



中國外運股份有限公司
SINOTRANS LIMITED

Stock Code: 0598HK 601598SH

2019

Corporate Social Responsibility Report

(ESG Report)

CUSTOMERS' SUCCESS OUR ACHIEVEMENT



中國外運股份有限公司
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Thank you for reading the 2019 Social Responsibility and ESG (Environmental, Social and Governance) Report (the "Report") of Sino-trans Limited (the "Company", together with its subsidiaries, collectively "the Group", "Sino-trans", "we" or "us"). This Report is the sixth annual ESG Report published by Sino-trans, for the purpose of disclosing the Company's management methods, major practices and achievements in fulfilling social responsibility (including environmental, social and governance) while providing integrated logistics services.

Reporting Period

Basis of Preparation

Data and Information

The operating data disclosed in this Report are generated from the Company's Annual Report. In the event of any discrepancy of data, please refer to the Annual Report.

This report is published in PDF version in Simplified Chinese, Traditional Chinese and English, and can be downloaded from the website of Sinotrans (<http://www.sinotrans.com>). In case of any discrepancy, the Simplified Chinese version shall prevail.

If you have any question about this Report, please contact the Company by email or phone. Our contact information is as follows:

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CHAIRMAN'S STATEMENT



2019 was the last year of the implementation of the “13th Five-Year” Plan strategy of Sinotrans. By adhering to the concept of “symbiotic sharing, co-creation and win-win” with employees, customers, shareholders and society, and focusing on “quality improvement and optimization, transformation and promotion, integration and efficiency enhancement, innovation and guiding, change and transition, management and empowerment”, we have achieved leapfrog development and historic breakthroughs in various aspects of business management, and have satisfactorily fulfilled our social responsibilities.

This year, we realized the elevation of corporation mission. Sinotrans has established its new mission of “Creating a logistics ecology system around the world to successfully promote industrial progress”.

This year, our business mode has begun to achieve better results. With the nationwide promotion of Sinotrans E-LCL, the first national standardized product, the operation of Customs Cloud, the first national sharing center and the launch of Y2T.COM, a unified national logistics e-commerce platform, Sinotrans has preliminarily formed the business mode integrated with logistics providers, logistics integrators and logistics platform operators, and has significantly improved customer experience and satisfaction.

This year, we have established a network structure with full coverage. We have established five major regional subsidiaries. In addition, upon the reorganisation, we have established Sinotrans Overseas Development Limited, Sinotrans Logistics Investment Holdings Co., Ltd., and set up Sinotrans Innovation & Technology Co., Ltd. With the establishment of five professional subsidiaries and the comprehensive operational network, the results of “promoting the development of Mainland through ports and driving the overall development through solutions” further showed out.

This year, we have made breakthroughs in capital operation. We successfully landed in the A-share main board market of Shanghai Stock Exchange, realized “A+H” dual-listing in both Hong Kong and Mainland. We have completed the acquisition of the majority equity interests of Dutch logistics companies of the KLG Group and widened the growth space for the future development.

This year, we have continuously devoted efforts in intelligent logistics. With a commitment to building the No.1 intelligent logistics brand in China, we have completed the digital planning and established the first intelligent logistics technology center, with the widespread applications of ABCDT (artificial intelligence, blockchain, cloud computation, big data, Internet of Things) in the all logistics scenarios.

This year, we promoted co-creation and co-development with the guidance of corporate cultures. We have created the corporate culture system of “customer as sky, value as root, innovation as soul, hard-working as the way” to expand customer base and diversify income sources. We have also established the human resource system of “attaching great importance to hard-working and value-creating staff” to pay attention to the development of staff and encourage them to develop and grow with the Company.

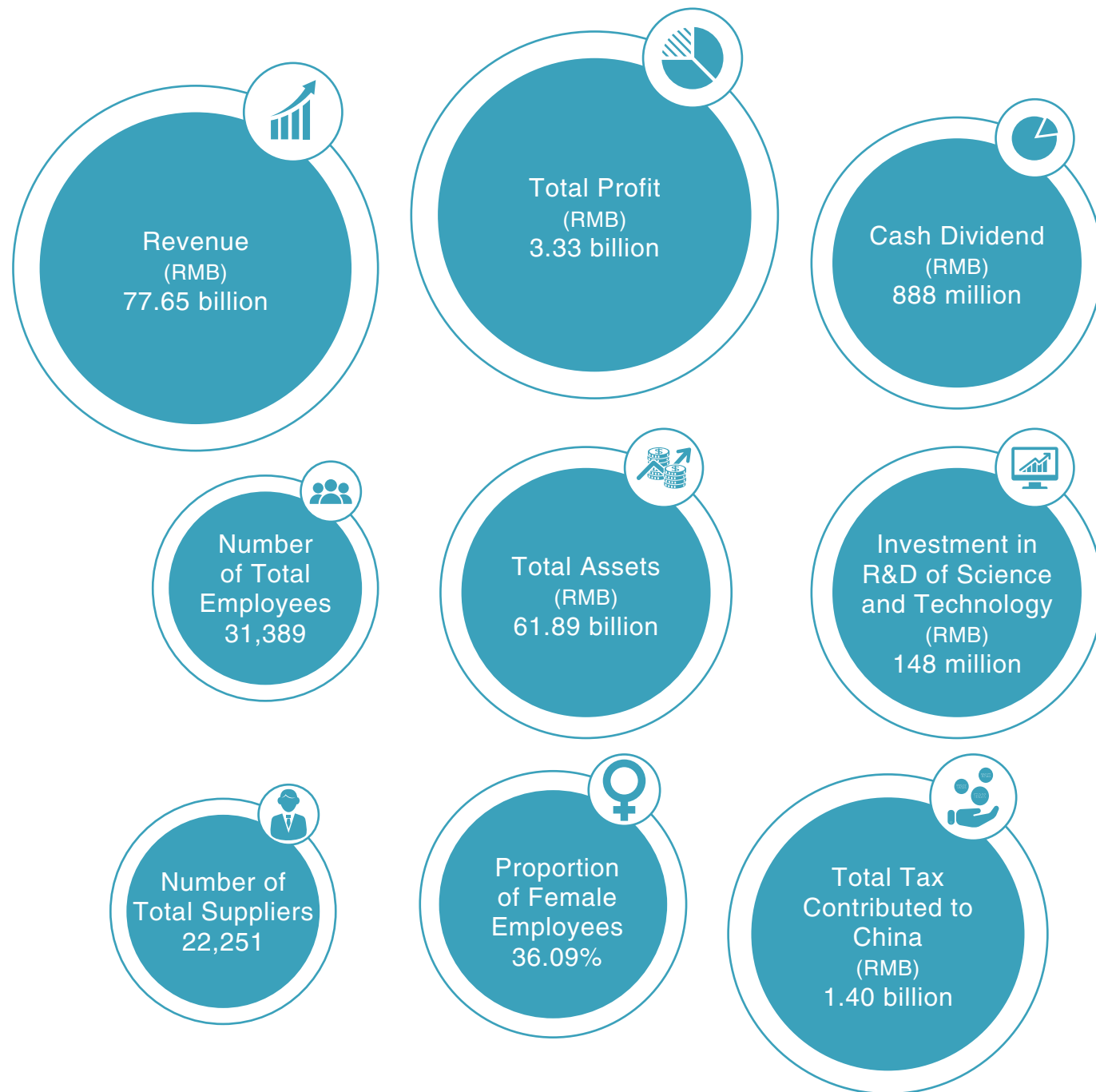
This year, we have actively fulfilled our social responsibilities. As a result of our continuous concerns to environmental protection, both the emissions and resource consumption of our production and operations have decreased significantly compared with the previous year, and our environmental protection management capabilities have been further strengthened. We continued to devote ourselves to social public welfare and poverty alleviation, and actively carried out volunteer activities to sincerely give back to society and strive to achieve harmonious co-construction between enterprises and communities.

In 2020, Sinotrans actively fulfilled its social responsibility to combat COVID-19 with the outbreak of the COVID-19 in the worldwide. Looking ahead into 2020, we will stick to the righteousness, adhere to the pursuit of long-term value, and persist in the strategic goal of “forging a world-class intelligent logistics platform corporation”. We will maintain our strategic focus to realize the transformation from traditional advantages to new advantages and burnish the reputation of Sinotrans. We will forge ahead to win the three tough battles against business restructuring, operation remodeling, and organizational reconstruction under the guidance of innovation creation spirit, and achieve the results through strategies driven by customer, digitization, innovation, talent and corporate culture system.

ABOUT US

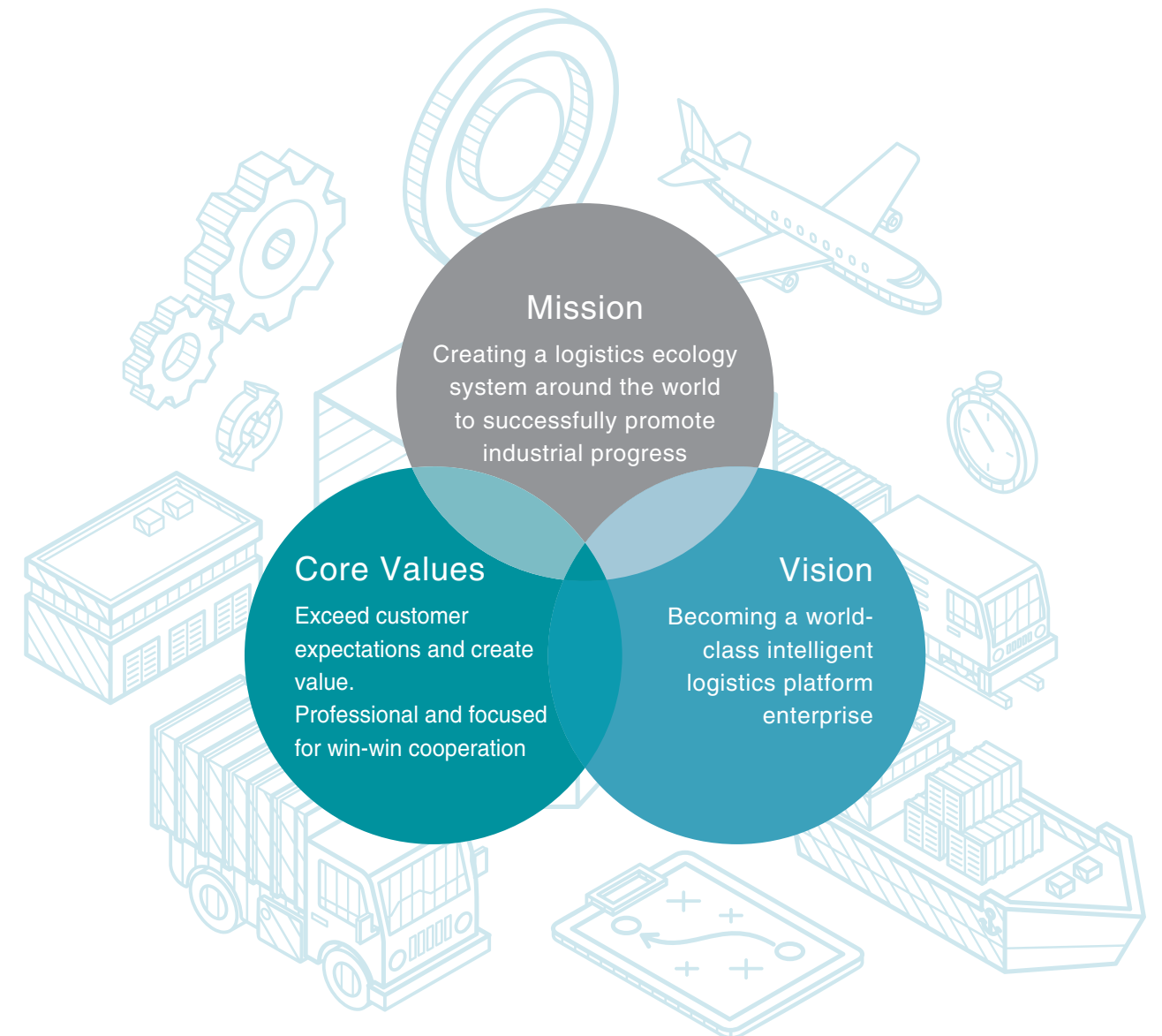
Sinotrans was incorporated on 20 November 2002, listed on the Hong Kong Stock Exchange on 13 February 2003 (0598HK) and listed on the Shanghai Stock Exchange on 18 January 2019 (601598SH). Sinotrans is the subsidiary and logistics platform for China Merchants.

The Group is a leading integrated logistics service provider in the PRC, and the Group's business includes forwarding and related business, logistics and e-commerce business which focuses on the fast-growing coastal regions and strategic regions in China, and has an extensive and comprehensive domestic service network and overseas network. Leveraging on its comprehensive service network resources and integrated logistics service model and professional capabilities, the Group is able to provide comprehensive integrated logistics services to its customers and become a professional logistics partner for its customers, with a leading position in the market competition.



DEVELOPMENT STRATEGY

Sinotrans is positioning as the pioneer of the logistics industry, the integrator of industry, the builder of integrated supply chain logistics, the leader of intelligent logistics and the promoter of world class Chinese logistics industry. Sinotrans is developing ecology system from a logistics service provider to an intelligent logistics service integrator to become a world-class intelligent logistics platform enterprise through deepening the transformation and reorganizing the business model.



1950
China National Foreign Trade Transportation (Group) Corporation established (the "Sinotrans Group")

1958-1985
Sinotrans Group undertook administrative functions as the Transport Bureau of the Ministry of Foreign Trade

1973
initiated first container transport line in China, being the pioneer of container shipping in China

1977
being the first company that provided sea-railway transport service, through which the cargos can be transported to the worldwide countries by sea transport after transition in Hong Kong by railway transport

1980
being the first company that opened up the international land bridge transport corridor, started international multimodal transport business, provided "end-to-end" service covered through by a single bill, and also became the first air express service provider, the first Chinese company that trialed dress hanger container and became an official member of International Federation Of Freight Forwarders Associations (FIATA)

1986
DHL-Sinotrans International Air Courier Ltd. and China Shipping Agency Co., Ltd. established

2000
Sinotrans Air Transport Development Co., Ltd. ("Sinoair") (600270SH) being the air transport sector of Sinotrans listed on the Shanghai Stock Exchange - the first listed air freight forwarding company in China

2002
Sinotrans Limited incorporated by Sinotrans Group through carving out high quality integrated logistics assets

2003
Sinotrans listed in Hong Kong (0598HK)- the first China's overseas listed logistics company

2009
Sinotrans Group renamed as Sinotrans & CSC Group Limited ("Sinotrans & CSC") by reorganization with China Changjiang National Shipping Group Co., Ltd.

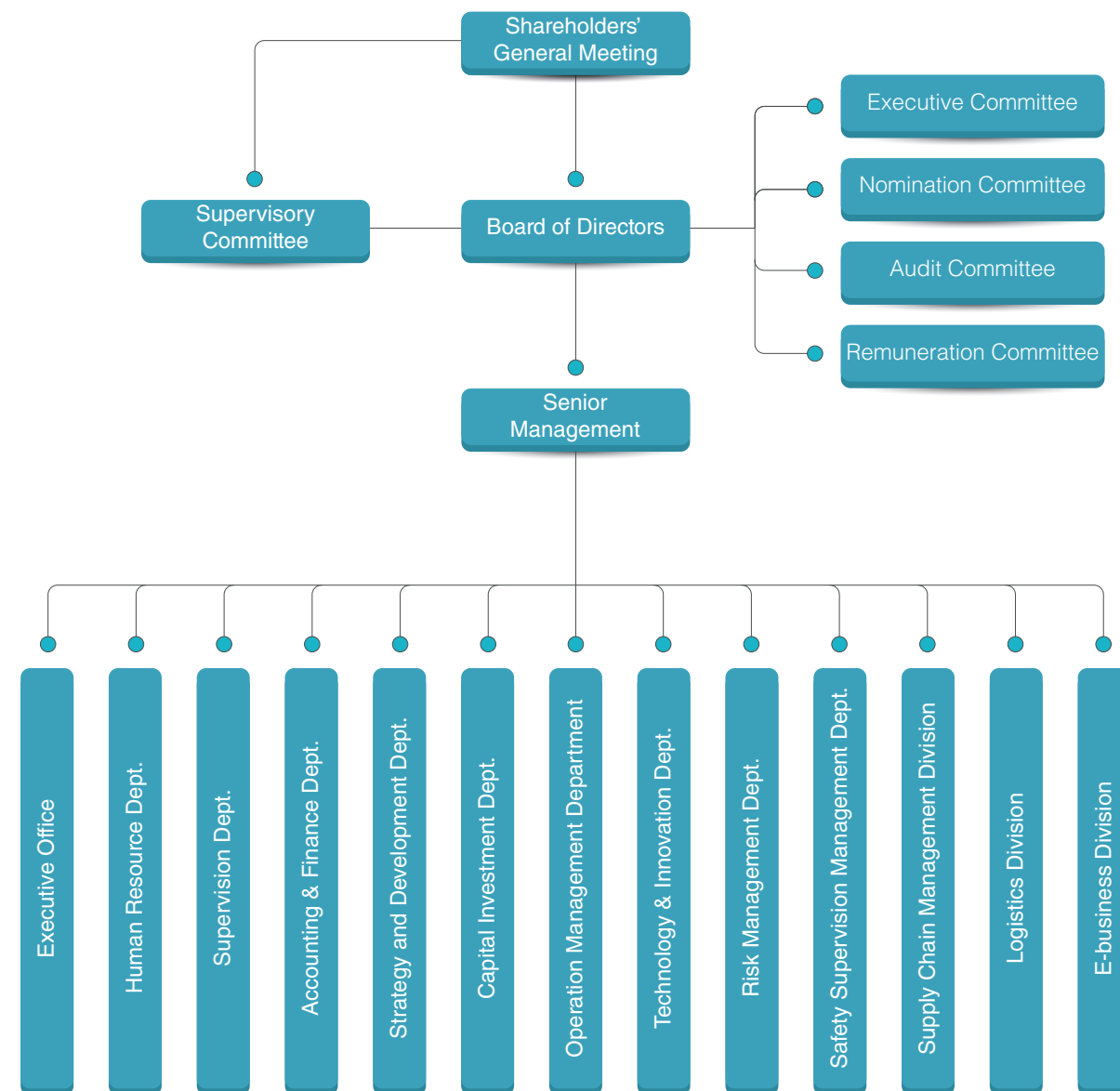
2015
China Merchants Group Limited Company ("China Merchants" , collectively with its subsidiaries named "China Merchants Group") made a strategic reorganization with Sinotrans & CSC which is merged into China Merchants Group Sinotrans became the first Chinese enterprise elected as FIATA Chinese chairman

2016
formulated Sinotrans' 13th "five- year-plan" and deepened integration with China Merchants Group, defining a vision of "to build a world-class intelligent logistics platform enterprise"

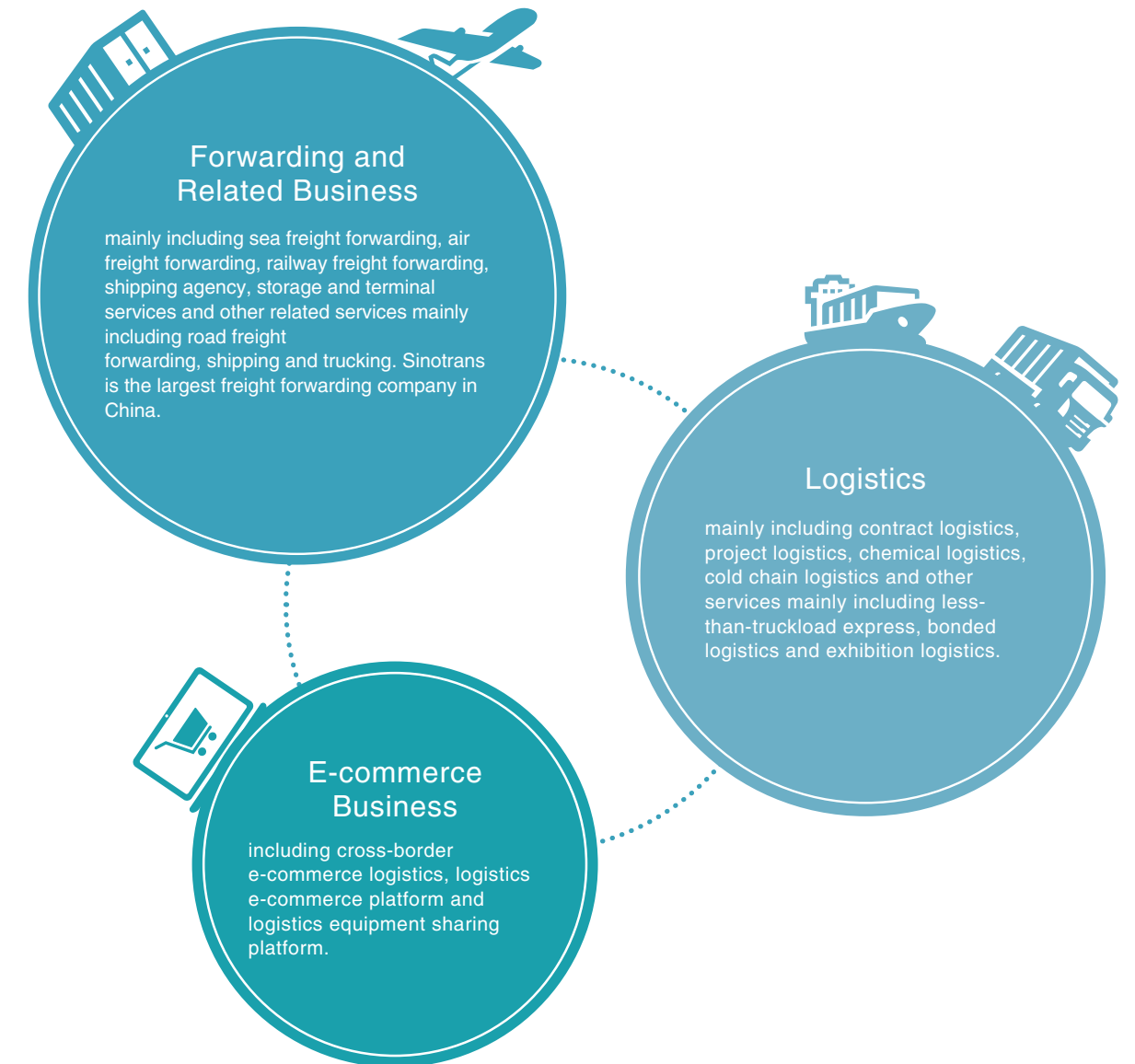
2017
Sinotrans acquired China Merchants Logistics Co., Ltd. (renamed as Sinotrans Logistics limited) by issuance of shares, and became the unified operation platform of operating and developing integrated logistics business under China Merchants

2019
Sinotrans listed on Shanghai Stock exchange (601598SH) by merger of Sinoair and forged an "A + H" dual-listing company.

ORGANIZATION STRUCTURE



BUSINESS SECTOR



NETWORK DISTRIBUTION

Domestic Network



Network coverage throughout the country :

32 provinces, autonomous regions and municipalities under the Central Government and Hong Kong Special Administrative Region

Domestic subsidiaries:

About **1,000**

Owned vehicle:

2,242 vehicles
75,137 DWT

Rental vehicle:

261 vehicles
4,918 DWT

Yard:

37 containers
17 bulk yards
1.97 million square meters

Owned warehouse:

4.18 million square meters

Rental warehouse:

3.05 million square meters

Ships:

29
63,143 Total Load Tons

Railway lines:

6
9,071 meters

Terminals:

8
3,700 meters

NETWORK DISTRIBUTION

Overseas Network

Overseas Operating Networks

73

Covered in

37

countries and regions



COMBATING COVID-19

—WHEN THE COUNTRY IS IN NEED, SINOTRANS DELIVERS

- Acted the “Emergency Delivery”, an emergency logistics platform, to deliver epidemic prevention materials
- Provided logistics services of construction materials, medical equipment and medical protective equipment for Wuhan Huoshenshan and Leishenshan hospitals
- Mobilized cross-border resources of the whole network, from overseas procurement, pick-up and dispatch, air freight channel guarantee to domestic delivery, to ensure the rescue materials provided by overseas countries are delivered to China
- Secured the charter flights between Liege and Hangzhou under the situation of huge cut of the air cargo transportation between China and Europe, became an important air freight channel to ensure the transportation of materials between Asia and Europe at different stages of the global fight against the epidemic
- Resumed operation actively with safety measures in place, and made every effort to complete this year’s business targets



GUIDED BY STRATEGIES, GOVERNANCE OPTIMIZATION AND NEW STAGE OF EMPOWERMENT



SOCIAL RESPONSIBILITY MANAGEMENT

We always believe that active performance of social responsibilities represents an essential quality for a good company, which 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. Under the guidance of strategies, Sinotrans will effectively link our fulfillment of social responsibilities with corporate development strategies, incorporate social responsibilities into all aspects of corporate production and operations, and strive to build it as a respectable international company.

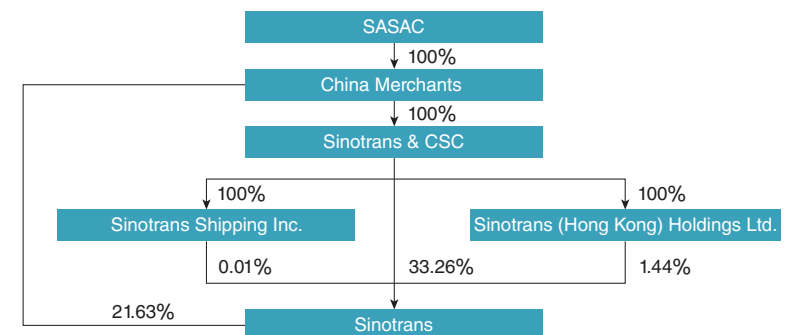
In 2019, the Group continued to integrate the concept of social responsibility management and commitments to stakeholders in the operation and management of the Company, and translated them into practical actions. The Board of the Company conducted special review on the Annual Social Responsibility Report, and reviewed and made decision on major social responsibility related issues. The management of the Company actively implemented the concept of social responsibility, promoted social responsibility and carried out social responsibility activities through the establishment of a special social responsibility team, and regularly sorted out or collected information on the performance of social responsibility. At the same time, all subsidiaries were required to actively fulfill social responsibilities and carry out various social responsibility activities in regions

where they were located. For example, Sinotrans Chemical International Logistics Co., Ltd., a subsidiary of the Company, signed emergency service agreements with a number of chemical manufacturers and logistics providers to provide special emergency rescue services, and led and participated in emergency rescue of chemical accidents at the request of local government departments and emergency management departments for many times, such as emergency response to the explosion accident in 2015 and the flammable gas container leakage accident in 2017 in Tianjin Port. In order to further improve emergency response capabilities, Sinotrans Chemical International Logistics Co., Ltd. applied to the Ministry of Emergency Management of the PRC to be a professional chemical accident emergency rescue team in 2019 to obtain more comprehensive and professional guidance, so as to better serve the society.

During the Reporting Period, we continued to further strengthen the disclosure and management of social responsibility information according to the requirements of regulatory authorities such as the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission, the SSE and the Hong Kong Stock Exchange, and formed opinions on environmental, social and governance optimization by comparing with the best practices, and will work hard to improve and perfect in 2020.

CORPORATE GOVERNANCE

As at 31 December 2019, the total issued share capital of Sinotrans was 7,400,803,875 shares, including 5,255,916,875 A shares and 2,144,887,000 H shares. China Merchants, the actual controller of the Company, together with its concert parties hold 4,169,376,639 shares of the Company in total, representing approximately 56.34% of the total issued share capital of the Company. The shareholding structure chart is as follows:



In accordance with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other relevant laws and regulations, the Company has established a corporate governance structure consisting of Shareholders' General Meeting, Board of Directors, Supervisory Committee 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. During the Reporting Period, the Company continued to improve the construction of the corporate governance system, amended three regulations, namely the Articles of Association, the Working Rules of the General Manager, and the Rules of Procedure of the Executive Committee of the Board, and newly formulated six working regulations, including the Working Rules for the Audit Committee of the Board on Annual Report, the Management Regulation for Capital Transactions with Related Parties, and the Regulation of Accountability for Significant Errors of Information Disclosure in Annual Reports and others.

Shareholders' General Meeting is the highest authority of the Company. In order to ensure that all shareholders, especially minority shareholders, enjoy equal status and fully exercise their rights, the Company encourage all shareholders to attend general meetings and will strive to make it an effective channel of communication through which the Company and the investors may engage in direct dialogue and foster positive relationships. Voting at the general meeting shall be taken by two methods, on-site voting and online voting, during which voting procedures are implemented strictly to actively safeguard the legitimate rights and interests of shareholders. In 2019, the Company held one annual general meeting and two extraordinary general meetings in total, with 20 resolutions in total considered, all of which were passed at the General Meeting by poll.

The Board is accountable to the General Meeting under its principal to pursue the best interests of the Company. In accordance with laws and regulations and the authorization of shareholders' General Meeting, the Board actively performed corporate governance functions, including developing and reviewing the Company's policies on corporate governance, reviewing the Company's compliance with the CG Code and information disclosure and others. At the same time, the Board pays close attention to important issues such as strategic planning, business development, risk management, material investments, and social responsibility related issues. All Directors perform their duties as a Director faithfully, diligently and conscientiously, and collectively and individually accept the responsibility for the management and monitor of the Company in the interests of shareholders. As at 31 December 2019, the Board of the Company consisted of 11 Directors (including 1 female), who are experts in corporate governance, corporate management, law, finance and logistics industries. In 2019, the Board of the Company held 12 meetings, reviewed 41 resolutions and heard two reports in total.

The Supervisory Committee, as the supervision and inspection body of the Company, reviews the financial and major projects of the Company, supervises the Board and its members as well as the senior management, so as to safeguard the interests of the shareholders of the Company. The Supervisory Committee examines 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 of the Company, and undertaking checking on the site of subsidiaries and investigation. Each Supervisor undertook various duties in a proactive manner with diligence, prudence and integrity. As at 31 December 2019, the Supervisory Committee of the Company was composed of five Supervisors (including 2 females). In 2019, the Supervisory Committee held 6 meetings and reviewed 14 resolutions in total.

COMMUNICATION WITH STAKEHOLDERS

The Company 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 over the environmental, social and governance issues. The Group collects views from stakeholders through a range of channels such as meetings, interviews, internal discussions, surveys and feedback plans. The Board will identify and assess the environmental, social and governance issues relevant to the development of the Company, which are of the most significance.

Stakeholder	Expectation and requirement	Communication methods and channels	Company response
Regulators	<ul style="list-style-type: none">• Operate safely• Abide by law• Compliant operation	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Profit level• Cash dividend• Information disclosure• Corporate governance	<ul style="list-style-type: none">• Shareholders' general meeting• Company announcement• Periodic reports• Roadshow and reverse roadshow• Shanghai Stock Exchange E-interactive• Meetings and Conference Calls	<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	<ul style="list-style-type: none">• Compensation and benefits• Health and safety• Career development• Education and training	<ul style="list-style-type: none">• Employee representative• Employee communication• Labour contract• Life care	<ul style="list-style-type: none">• Improve the performance compensation system and employee protection system;• Initiate the share option incentive plan;• Provide good working conditions and environment;• Provide opportunities for long-term career development;• Enrich training forms and improve training quality
Customers	<ul style="list-style-type: none">• Quality service• Reasonable price	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Open tender• Fairness and justice• Honesty	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Transparent information	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Harmonious community• Charitable activities	<ul style="list-style-type: none">• 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

Brand Promotion

Sinotrans attaches great importance to brand management. Through brand promotion, customers can better understand our products and services, employees can better understand our corporate culture and philosophy, shareholders and potential investors can better understand the development of the Company, and we can communicate with partners in the same industry to learn about the latest developments in the industry.

In 2019, the Company focused on strengthening the enhancement of corporate image and brand promotion, and rebuilt our brand by building the image of "World-class Intelligent Logistics Platform Enterprise", reshaped brand awareness internally, and promoted brand concept externally. Particulars of which include:

- (1) Established and built a professional promotion team. With the corporate official account on wechat as the carrier, we strengthened the promotion, and focusing on the brand concept, promoted the brand awareness through the logistics lecture hall, wechat-lecture and other channels within the Company. During the Reporting Period, 12 offline brand promotion exhibitions and activities were held, and we organized, participated in and won a number of domestic and international awards. The WeChat corporate account of the Company posted 565 articles, and there were 5 live-picture broadcasts for industrially significant events, with brand exposure rate of live channel single picture more than 200,000 times. 45 special reports were prepared during the year and there were 6 articles with a click rate of more than 10,000, including the "A Share Listing Ceremony of Sinotrans", "Munich in June, the 'Sinotrans Blue' Amazed the World", "Sinotrans, 'Three-dimensional' Integration – Exclusive Interview with the Chairman of Sinotrans Limited".
- (2) Focusing on the topics of "Intelligent Logistics, Guided by Strategies", the Company increased industry promotion and established a multi-dimensional management image. During the Reporting Period, more than 10 multi-dimensional offline brand promotion activities were conducted, including successful participation in the Transport Logistic in Munich, Germany. At the same time, the management of the Company accepted exclusive interviews from China Shipping Gazette, China Logistics Times, German Branch of People's Daily, www.logclub.com, logclub.com and other media and increased media exposure on Xinhua News Agency and other platforms in respect of topics such as intelligent logistics and the Belt and Road Initiative. In addition, the Company has produced multilingual and multi-scenario promotional videos for Sinotrans, which were widely used in customer meetings and promotion at exhibitions.



Sinotrans participated in the Transport Logistic in Munich, Germany



The Chairman of Sinotrans, Mr. Li Guanpeng, was interviewed by Logistics Times

Investor Relations

The Company has always valued and promoted investor relations, and on the premise of conformity with relevant laws and regulations, it has always sought to ensure effective communications between investors and the management of the Company. Latest updates on the Group's business development and operations are communicated in a timely manner through a variety of means, investors' opinions and suggestions are sorted out and submitted to management in a timely manner, and accurate information disclosure is being conducted in accordance with corporate governance principles. We are deeply convinced that sustained and effective communications with investors will improve the management transparency and corporate governance standards of the Company, and create greater value for shareholders.

2019 was the first year of the listing of A shares of the Company. First, it contacted important sell-side and buy-side institutional investors and established preliminary communication channels. Second, it organized the first reverse roadshow of investors of A shares and visited the Shanghai Fengxian Logistics Center of Sinotrans. Approximately 20 investors were invited to participate in the event; answered more than 60 questions on Shanghai Stock Exchange E-Interactive (上證e互動); compiled the Key Issues Concerned by Capital Markets according to the frequency of key concerns of the capital market since June 2019, for which regular feedback will be given internally, and is subject to internal supervision and improvement.

During the Reporting Period, the Company arranged nearly 80 investor one-on-one meetings and conference calls, and completed two Hong Kong road shows, one road show in mainland, and two reverse road shows, and attended 14 annual meetings and strategy meetings of investment banks. In order to further enrich the channels for investors to obtain information, the Company has established a WeChat account for investor relation group in early 2020 to promptly push the Company's latest public information disclosure and information. In 2019, 11 institutions in total issued 42 research reports on the Company.



2019 Interim Result Analyst Briefing

Information Disclosure

Since the listing of A shares in 2019, the Company has strictly complied with relevant laws and regulations, such as the CG Code, the Listing Rules of Shanghai Stock Exchange, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as well as the Articles of Association, to fulfill its information disclosure obligations actively, and to make mandatory information disclosure properly, based on the disclosure principle of accurate, complete, timely, and compliant.

In 2019, in order to further improve the quality of information disclosure and strengthen the compliance awareness and responsibility awareness of the main reporting bodies of the Company's material information, the Company has held internal compliance seminars and training on many occasions to compile summaries of material compliance matters and establish internal compliance special contact person system and online real-time monitoring, forming a regular statistics and monitoring mechanism for related party transactions, external investment and other matters, and achieving real-time online monitoring of continuing connected transactions. At the same time, in order to improve the compliance of laws and regulations when the Company's controlling shareholders, actual controllers, Directors, Supervisors and senior management perform their duties, we prepared the Compilation of Listing Compliance Obligations and Codes of Conduct of Controlling Shareholders, Actual Controllers, Directors, Supervisors and Senior Management, and actively organized internal and external training for the Directors, Supervisors and senior management of the Company.

During the Reporting Period, Sinotrans disclosed 335 announcement documents in total, including 123 announcement documents for A shares, 79 English announcement documents and 133 Chinese announcement documents for H shares. While the Company completed mandatory information disclosure such as periodic reports, it also disclosed major matters concerned by shareholders and investors (such as the progress of material projects) to ensure that investors can understand the situation of the Company's operations in a timely, fair, accurate and complete manner.

STRENGTHENING THE FOUNDATION, INNOVATION DRIVING AND NEW DRIVER OF EMPOWERMENT

RISK CONTROL AND COMPLIANCE MANAGEMENT

Sinotrans continues to promote the establishment of the "Four-in-one" closed-loop system of risk management, namely risk control, compliance, audit, and accountability, by using five aspects, namely "system optimization, risk prevention, risk mitigation, supervision and rectification, and cultural construction", as the handrail, focusing on achieving the foundation improvement, system improvement and value improvement of risk management.

In 2019, based on internal and external situations the Company assessed and identified ten major risks (including operation and management risks, core competitiveness risks, strategic implementation risks, human resource management risks, resource integration risks and others), and continued to promote the implementation of risk management and control measures, and tracked the progress of the implementation of management and control measures on a quarterly basis so as to strengthen the risk management. In addition, the preliminary work of data monitoring and risk alerting was initiated. It is intended to use the information system to manage and monitor daily business settlement and financial data, and to carry out targeted risk inspections, receivables and funds inspection, business data cleanup, and business condition inspection and others. At the same time, the Company plans to select typical business risk cases to sort out specific processes and links such as business operations, information on customers and suppliers, business settlement, financial accounting, and receipt and payment of funds, so as to identify critical control and management methods for key core risk points through comprehensive data and information technology review. Currently, data monitoring and risk alerting are gradually being explored and researched, and some typical risk cases have been selected and the processes have been sorted out.

In 2019, the Company started the comprehensive update of the internal control system, comprehensively and systematically analyzed the entire process of the Company's functional management, and strengthened the implementation of internal control evaluation and defect rectification efforts, so as to ensure that the internal control defects in 2018 and prior years have been rectified. In addition, the integration of the internal control system and the ISO quality management system has been achieved, the internal control process and the control procedures of quality management have been unified, and an integrated review mechanism has been established. Currently, the overall coverage of the internal control system of Sinotrans reaches more than 90% when analyzed using the assets and income wise. The Audit Committee evaluates the effectiveness of the Company's risk management and internal control, and will submit to the Board for final review after reviewing and approving the Annual Internal Control Evaluation Report. At the same time, the Company also engages an external auditor to issue the Annual Internal Control Audit Report. The measures mentioned above ensure the effective operation of the internal control system.

In 2019, the Company continued to strengthen the construction of the compliance management system and improve the organizational system and institutional system of compliance management. The Company promoted the construction of the compliance management system in depth, increased system coverage, and gradually implemented compliance requirements in all major secondary subsidiaries, including the establishment of a system for organizing compliance management, the establishment of full-time compliance posts, comprehensive review of rules and regulations, review of compliance risks in daily operations, the establishment of corresponding control mechanisms for compliance risk and others. By further improving the top-level design of compliance management, the Group assessed the compliance operation risk and reported the assessment results to the audit committee. The Company clarified the responsibilities of the Board in compliance management, and incorporated the requirements of legal construction and compliance management into the Articles of Association of the Company (pending approval at the General Meeting of the Company). It continued to improve the compliance management system, and formulated and implemented the Update Plan for Rules and Regulations of Sinotrans Limited for 2019. It formulated a compliance management system and an accountability system for illegal operation, and promoted the compliance review of rules and regulations to ensure that the Company's operating activities are regulated by rules and regulations. Relying on existing business planning, management regulations and operating procedures, it carried out compliance risk research, risk alerting and warning, and special compliance inspections to strengthen the management system for compliance risk control. It promoted the systems by holding WeChat mini-lecture competitions, training for new employees and other methods, and popularized compliance knowledge and promoted culture of compliance. During the reporting period, the Company successfully completed and implemented the annual compliance plan, which basically fulfilled the predetermined goals, and further improved the Company's management capabilities of legal compliance and risk prevention and control.

During the Reporting Period, the Company's risk management and control situation was generally stable, its basic management capabilities were improved, the systematic risk management capabilities were gradually strengthened, effective progress was made in the resolution of some risk events, and the risk awareness and responsibility awareness of the headquarters and its subsidiaries were further improved. During the Reporting Period, the Company did not identify any major internal control defects related to compliance operations, and the risk loss was also controlled within an acceptable range.

In addition, the Group strictly observes all laws and regulations in connection with logistics services (including regulations on the transportation of dangerous goods, overload transport, embargo, etc.), and national policies, laws and regulations on health and safety. The Group has established its examination and control procedures for examining the required quality of its various operation management and business operations, the entire process and the results at each stage of environment management, to ensure all processes, overall tasks, products, services and environment meeting the standards and requirements of related regulations.

SAFETY MANAGEMENT

The Company always attaches great importance to safety management, regards safe production as the first priority of the production and operation of the Company, and strives to provide safe and quality services and products for the society, provide a safe and good environment for the public, and create safe and healthy working conditions for employees. For a long time, Sinotrans has established and formed a comprehensive safety management mechanism, including construction of institutionalized and standardized safe production, management and inspection of safety, education on safety, and prevention of major accident. Taking hazardous chemicals for example, Sinotrans attaches great importance to safe handling, transport and warehousing of hazardous chemicals. It has established a nationwide 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 emergency operation vehicles which could provide with 7*24 rapid response and night-time emergency operation functions, and a specialized chemical fire engines, which are able to handle all kinds of off-site emergency events, including disposal of large bulk liquid chemicals, flammables and explosives, hazardous and toxic chemicals, etc., and upon occurrence of any accident within 200 kilometers, they basically can arrive at the scene within two hours.

In 2019, the Company further strengthened the construction of the systems, prepared and issued the Manual for the Standardization of Safe Production of General Cargo Storage Units (Trial), and revised the Articles of Association of the Safety Committee of Sinotrans Limited and the List of Responsibilities for Safe Production of Sinotrans Limited. It carried out intensive rectification on fire safety, the "Prevent Risks and Ensure Safety for the Big Celebration" special action and "Hundred-day Action" of transportation, and focused on key regions, paid close attention to key areas, and carried out in-depth inspection and management of latent dangers. It continued to hold emergency drills and "Safe Production Month" activity, with 457 drills held and 19,346 participants throughout the year, and also conducted the Emergency Drill of Sinotrans for Preventing and Fighting Typhoon of 2019 in Xiamen. Through the "Lecture Hall of Safe Production", for which the Chairman and General Manager of the Company personally gave lectures on special topics, and online quiz activities on knowledge of safe production, as well as special knowledge training such as "Outbound Security" and "Anti-terrorism in Foreign Countries", the safety awareness and knowledge of employees have been improved. 2,922 safety trainings were conducted by all subsidiaries throughout the year, with 74,353 participants in total, and 17,611 people in total participated in the knowledge contest.

During the Reporting Period, the rectification rate of latent safety hazards for the year was 99.91%. The number of existing latent safety hazards decreased significantly, and the incremental number was contained effectively. No general production safety accidents above level II occurred throughout the year. The accident risk continued to decline, and the safety management level improved steadily. The number of working days lost due to work injury was 273 days in 2019.



Sinotrans conducted the Emergency Drill for Preventing and Fighting Typhoon in Xiamen

INTEGRITY CONSTRUCTION

Sinotrans vigorously strengthened anti-corruption construction and promoted the legalization and standardization of anti-corruption. By setting up a separate supervision department, supervision resources were effectively integrated, and focusing on the source of corruption, it prevented post crimes and curbed post corruption.

In 2019, the Group complied with national and local laws and regulations regarding the prevention of corruption, bribery, extortion, fraud and money laundering. In order to further improve the concept of compliance operation, the Group largely increased the proportion of the construction of clean governance and anti-corruption in the indicators for the KPI assessment. By holding the "Promotion and Education Month for Anti-Corruption" event and case alerting education, the discipline awareness of all management and employees to observe disciplines and obey laws was further enhanced. In addition, supporting systems for anti-corruption have been continuously improved. During the year, the Company has issued and revised systems, such as the Provision on Compensation for the Responsible Persons of Enterprise to Perform Their Duties and the Management of Operational Expenditure, the Provision on Compensation for the Responsible Persons of Invested Enterprise to Perform Their Duties and the Management of Operational Expenditure, and the Implementing Measures for the Accountability for Illegal Operation and Investment and other systems of the Company. In line with the construction of internal control of the Company, the prevention and control of integrity risk has been extended to overseas companies. During the Reporting Period, there were no filed and concluded corruption lawsuits against the Group or its employees.

TECHNOLOGICAL INNOVATION AND INTELLECTUAL PROPERTY MANAGEMENT

Under the principles of “integration, openness, sharing, and collaboration”, Sinotrans actively creates an innovative environment by actively establishing a technological innovation exchange platform, promotes the matching and cooperation of advanced industrial technologies with actual business scenarios, continues to increase investment in intelligence, automation, Internet of Things, blockchain, and the construction of digital platform, and has achieved a series of scientific and technological achievements widely recognized. The customs service sharing center promoted the transformation of the customs business organization model to “small front end, strong back office”, and facilitated Sinotrans to provide customs service through its customs service platform. Jinlian logistics platform officially launched supply chain financial services with China Merchants Bank and Minsheng Bank Head Office, and was awarded the “Top Ten Blockchain Application Enterprises” of the blockchain application branch under the China Federation of Logistics & Purchasing. The smart depot logistics project was awarded the third prize of the “2018 Central Enterprises Stars Innovation and Creativity Contest”.

While advancing research and development of scientific and technological achievements, promoting business improvement through application, Sinotrans has continuously accumulated intellectual property rights, and actively explores cooperation and exchanges with scientific research institutes with technological advantages in the industry, and continuously increases our technological reserve capacity. In 2019, Sinotrans applied for 19 patents, and applied for and obtained 45 authorized software copyrights. The Group strictly complies with relevant laws such as the Patent Law of the People’s Republic of China, the Trademark Law of the People’s Republic of China, and the Anti-Unfair Competition Law of the People’s Republic of China in its production and operation activities, and has established omnibearing management for the creation, protection, application, management and risk prevention and control of the intellectual property rights.

CUSTOMER FOCUS, WIN-WIN COOPERATION AND NEW ACHIEVEMENT OF EMPOWERMENT

CUSTOMER SERVICE AND MANAGEMENT

Customer service

Sinotrans has always adhered to the service principle of “Exceed customer expectations and create value. Professional and focused for win-win cooperation”, strictly executed the service contract and attached importance to improve the quality of service so as to improve customer satisfaction. In the course of cooperation with customers, the Company has adhered to the principle of equality and mutual benefit, and initiatively provided customers with detailed service information to protect customers’ right to know and option.

In 2019, the Company has taken comprehensively promoting digital transformation as the core, improving quality and efficiency and driving innovation as the main line, intelligent logistics technology and main business line as the important starting point, strengthened the construction of intelligent logistics platform, attempted to improve products and services in various business fields through digital technology and carried out pilots in various area of the business end, including carried out logistics control tower pilots based on the Internet of Things in dozens of logistics projects, and providing visualization tools for the whole supply chain, through which we can check the real-time status and location of goods, carry out error warning, post analysis and other supporting operations; combined with B2C urban distribution business scenario, analyzed, modeled and optimized the existing auto urban distribution business based on big data and operation optimization algorithm technology to improve scheduling and operation efficiency. During the Reporting Period, the Group found no cases of products and services not complying with the relevant health and safety legislation.

Customer Management

The Company has focused on strengthening customer management, through understanding the personalized needs of customers with different values, improving customer satisfaction and loyalty, and realizing customer value contribution, thus improving the profitability of the enterprise. Based on decades of accumulation of customer relations, the Company has continuously and irregularly commissioned independent investigation agencies to conduct customer satisfaction surveys over years, and analyzed the deficiencies of products and services, so as to continuously improve service quality and promote product innovation.

In 2019, according to the strategies, the Company has continued to carry out customer satisfaction survey. For this survey, the customer sample quantity and quality have been expanded, and the assessment of online business has been added. The survey has been conducted on our customers in six aspects, including the overall perception (including sense of value and emergency handling, business innovation and technological skills, etc.), improvement to the business sector, customer loss warning, customer needs analysis, company’s competitive advantage and disadvantage, and company’s online platform optimization advice from customers, to obtain the improvement opinions and suggestions. The scope of this survey included customers of regional companies and specialized subsidiaries under Sinotrans. Through quantitative survey and qualitative survey, Internet mail survey and telephone survey, a total of 1,207 feedback samples were collected. Among them, there are 364 customers with incomes contribution above RMB5 million, accounting for 30.16% of the collected feedback samples.

According to the survey results, the overall customer satisfaction in 2019 remains at a high level, and the composite scores of customer satisfaction evaluation is 91.86, with the satisfied customers accounting for 93.9%. In 2019, the recommendation degree of customers is 93.94%, the degree of continued cooperation is 94.44%, and the loyalty analysis index – the net recommendation value is higher than 70%, indicating that Sinotrans is an enterprise with a large number of highly loyal customers. In addition, customer complaints accounted for 10.77%, mainly due to timeliness, cargo damage, communication and feedback, transportation and process, and the score of satisfaction of the handling results was 80.56.

In addition, Sinotrans has attached importance to protect customer privacy. In the course of the participation in major projects bidding and the execution of the logistics contract, Sinotrans will enter into a confidentiality agreement with customers and avoid revealing customers’ information. During the Reporting Period, the Company had not received any complaints caused by leaking customers’ information. We will further improve customer privacy and data protection, prevent leakage of customers’ data (including but not limited to customer name, contact method and checked items, etc.).

PEOPLE-ORIENTED, COMMUNITY CARE AND NEW LOOK OF EMPOWERMENT

SUPPLY CHAIN MANAGEMENT

Stable supply chain is the guarantee of the Company's normal and effective operation, which has an important impact on the Company's service quality and working level. In accordance with the principles of "centralized management, layered implementation, information sharing" and "openness, fairness and justice", the Company carried out life-cycle management on the selection, use, evaluation, cultivation and withdrawal of suppliers to realize the mutual development of the Company and suppliers. The Company has formulated the Implementation Rules of Procurement Management (trial) to strengthen the legal supervision of procurement activities, requiring that procurement activities shall be carried out in accordance with the internal control principle of separation of management, implementation and supervision and the working principle of sunshine, fairness, justice and honesty. The Group has annually carried out at least one evaluation on the long-term suppliers (with cooperation for more than 2 years). For the suppliers who fail to meet the requirements, the Group will decide whether to cancel the qualification of qualified suppliers based on the procedure.

In 2019, we has completed the construction of the Supplier Management System (Phase I), which realized the full-life cycle management functions such as supplier qualification, supplier use, supplier evaluation and classification, supplier relationship management and supplier handling. The number of qualified suppliers in the supplier management system has reached 22,251 globally (representing an increase of 9,883 as compared with that in 2018), of which a total of 21,651 are qualified suppliers in mainland China and another 28 have been suspended due to non-compliance with standards. On the basis of the achievements in Phase I, the Company will continue to carry out the construction of procurement business module and supplier contracts information management module, build a complete suppliers and procurement management system to achieve the source control over suppliers, purchasing business streamline operation, purchasing information integration analysis, and therefore, further enhance the level of purchasing management informatization, standardization and normalization.

In addition, on the basis of the pilot experience in 2018, the centralized procurement of trucking capacity has been studied to explore the components that could be solidified. After continuously reviewing and extracting the commonalities, the Company's logistics sector iterated the new procurement process and method, which was effectively implemented in the promotion of centralized procurement of nationwide transportation carrying capacity in 2019, achieving more significant results.

EMPLOYEE MANAGEMENT

Human Resource management

Sinotrans always adheres to the "People-oriented" concept to protect the rights, interests, health and safety of employees, and continuously improves occupational health and safety systems. The Group has strictly complied with the relevant laws and regulations on labor and personnel such as Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and The Regulation on the Implementation of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》). The Group has followed the principles of "Openness, Fairness, Selecting the Best Talents in the competition", and has formulated various regulations in compensation and dismissal, recruitment and promotion, working hours, leaves, equal opportunity, diversity, anti-discrimination and benefits and welfare, so as to achieve diversified and equal employment, and to absolutely refuse labor discrimination and eliminate the use of child labor. In addition, the Company strictly observes national and local labor laws and regulations, and with a strict recruitment process and entry formalities, resolutely forbid to illegal behaviors such as the use of child and forced labor. During the Reporting Period, the Group did not receive any reported cases on the use of child and forced labor.

In terms of remuneration management, the Company has, in accordance with the Labor Contract Law of the People's Republic of China and relevant laws and regulations, established a remuneration and welfare management system which is in line with the Company's situation to standardize the remuneration management behavior. For all employees, the Company follows the principles of "payment for posts, payment for performance and payment for individual". Within the scope of cost budget management of the Company, standards and adjustment plans for remuneration should be determined with reference to market data. The Company sets up key performance and strategy indicators for the senior management of the Company for assessment, and the assessment results are linked to the performance bonus. The Board of Directors of the Company shall determine the incentive standards for senior managers in the year in accordance with the relevant performance and remuneration management measures with the combination of the assessment results. In 2019, in order to facilitate to maximize shareholders value, develop benefit sharing and risk-sharing mechanism among shareholders, the Company and employees, and ensure that the Company can offer overall competitive remuneration in labor market, the Company proposed the share incentive plan, which has been considered and approved by the board of directors, and will be submitted to general meeting for voting afterwards.

As at 31 December 2019, Sinotrans had total of 33,751 employees, including 31,389 registered on-the-job employees and 5,826 newly enrolled employees. As at 31 December 2018, Sinotrans had totally 36,441 employees, including 33,676 registered on-the-job employees and 3,319 newly enrolled employees. Among above mentioned, employees include contracted employees and employees in other employment forms (e.g. dispatched labor, part-time employees, etc.), and registered on-the-job employees refer to contracted on-the-job employees.

During the reporting period, the employee turnover of the Group was 12.52% (2018:12.43%), among which, 10.20% was initiated by the employees; and the majority of the resigning employees were of operational level (including drivers, warehouse keepers, handling personnel and customer service personnel), which accounted for 96.4% of the resigning employees. The major reasons for their resignation included that the working content was not diversified enough, the working intensity was high, and the nature of their business operation was homogeneous. The relevant employee turnover was lower than the industrial average, which was in line with the nature of the logistics industry.

As at 31 December 2019, registered on-the-job employees divided by ages, position grade, degree of education and gender are as follows:

Divided by ages and position grade :

Number of employees	Age					Total
	30 and below	31–40	41–50	51–60	60 and above	
Persons in charge of company	22	382	644	263	3	1,314
Persons in charge of department	335	1,545	1,058	317	0	3,255
General employees	10,869	9,848	4,530	1,563	10	26,820
Total	11,226	11,775	6,232	2,143	13	31,389

Divided by degree of education and position grade:

Number of employees	Higher than graduate	Graduate	Bachelor	College	Technical secondary school/ Senior high School	Junior high school and below	Total
Persons in charge of company	6	170	692	376	67	3	1,314
Persons in charge of department	5	183	1,453	1,032	452	130	3,255
General employees	4	765	9,080	8,393	6,339	2,239	26,820
Total	15	1,118	11,225	9,801	6,858	2,372	31,389

Divided by gender and position grade:

Number of employees	Male	Female	Total
Persons in charge of company	1,073	241	1,314
Persons in charge of department	2,169	1,086	3,255
General employees	16,818	10,002	26,820
Total	20,060	11,329	31,389

Employees Development

Sinotrans cherishes every employee and believes they will keep growing up along with the Group's business expansion, and the Group provides tailor-made, systematic and forward-looking training for employees, encourages a rational transfer of employees within the Group, and provides learning or promotion opportunities 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 2019, the Group's offline training hours were 1,234,551 in total; 15,122 online training courses were completed, equivalent to 31,756 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 and 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.

During the Reporting Period, the training conditions of the employees divided by position grade is as follows:

Position Grade	Average Training Hours	Average Training Ratio
Persons in charge of company	11.8	120%
Persons in charge of department	30.4	229%
General Employees	57.8	533%

Notes: Calculation of average training ratio is training participants/employee number. As the same employee might participate in multiple training activities, the average training ratio of employees higher than100% doesn't mean all employees have participated in training.

Employees Care

Following the guidelines of "Safety Oriented, Focusing on Prevention, Comprehensive Governance", the Group continued to improve occupational health and safety systems, and provided all-round protective measures for employees wherever possible to completely eradicate all possible health and safety risks in 2019. At the same time, the Company paid attention to the living and health of employees, organized various employee activities and enriched the healthy and cultural life of employees. We continued to provide physical examination for on-the-job employees and retired cadres, paid visits and provided assistance to employees who were ill or badly off, and granted allowances to employees to help solve their practical difficulties. At the same time, the Company attached great importance to democratic construction. In order to ensure that employees have the right to know, participate, express and supervise in the sense of "ownership", the labor union organization held two employee representative meetings during the Reporting Period to give full play to its functions in the healthy and harmonious construction, and thus realize true democracy.

In addition, the Company paid attention to corporate culture construction and increased efforts in publicity of corporation culture. Via such media as window column, electronic display screen, corporate cultural banner, corporate cultural wall newspaper, corporate cultural video, corporate cultural MMS, WeChat, Weibo platforms, electronic weekly, etc., and by a variety of means, including volunteer activities and essay competitions, the Company increased efforts in promotion of corporate culture both externally and internally.

In 2019, Sinotrans organized more than 10 large-scale entertainment activities, such as birthday parties, sports meetings, activities for Women’s Day and fellowship to enrich the amateur life of employees and effectively improved the employees’ senses of identity and belonging to the Company and their sense of happiness. The Company held the “Honor Presentation Ceremony of Sinotrans Limited” on the “Corporate Day” on 20 November 2019, to recognize outstanding individuals and teams, and to play a proactive role in the high coverage, deep influence and positive response among the public.

The main activities of Sinotrans Limited for its employees in 2019 are listed as follows:

Activity	Participants
Logistics partner exchange activities under the “Belt and Road” initiative	14 trainees from 7 countries along the Belt and Road initiative, and 4 leaders in attendance, 11 internal lecturers for case sharing and training course and 4 staff
Activities for the Women’s Day	Approximately 100 female employees of the Company
Theme birthday parties	Approximately 400 employees of the Company
China Merchants shares the same fate with the country, and Sinotrans develops with the concerted efforts	Approximately 100 employees of the Company
Youth forum and tree planting activities	Approximately 80 young employees of the Company
Participating in the competition with concerted efforts – presenting the true spirit of Sinotrans Limited	Approximately 200 employees of the Company
Basketball game themed “staying true to original aspiration with booming youth and fulfilling mission with intelligent logistics”	Approximately 100 employees of the Company



Honor Presentation Ceremony on the Company Day



Interchange activities for the logistics partner under the Belt and Road initiative



Birthday Party



Basketball Match

COMMUNITY CARE

Along with its own development, the Company has supported and promoted local economic and social development to achieve a harmonious and mutual development of both the Company and the community where it operates, through increasing efficiency and creating income, as well as tax compliance. Furthermore, the Company is eager to support public welfare undertakings, gives assistance to poverty alleviation, actively carries out volunteer activities, gives back to the society in good faith, and strives to realize the harmonious development between the company and communities.

In 2019, the Company organized to formulate the plan for the implementation of poverty alleviation through consumption, enthusiastically launched community activities and proactively fulfilled its social responsibility. In 2019, the Company has successfully completed public welfare activities such as the "Angola Youth Basketball Support Plan", "C-PAL The Belt and Road Partners", "Weining Agricultural Products Cold Chain Poverty Alleviation Project" and "China Merchants Volunteer Support Plan", and organized and completed its 16 public welfare projects and the declaration of 5 "China Merchants Volunteer Support Programs".

In 2019, Sinotrans donated RMB11 million to the China Merchants Group Foundation, which would be planned to be used for poverty alleviation by such Foundation. In 2019, the China Merchants Group Foundation actually spent RMB62.239 million in targeted poverty alleviation, specifically for the implementation of 9 projects concerning housing, education, and poverty alleviation through cultivating local businesses. Of which, RMB57.252 million was spent in national poverty-stricken counties located in districts like Weining, Guizhou Province, Qichun, Hubei Province, Yecheng and Shache, Xinjiang Autonomous Region; RMB4.987 million was contributed to the aid funds granted to Chuxiong Prefecture, Yunnan Province. The main targeted poverty alleviation projects that Sinotrans has participated in were as follows:

- (1) **Targeted poverty alleviation project for poor villages and towns in Weining, Guizhou Province.** Sinotrans supported the Weining Poverty Alleviation Office to carry out house renovation and repair for 6 poor towns and villages, so as to ensure the housing safety for the poor households, which has directly benefited 239 households who have been recorded as poor ones; supported World Vision to carry out activities such as life skills training for teachers and psychological counseling for children in distress in 4 schools in Weining, which has directly benefited 1,563 teachers and students; supported the iVertus Foundation to implement the Village Doctors' Virtues and Skills Training Program in Weining, 50 doctors at community-level being trained to improve the overall medical treatment.

- (2) **Public Brand Project for Agricultural Products of Weining, Guizhou Province.** In order to solve the problems met by Weining in developing agriculture, like lacking of unified agricultural product brands, market competitiveness, and large-scale development, we supported Weining County to create a public brand for agricultural products produced by the county, and design the potato expo logo and the "Sanbai" vegetable brand logo. The use of these logos in agricultural product promotion conferences, advertisements and other scenes effectively helped Weining improve the overall image of their agricultural products and further enlarge and strengthen their dominant leading industries.
- (3) **Cold Chain Project for Weining's Agricultural Products.** Weining is located in a remote alpine region with high logistics transportation costs, causing difficulty for the sales of its agricultural products. To this end, we supported Weining to develop cold chain projects in the form of giving subsidy to logistics companies, helping Weining to further improve the cold chain transportation capacity of agricultural products, and thus facilitating local distinctive products to go out of the mountain. Since the project started in September 2019, it has transported a total of 34 vehicles of agricultural products that worth more than RMB1.2 million.
- (4) **Targeted Poverty Alleviation Project in Qichun, Hubei Province.** Sinotrans supported the construction of poverty alleviation workshops in Shimashan Village, Liuhe Town, Qichun, Hubei, and gave priority to the employment of the poor households in Shimashan Village, so as to let poor households get salary and village as a collective get rent, helping Shimashan Village become richer steadily.
- (5) **Targeted Poverty Alleviation Project in Chuxiong, Yunnan Province.** Sinotrans supported the infrastructure improvement project of Waipulada Village, Yongren County, the comprehensive community development project of Yongren County, and the project of poverty reduction through education in Wuding County, which strengthened these two counties' ability to get rid of poverty from infrastructure construction, community development, and quality education for poor rural children.

The social care activities organized by the Company in 2019 are listed as follows:

Activity	Number of Participants	Number of Beneficiaries
Left-behind children care project named "dream choir in the mountains" in northeast China	30	80 left-behind children
Suzhou Chien-Shiung Institute of Technology	7	110
Charitable Grant of Maigaiti County	5	116
Guizhou Weining Agricultural Products Cold Chain Poverty Alleviation Project	10	350
Paying attention to autistic children with the theme of "loving sky"	35	33 autistic children
Paying attention to youth group with special difficulties, with the theme of "small hands in big ones"	32	46 young people with special difficulties
Angola basketball friendship match	50	Approximately 4,000

Activity	Number of Participants	Number of Beneficiaries
Student aid program themed "building a dream with love and helping set sail"		
"My parents and I went to Sinotrans" Working experience and Nantong Sinotrans spring bud class parent-child educational activities	26	20 students in aid from experimental primary school in Gangzha District of Nantong
Love educational assistance from Gansu Huan County No.1 Middle School with the theme of "Let love not alone"	81	56 students in aid from Gansu Huan County No.1 Middle School
Aiding student volunteer service program with the theme of "Caring for students in Guizhou and conveying true love in different places"		
Celebration activities for International Children's Day with the theme of flying the dream and happy growth	6	303 students of Nongpao Village
Realizing the dream of schooling through assistance and going to the future together	5	66 students of Nongpao Village
Volunteer service program with the theme of "small hands in big ones and assisting the recovery of broken wings of angels"		
Hand in hand, carrying forward the Dragon Boat Festival and celebrating International Children's Day together	24	13 recovering children with cerebral palsy
Hand in hand, appreciating your company all the way	24	25 recovering children with cerebral palsy



Volunteer Activities on the "Small Hands in Big Ones"



Student Aid Program themed "Building a Dream with Love and Helping Set Sail"

PROTECTING THE ENVIRONMENT, PROMOTING GREEN DEVELOPMENT AND NEW IDEA OF EMPOWERMENT

ENVIRONMENTAL MANAGEMENT

Sinotrans always believes that environmental protection is essential to promote its sustainable development and social progress, incorporates the environmental protection in its operation and management while pursuing economic benefits, and focuses on improving energy efficiency.

As a logistics service provider, most of energy consumed by Sinotrans was mainly in the field of road transport. Its main emissions are carbon dioxide, nitrogen oxide and sulfur dioxide, which are mainly discharged from the vehicles and ships in transportation. Sinotrans does not have industrial production activities thus does not dump large quantity of hazardous or non-hazardous waste into water or into land during the operation. For this reason, Sinotrans has no specific statistics about hazardous or non-hazardous waste; nor has Sinotrans developed any relevant regulations. In addition, Sinotrans has no business involving product recycling. Sinotrans is not included in the List of Key Pollutant Discharging Units in Beijing City 2019 issued by the Beijing Municipal Environmental Protection Bureau. As the Group does not consume large quantity of water and other raw materials, there is no problem that relates to water sources, and as the Group does no business involving large quantity of over-packaged products or services, it has no official statistics on product packaging materials.

In 2019, the emissions volume of major emissions generated from operations of the Company decreased significantly as compared to previous years. The total resource consumption, including total energy consumption, total electricity consumption and total gasoline consumption, also decreased significantly as compared to previous years, demonstrating that the emission management capability of the Company was further enhanced and the resource utilization efficiency was further improved.

During the Reporting Period, Sinotrans mainly made efforts in the following four aspects to strengthen environmental management and protection:

Firstly, regarding the establishment of systems and mechanisms, Sinotrans strictly complied with laws and regulations related to air pollution, sewage discharge, energy consumption and waste disposal, including 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》), Article 15 in Appendix I of 73/78 Pollution Prevention Convention (《73/78防污公約》) of International Maritime Organization, and 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監測和監督管理辦法》). Sinotrans has formulated Sinotrans Limited Management Regulations on Safe Production (《中國外運股份有限公司安全生產管理規定》), Sinotrans Limited Measures for the Administration of Energy Conservation and Emission Reduction (《中國外運股份有限公司節能減排管理辦法》) and Management Guidelines for Outdoor Storage of Hazardous Chemicals (《危險化學品露天儲存管理指南》). The guidelines explicitly require that hazardous chemical waste shall not be cast aside without any treatment, and that there must be no combustible waste stored in the areas where hazardous chemicals are kept for subsequent treatment.

Secondly, regarding basic management, (1) In terms of the energy consumption and emission of main pollutants, the Company divides its subsidiary companies 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 and allocate the responsibility of energy conservation and emission reduction to each relevant branch, management department and working team, trying to reduce the environmental impact of exhaust gas emission wherever possible. (2) In terms of non-hazardous waste (e.g. waste paper, waste plastics, etc.), the Company tries to avoid production of waste from the source by adopting environment-friendly highly effective printers and scanners, advocating office automation to cut down paper consumption, and encouraging double-sided printing to reduce paper waste. Sinotrans has been continuously engaged in a variety of recycling work and performing unified treatment for waste produced in offices, e.g. taking back used paper for recycling by specialized agencies, taking back used cartridges, etc. (3) In terms of storage of hazardous chemicals, Sinotrans strengthens examination and requires relevant subsidiaries to set up sewage pools and possess sewage treatment capabilities. (4) In terms of transport vessels, the Company has formulated relevant requirements, e.g. vessels at anchor or dock are not allowed to discharge sewage overboard, and sewage discharge of vessels outside special areas shall comply with relevant regulations.

Thirdly, regarding energy saving and emission reduction, sewage treatment and optimization of the efficiency of energy utilization, the following specific measures were formulated:

- Specific management measures in energy saving and emission reduction include: (1) Strengthening foundational management of energy saving and emission reduction, taking energy saving and emission reduction responsibility as the most basic management requirement of production and operation units, clarifying key tasks, and quantifying evaluation indicators; (2) Strengthening the monitoring and management of energy-saving indicators, and taking targeted energy-saving and consumption-reduction measures to ensure that the annual energy-saving and emission-reduction targets are achieved. (3) Improving the production and operation mode, actively studying the quality and efficiency of production and operation to achieve the purpose of improving quality and efficiency. (4) Continuing to promote the reduction of vehicle fuel consumption and pollutant emissions. In terms of transportation vehicles, in addition to the assessment on the constant consumption of fuel, the Company also strengthened dispatch management and monitoring, emphasized to centralize and consolidate the transportation orders for lines of the same directions in different projects to improve the efficiency of vehicle utilization. In 2019, by optimizing the dispatch mode, introducing an intelligent route optimization engine, and basing on the data accumulated for years, the Company optimized the algorithm, effectively cut fuel consumption and reduced the emission of hazardous wastes. (5) Strengthening energy saving and emission reduction in warehouse management. In addition to the routine management of electrical energy saving for the warehouse, the Company put in use of high-density warehouse storage equipment, including the drive-in, Double-Dip and shuttle racks, and increased the input of advanced operational equipment and logistics technology. In 2019, based on the digitalization, visualization, and intelligent requirements of the warehouse, and the completion of the research and development pilot program of the intelligent solution for the customs supervision warehouse, the Company established a solution for a human-machine collaborative access, automatic inventory checking, intelligent security, asset and resource dynamics management for the same type of warehouse and its corresponding common key technologies that can be replicated. (6) Seriously conducting the investigation and management of ecological environmental protection issues, strengthening the recycling of resources and reducing waste emissions.

- In terms of sewage treatment, the specific measures include: Since certain subsidiaries produced a small amount of waste water in the process of production and operation, in order to avoid environmental contamination, sets of sewage treatment facilities have been placed, which has been tested by relevant environmental agencies. In 2019, we have examined and maintained sewage treatment facilities on a regular basis, replaced relevant accessories in a timely manner, and increased our efforts in the monitoring of the actual results of sewage treatment.
- In optimizing the efficiency of energy utilization, specific measures include: (1) Observing the requirements of 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 implementing vehicle condition monitoring, enhancing maintenance and emission management, and controlling vehicle purchasing criteria. (2) Optimizing the configuration of self-operated vehicles, strengthening vehicle management, unifying dispatch and making reasonable planning for vehicle routing, and realizing all-round monitoring through GPS, so as to further increase the efficiency of vehicle operation and reduce the energy consumption of vehicle operation. (3) Strengthening lighting management, installing large scale of LED lamps in warehouses, and using district lighting control to reduce power consumption and increase the service life of lighting lamps (4) Standardizing operation procedures of forklifts, quantifying the daily operation capacity of forklifts, making reasonable planning for the use of forklifts, and focusing on daily repair and maintenance of forklifts and forklift batteries. In the meantime, the Company attaches importance to pushing forward the transformation of advanced technologies and introduction of clean energy to accelerate the elimination of backward production capacity. In 2019, the Company invested resources to update and purchase electric forklifts, LNG vehicles and electric vehicles to replace diesel-powered and gasoline-powered equipment to reduce operational energy consumption. (5) Improving the operating efficiency and modernization level of warehouse management by increasing the input of advanced operational equipment and logistics technology. In general, the Company has improved its operational technology and optimized its efficiency of energy utilization by strengthening daily management, optimizing procedures and integrating resources.

Fourthly, Sinotrans actively promoted the construction of a well-established management system, strengthened public supervision, carried out in-depth energy-saving and emission-reduction activities with the participation of all the staff, advocated the awareness of conservation, green and low carbon, vigorously promoted to hold video conferences and teleconferences in order to reduce business trips and energy consumption. Specific measures included: (1) introducing a video conference system, providing conference room-level video conference (CISCO) system and attending live conference through corporate WeChat applications in mobile equipments. In 2019, the Company held a total of 676 video conferences with 45,445 participants, of which, 59 were convened live with 6,691 participants. (2) Continuing to replace its original distributed printing mode by collective printing mode. (3) Introducing the “one hour black out lunch break” activity to save energy.

Emissions and relevant intensity of Sinotrans in the recent three years are as follows:

	2019	2018	2019/2018 data comparison	Intensity per RMB100 million revenue in 2019
Sulfur dioxide emission (ton)	104.88	144.86	72.40%	0.14
Oxynitride emission (ton)	83.86	108.94	76.98%	0.11
Total emission of greenhouse gas (carbon dioxide) (ton)	154,758.16	192,831.12	80.26%	199.30

Use of Resources and relevant intensity by Sinotrans in the recent three years are as follows:

	2019	2018	2019/2018 data comparison	Intensity per RMB100 million revenue in 2019
Total energy consumption (ton of standard coal)	95,200	117,700	80.88%	122.60
Water consumption (ton)	350,295.697	N/A	N/A	451.12
Total electricity consumption ((10,000 kilowatt hour)	14,044.78	17,145.16	81.92%	18.09
Total gasoline consumption (ton)	5,224.52	6,596.29	79.20%	6.73
Total diesel consumption (ton)	42,529.02	53,332.27	79.74%	54.77
Total natural gas consumption (square centimeter)	5,596,085.04	5,655,634.14	98.95%	7,206.81
Total coal consumption (ton of standard coal)	394.00	512.00	76.95%	0.51

ENVIRONMENT AND NATURAL RESOURCES

The business nature of Sinotrans has no significant impact 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 and 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.

The company will submit an environmental impact report to the environmental authority when carrying out certain construction project such as the logistics center construction project, which involves 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, in accordance with the provisions of China's environmental laws, regulations and relevant policies.

APPENDIX: CONTENT INDEX

This report adopts indicators in the Environmental, Social and Governance Reporting Guide under the Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, aiming to provide an overview of Sinotrans’ performance in sustainable development.

A. Environmental			
Level	Aspect number	“Comply or explain” Provisions	Location in the Report
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P. 34–37
	A1.1	The types of emissions and respective emissions data.	P. 36
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P. 36
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P. 34. The statistics are not available.
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P. 34. The statistics are not available.
	A1.5	Description of measures to mitigate emissions and results achieved.	P. 34–36
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P. 34
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P. 34–36
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ‘000s) and intensity (e.g. per unit of production volume, per facility).	P. 37
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P. 37
	A2.3	Description of energy use efficiency initiatives and results achieved.	P. 34–36
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P. 34–36
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	<i>The indicator is not available for the transportation industry</i>
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	P. 37
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P. 37

APPENDIX: CONTENT INDEX

B. Social			
Level	Aspect number	“Comply or explain” Provisions	Location in the Report
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P. 27–30
	B1.1	Total workforce by gender, employment type, age group and geographical region.	P. 28
	B1.2	Employee turnover rate by gender, age group and geographical region.	N/A
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P. 22
	B2.1	Number and rate of work-related fatalities.	P. 22
	B2.2	Lost days due to work injury.	P. 22
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P. 22
B3: Development and Training	General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	P. 29
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P. 29
	B3.2	The average training hours completed per employee by gender and employee category.	P. 29
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P. 27
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	P. 27
	B4.2	Description of steps taken to eliminate such practices when discovered.	There is no case on the use of child or forced labor received by the Group

B. Social			
Level	Aspect number	“Comply or explain” Provisions	Location in the Report
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	P. 26
	B5.1	Number of suppliers by geographical region.	P. 26
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P. 26
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P. 18,22,25
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not available for the transportation industry
	B6.2	Number of products and service related complaints received and how they are dealt with.	P. 25
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	P. 24
	B6.4	Description of quality assurance process and recall procedures.	Not available for the transportation industry
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P. 25
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P. 23
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P. 23
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P. 23
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	P. 31–33
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P. 31–33
	B8.2	Resources contributed (e.g. money or time) to the focus area.	P. 31–33