by a variety of means, including volunteer activities and essay competitions.

Sinotrans lays high emphasis on physical and mental health of employees. The company arranges health check for on-the-job employees and retired cadres. The Group is solicitous of and pays great attention to the lives of its employees who are ill or have difficulties. Visits and assistance are given to employees with illness and difficulties. Allowances are paid to employees to help solve their difficulties.

The Group lays emphasis on democratic construction, offering a variety of channels for all employees to enjoy the right to know, the right to participate, the right to express and the right to supervise as “owners”. The labor union organization gave full play to healthy and harmonious construction in the two employee representative meetings held this year, and thus democracy was truly realized.

To ensure employees have a strong body and satisfy their health needs, the Company actively organizes activities such as badminton, billiards, basketball and table tennis, also offers the Tai Chi class, yoga class, swimming and dancing with an expectation of enriching employees’ healthy cultural life and corporate culture construction. The employees and charitable activities organized by Sinotrans in 2018 are as follows:

THE EMPLOYEES CARE AND CHARITABLE ACTIVITIES ORGANIZED BY SINOTRANS IN 2018

2018	Activity	Number of Participants of the Group	Beneficiaries
February	Garden party for the Spring Festival	300	Employees
March	Knowledge lecture on succulent plants held for female employees of the headquarters on Women’s Day	60	Employees
May	Green brisk walking themed on “Dynamic Sinotrans”	60	Employees
May	Table tennis game held to carry forward the May Fourth Spirit and arouse the vitality and show the presence of young people	50	Employees
June	Activity for the Children’s Day themed on “Big Family and Small Family, Little Hand in Big Hand, and Grateful Heart”	100	Employees and their family members
August	“Engineering Energy” Cup basketball game held for celebration of the 146th anniversary of China Merchants Group	80	Employees
October	Brisk walking celebration activity themed on “Long Term-based, Seizing the Moment to Build A World-class Intelligent Logistics Platform Enterprise” was organized and held	100	Employees
October	Public welfare activity, visiting the lonely aged people in a nursing house, held during the Double Ninth Festival	20	The elderly people in the nursing house
December	Large-scale fellowship activity “First Encounter” was organized and co-hosted	21	Employees

12 COMMUNITY RESPONSIBILITY

- Along with its own development, the Company will support and promote local economic and social development to achieve a harmonious and win-win development of both the Company and the area where it operates. Furthermore, the Company will continue to support public welfare undertakings, give assistance to poverty alleviation, and actively shoulder social responsibilities and participate in public welfare activities.



➤ Activity for the Children's Day



➤ Activity for the Spring Festival



➤ Brisk Walking1



➤ Brisk Walking2



➤ Public Welfare Activity for the Elderly1



➤ Public Welfare Activity for the Elderly2

13 **OUTLOOK 2019**

We are always striving for survival and development in an era of highly uncertainty and disruptive changes. 2019 will be a crucial year for the Group to promote the full implementation of the “13th Five-Year” plan. We need to always grasp the situation and cognition at the crossroads.

Centring on the “13th Five-Year” plan, the Group will focus on “improving and optimizing quality, transforming and promoting, integrating and enhancing efficiency, innovating and leading, adjusting and reforming, managing and empowering” to push the process of “building a world-class intelligent logistics platform enterprise” into a new pattern.

- Improving and optimizing quality:** The Group will establish the Project Management Office of quality and efficiency improvement, on the basis of ensuring quality and efficiency improvement to meet the standards, effectively enhance the capability of sustainable development, improve the proportion of direct customers, and increase direct customer revenue while reducing cost through lean operation. The Group will comprehensively strengthen firstly, supplier management, logistics resource sharing, sharing centre construction, accounts receivable and cash flow management as well as benchmarking improvement; secondly, the coordinated development of domestic business and overseas business to increase overseas growth point; thirdly, the coordinated development of online business and offline business to increase the online growth point, and the coordinated development of organic growth and epitaxial growth to increase the M&A growth point.
- Transforming and promoting:** First, the Group will upgrade the freight forwarding and related businesses to the whole supply chain management, forming product research and development ability. Second, the Group will upgrade the logistics sector to value chain integration, forming B2B2C solution ability. Third, the Group will upgrade the e-commerce business to platform and ecosphere; with the container O2O project as the entry point, the Group will build an online and offline integrated supply chain logistics ecosphere; with cross-border e-commerce subsidiary as the main body, it will build a unified consumer interconnection and cross-border ecosphere centring on new retail e-commerce platform customers and big trading sellers; and with metallurgical industry and petrochemical industry as the entry point, it will create new products for supply chain service and build an industrial interconnection and cross-border ecosphere. Fourth, on the basis of continuing to strengthen the operational capacity of the five major channels, it will speed up the promotion of inter-channel connectivity and establish a multimodal transport system connecting land, water and overseas channels.

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OUTLOOK 2019

- **Integrating and synergizing:** The efficiency of resource integration will be systematized and deepened. First, the Group will improve regional integration and logistics sector integration; and second, the Group will enhance the integration ability of synergies to provide assistance for strategy implementation.
- **Innovating and spearheading:** The Group will comprehensively promote digitalized transformation, formulate development plans and action maps for digitalized transformation, and forge five core strengths, namely, core data, core algorithm, core platform, core patent and core team. The Group will also promote smart logistics technology applied in all scenarios, mainly in visual recognition, speech recognition, robot and automation technology application and promotion. The verification and implementation of intelligent customer services in South China area, cold-chain container intelligent monitoring, robot research and development, together with the program design and implementation of automated warehouse for Huawei and contract logistics demonstration automated warehouse will be completed. In addition, it will make further progress in the fields of intelligent technology, block chain technology, cloud computing/cloud platform technology, big data technology and Internet of Things technology; and promote the implementation of automation equipment, new technologies and new systems in the mode of smart logistics full chain.
- **Safety and liability:** The red line awareness and the bottom line thinking should be solidly established, the concept of safe development should be firmly set up, and the responsibility for safe production should be strictly fulfilled. The Group will strengthen site management of business operations, and resolutely put an end to accidents to ensure the safety of production situation continues to be stable.
- **Environment and protection:** The Group will further strengthen environmental protection, implement the concept of green development, perform well in the construction, operation and maintenance of environmental protection facilities, ensure up-to-standard discharge, and strive to build a resource-conserving enterprise.
- **Employees and security:** The Group will establish harmonious labour relations, safeguard and protect the rights and interests of the employees, and improve the quality of life and working environment for the employees. Moreover, the Group will pay close attention to the staff's livelihood within the enterprise, ensure that salaries are paid on time, pay insurance premiums as required, and carry out activities to provide warmth and assistance. To promote the career development of all the employees, the Group will strive to create conditions to provide the employees with high-quality training services and improve the training system.

14 CONTENT INDEX OF ESG REPORTING GUIDE

This report uses important indicators specified in the Guide issued by SEHK to provide an overview of Sinotrans' performance in sustainable development.

		ESG Key Performance Indicator
A	Environment	
A1	Emissions	
	Sulfur dioxide emission = 144.86 tons (up by 4.61% than 2017)	A1.1
	Oxynitride emission = 108.94 tons (up by 0.75% than 2017)	
	Total emission of greenhouse gas = 192,831.12 tons of carbon dioxide equivalent	A1.2
	Total emission of greenhouse gas is up by 4.86% than 2017, mainly due to the increase in business volume and revenue of the Company.	A1.5
	Currently, the Group has no official statistics about the gross amount of hazardous waste and nonhazardous waste.	A1.3
		A1.4
		A1.6
A2	Use of Resources	
	Total energy consumption = 117,700 tons of standard coal (up by 6.01% than 2017)	A2.1
	– Total electricity consumption = 171,451,600 KWH (up by 27.71% than 2017)	A2.3
	– Total gasoline consumption = 6,596.29 tons (down by 2.94% than 2017)	
	– Total diesel consumption = 53,322.27 tons (up by 6.51% than 2017)	
	– Total natural gas consumption = 5,655,634.14 SCM (down by 17.51% than 2017)	
	– Total coal consumption = 0.0512 (10,000 tons of standard coal) (down by 38.09% than 2017)	
	Currently, the Group has no official statistics about the water consumption.	A2.2
		A2.4
	The Group is not involved in a large amount of products or services with excessive packaging.	A2.5
A3	The Environment and Natural Resources	
	Although the business nature of the Group has no significant effect on the environment or natural resources (e.g. biodiversity), the Group will continuously reinforce the work of environmental protection and reduce any possible impact of business operations on the environment. When the Group carries out certain construction project, it will submit an environmental impact report to the environmental authority pursuant to relevant PRC laws and regulations.	A3.1

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CONTENT INDEX OF ESG REPORTING GUIDE

B	Society	ESG Key Performance Indicator
B1	Employment	
	Total number of employee = 36,441	B1.1
	Total number of registered on-the-job employees = 33,676	
	– Divided by position grade: Persons in charge of company/persons in charge of department/general employees = 1,410/3,492/28,774	
	– Divided by age group:	
	30 and below/31-40/41-50/51-60/above 60 = 12,045/12,633/6,686/2,298/14	
	– Divided by gender: Male/female = 21,521/12,155	
	– Divided by degree of education: Higher than graduate/graduate/bachelor/college/technical secondary school or senior high school/junior high school and below = 15/1,199/12,043/10,514/7,359/2,546	
	– Total number of new employees in 2018 = 3,319	
	– Employee turnover ratio = 12.43%.	B1.2
B2	Health and Safety	
	Number and proportion of deaths: No accidents of production safety responsibility for deaths occurred. Days lost due to work injury: 225 days.	B2.1, B2.2
	Following the “Safety First, Prevention Dominance, Comprehensive Governance” guidelines, the Group keeps improving occupational health & safety systems, and provides all-round protective measures for employees wherever possible, with an expectation of putting an end to all possible health & safety risks.	B2.3
B3	Development and Training	
	Average training hours and percentage of training participants divided by position grades:	B3.1, B3.2
	Persons in charge of company = 12.8 hours (113%)	
	Persons in charge of department = 26.1 hours (258%)	
	General employees = 49.1 hours (564%)	
B4	Labor Standards	
	The Group strictly observes national laws and regulations, and no business would use child or forced labor.	B4.1, B4.2
	Within the reporting period, no such case was received by the Group.	
B5	Supply Chain Management	
	Total number of qualified supplies on a global scale = 12,368	B5.1
	Total number of qualified suppliers in Mainland China = 11,982	
	The Group conducted at least one review on supplies under long-term cooperation (i.e. more than two years) annually, and for suppliers that failed to meet the requirements, the Group would decide whether to disqualify them according to the specified process.	B5.2

B	Society	ESG Key Performance Indicator
B6	Product Responsibility	
	No case of products or services inconsistent with relevant health or safety regulations has been found within the Group.	B6.1
	According to the client satisfaction survey of 2018:	B6.2
	Client satisfaction score for the Group = 9.3 (10 in full)	
	Proportion of clients expressing the Group has made significant improvements based on suggestions or complaints = 80.3%, higher than 2017.	
	The Group is committed to observing national policies, laws and regulations concerning protection of intellectual property rights. Within the reporting period, no case in connection with maintenance or protection of intellectual property rights was received by the Group.	B6.3
	The Group establishes inspection mechanisms, irregularly evaluates customer satisfaction for business operation, investigates and analyzes shortcomings, monitors contract signing, logistics distribution service and storage service quality, develops and supervises the implementation of preventive measures.	B6.4
	Within the reporting period, no complaint caused by disclosure of client information was received by the Group's headquarters.	B6.5
B7	Anti-corruption	
	Within the reporting period, no concluded legal case regarding corrupt practices was brought against the Group or its employees.	B7.1
	Along with the business development, the Group will further improve anti-corruption systems, and continuously intensify supervision so as to provide strong guarantee for the Group's sustainable development.	B7.2
B8	Community Investment	
	The Group currently does not specifically define the scope of its dedicated contribution. The Group's operations are unlikely to have a direct impact on local communities. The Group is still very concerned about the development and needs of the communities in which we operate and provide appropriate support.	B8.1, B8.2



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