



鲜驰达

FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO.,LTD.

2020

Environmental, Social and Governance Report

FRESH EXPRESS DELIVERY
HOLDINGS GROUP CO., LTD.

鲜驰达控股集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

PRINCIPLE

The Group is pleased to present its Environmental, Social and Governance Report for the current year with an aim to demonstrate the effectiveness of the Group's efforts in promoting sustainable development to internal and external stakeholders.

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and mainly reports measures and activities on environmental and social aspects of the Group for the period from 1 April 2019 to 31 March 2020 ("Year 2020"). For information on the corporate governance of the Group, please refer to the Group's 2020 Annual Report.

The Group is committed to maintaining the sustainability of its business and providing assistance to environmental protection and the community where its operations are located. Besides, the Group manages its business activities in a cautious manner and provides qualified products and services to its customers based on rational decision-making procedures. The board of Directors of the Company is responsible for assessing the environmental, social and governance risks of the Group and ensuring the appropriate and effective operation of the relevant risk management and internal control system.

In Year 2020, the Group has been mainly engaged in online sales of bulk food ingredients and providing warehousing and cold-chain logistics services for suppliers and customers in China. In Year 2020, the Group increased its marketing efforts and the number of its sales personnel, and greatly improved its sales efficiency through various sales methods such as Internet, APP and telemarketing.

In Year 2020, the Group took the Logistics Warehouse ("Wuxi Base") of Wuxi Sada Industrial Co., Ltd ("Wuxi Sada"), a subsidiary of the Group, and the cold storage warehouse rented by Shenzhen Muyao Food Co., Ltd. ("Shenzhen Muyao") as main cold-chain food storage warehouses. In addition, the Group also rented a unit in German Centre of Shanghai for main office use through Keran (Shanghai) Industrial Co., Ltd. ("Keran Industrial"). As these cold-chain food storage warehouses and offices are the relatively large-scale business locations of the Group in Year 2020 and the cold-chain food business of the Group is relatively energy-consuming, which bears higher relevance to the environmental, social and governance matters, this ESG Report will focus on the disclosure of the policies and performance regarding to three environmental aspects and eight social aspects of above business locations in Year 2020.

STAKEHOLDER ENGAGEMENT

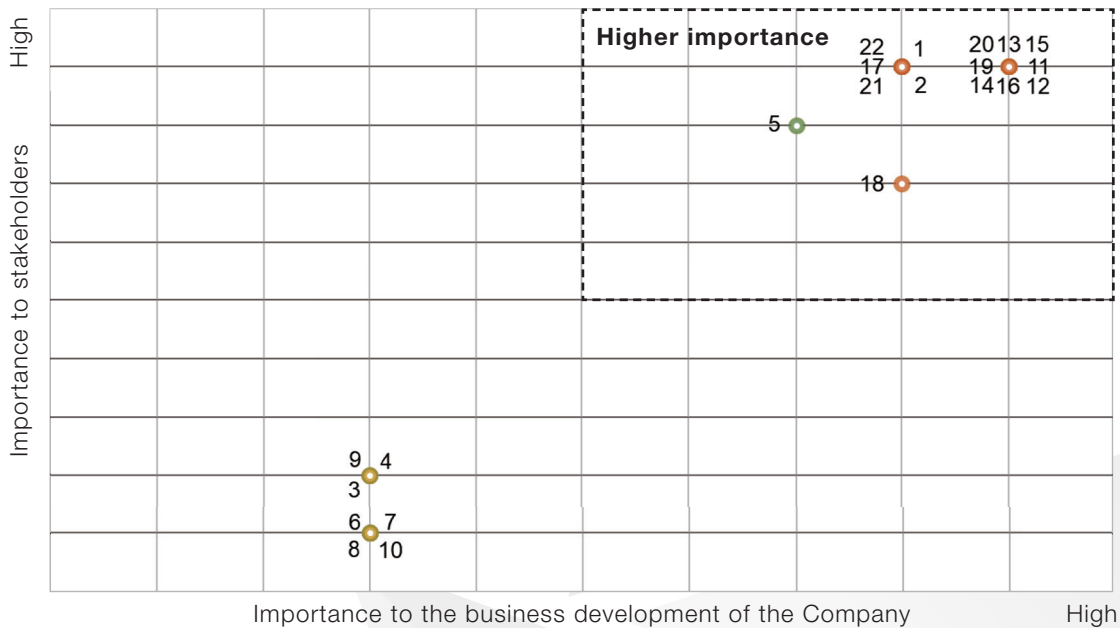
The Group stays in close contact with its stakeholders, including shareholders, governments and regulatory bodies, employees, customers, suppliers, society and the public. Through constructive communications, it welcomes different opinions from stakeholders and strikes a balance among their interests, so as to determine the long-term development direction for its business. As for the main expectations and appeals of stakeholders, the Group has established corresponding mechanisms and communication channels as follows:

Stakeholders	Expectations and appeals	Communication and feedback
Shareholders	<ul style="list-style-type: none"> Financial results Corporate transparency Sound risk control 	<ul style="list-style-type: none"> To improve profitability Regular information disclosure To optimize risk management and internal control
Governments and regulatory bodies	<ul style="list-style-type: none"> Compliance with laws and regulations Tax payment in accordance with laws 	<ul style="list-style-type: none"> Compliance operation Tax payment in full and on time
Employees	<ul style="list-style-type: none"> Career development platform Salary and benefits Safe working environment 	<ul style="list-style-type: none"> Promotion mechanism Competitive salary and employee benefits To provide trainings for employees and strengthen their safety awareness
Customers	<ul style="list-style-type: none"> Logistics and delivery service standards Customer information security Customer rights and interests protection 	<ul style="list-style-type: none"> To get delivery status through product tracking system Customer privacy protection Compliance marketing
Suppliers	<ul style="list-style-type: none"> Integrity cooperation Business ethics and credibility 	<ul style="list-style-type: none"> To build a responsible supply chain To perform the contract according to law
Society and the public	<ul style="list-style-type: none"> Environmental protection Employment opportunities 	<ul style="list-style-type: none"> To put into use environmental protection and energy saving equipment To provide employment opportunities

MATERIALITY ASSESSMENT

In Year 2020, the Group conducted a materiality assessment on the environmental, social and governance related issues. Based on its actual business activities and the industry characteristics, the Group identified and determined 22 environmental, social and governance related issues and invited both internal and external stakeholders to grade such 22 issues in terms of materiality. After integrating the grading results from the stakeholders with the sustainable development goals of the Group, the management of the Group summarized the issues in priority order and prepared the materiality matrix.

The results of the materiality assessment will be used to guide the Group in formulating future environmental, social and governance plans and objectives, in a bid to creating sustainable value for stakeholders.



▲Environmental, social and governance materiality matrix for Year 2020

Environmental issues		Social issues		Operation issues	
1	Greenhouse gas emissions	9	Local community engagement	17	Economic value generated
2	Energy consumption	10	Community investment	18	Corporate governance
3	Water consumption	11	Occupational health and safety	19	Anti-corruption
4	Waste	12	Supply chain labour standards	20	Supply chain management
5	Environmental impact caused by the business	13	Training and development	21	Customer satisfaction
6	Green building certification	14	Employee benefits	22	Customer privacy
7	Customer engagement in environmental issues	15	Inclusive and equal opportunity		
8	Use of chemicals	16	Attracting and retaining talents		

ENVIRONMENT

To adhere to its commitment to sustainable development and to comply with the requirements under relevant laws and regulations related to environmental protection, the Group has been dedicated to reducing the impact of its operating activities on the environment.

Emissions

The Group is principally engaged in cold-chain food integrated distribution in the PRC, which, in essence, does not involve any direct production process. As such, the Group does not discharge pollutants into water and land or generate hazardous wastes. Vehicles used in food delivery business are owned and operated by the service providers, but the Group would still arrange delivery services according to the schedule and destination as set out in the order of the customers to efficiently reduce the running times of the vehicles and their travel distance. As a result, the utilization and accordingly, carbon emission of the vehicles will be lowered during delivery of products.

The logistics warehouse at Wuxi Base and the cold storage warehouse (“Cold Storage Warehouse”) rented by Shenzhen Muyao serve as primary food storage warehouses of the Group in Year 2020. During each storage, transportation and sales process in the cold-chain delivery, the Group has to ensure chilled and frozen food is kept under required low-temperature environment to guarantee its quality.

The environmental impact caused by the Group is mainly the greenhouse gases generated by power consumption of the Cold Storage Warehouse. Energy saving measures are in place to effectively reduce power consumption at Songjiang Base and Wuxi Base. In addition, since the logistics vehicles used by the Group in the cold-chain logistics process are not owned by the Group, the refrigerant and vehicle exhaust emissions used by the logistics vehicles are not listed in this report.

In Year 2020, the Group was not aware of any gross violations of relevant laws and regulations, including the Environmental Protection Law of the People’s Republic of China and the Water Pollution Prevention and Control Law of the People’s Republic of China relating to the significant impacts of air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Furthermore, no substantial fines or non-monetary sanctions for non-compliance with relevant laws and regulations were imposed on us in Year 2020.

Environmental indicators	Unit	Year 2020	Year 2019
Emissions			
Nitrogen oxides emissions	kg	N/A ^(Note 1)	N/A
Sulphur oxides emissions	kg	N/A ^(Note 1)	N/A
Particulate matter emissions	kg	N/A ^(Note 1)	N/A
Greenhouse gas emissions			
Total greenhouse gas emissions ^(Note 2)	kg CO ₂ e	408,396	707,784
Intensity of greenhouse gas emissions	kg CO ₂ e/employee	3,927	11,996
Direct emissions (scope 1)	kg CO ₂ e	N/A ^(Note 1)	N/A
Indirect emissions (scope 2)	kg CO ₂ e	402,787	692,685
Other indirect emissions (scope 3)	kg CO ₂ e	5,609	15,099
Waste			
Total amount of non-hazardous waste	tonnes	N/A ^(Note 3)	N/A
Intensity of non-hazardous waste	tonnes/employee	N/A ^(Note 3)	N/A
Total amount of hazardous waste	tonnes	N/A ^(Note 4)	N/A
Intensity of hazardous waste	tonnes/employee	N/A ^(Note 4)	N/A

Note 1: The Group did not consume gas fuels in its business activities in Year 2020. In addition, vehicles used in food delivery business are owned and operated by the service providers. Therefore, no data were disclosed.

Note 2: Greenhouse gas emissions (direct and indirect) and the removals can be categorized into the following three separate scopes:

scope 1: Greenhouse gas emissions that directly attribute to business owned or controlled by the Group;

scope 2: Greenhouse gas emissions from “indirect energy” caused by the Group’s internal consumption of the electric, heating and refrigeration; and

scope 3: All other indirect greenhouse gas emissions generated outside the Group, including upstream and downstream emissions.

Note 3: The Group only generated insignificant amount of non-hazardous waste in its business activities in Year 2020. Therefore, relevant data were not quantified.

Note 4: The Group did not generate hazardous waste in its business activities in Year 2020. Therefore, no data were disclosed.

USE OF RESOURCES

Committed to its philosophy of conservation, high efficiency, reasonable utilization of resources and prevention of waste of resources, the Group actively promotes green office and enhances staff's awareness of energy conservation and environmental protection.

The Group encourages staff to frequently use electronic documents and transfer files via email or internal communications tools. Staff are also encouraged to save paper and to avoid unnecessary printing by adopting office automation system for daily operation and management.

Light tube lightings with low power consumption are used in the office of Songjiang Base of the Group. More use of natural resources such as daylight and less use of lights is encouraged. Unnecessary power consumption is avoided with the use of automatic lighting system in the Cold Storage Warehouse, where energy conservation measures are also in place to reduce power consumption.

Environmental indicators	Unit	Year 2020	Year 2019
Use of resources			
Total energy consumption	kWh	506,995	1,068,217
Intensity of energy consumption	kWh/employee	4,875	18,105
Total water consumption	m ³	1,170	1,273
Water intensity	m ³ /employee	11	22
Total amount of packaging materials used in finished products	kg	N/A (Note 5)	N/A
Packaging materials used per unit of production	kg/unit of production	N/A (Note 5)	N/A

Note 5: The Group's business in Year 2020 did not involve production and packaging. Therefore, no data were disclosed.

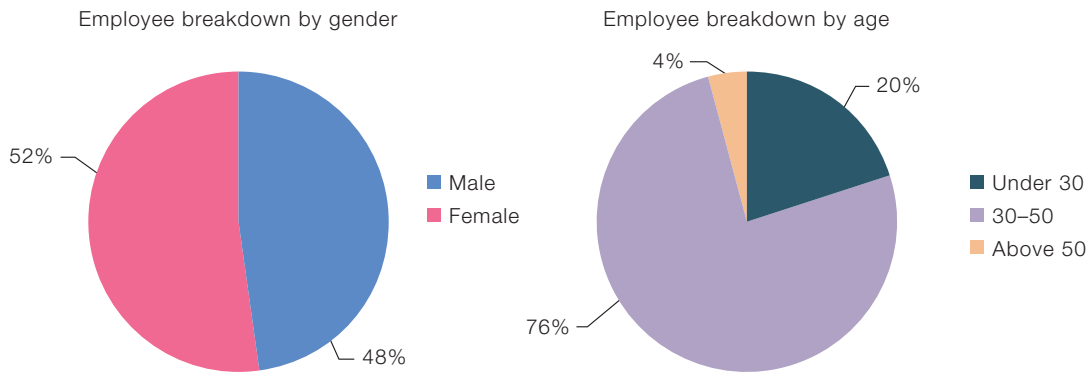
ENVIRONMENT AND NATURAL RESOURCES

Employees are encouraged to participate in various environmental protection activities, minimize damages to the surrounding environment of our operations and energy consumption. In Year 2020, operations of the Group did not exert significant impact on the environment and natural resources.

SOCIETY

The Group believes that maintaining good relationship with its employees is one of the keys to our success. In order to enhance employees' satisfaction, they are provided with competitive salary and benefits as well as sound training programs for realizing their potentials and giving full play of their strengths.

Employment



The Group implements rigorous recruitment procedures and equal opportunities are offered to applicants and employees through internal promotion, internal position swap and external recruitment, regardless of employment discriminations against ethnicity, race, gender, age and religious belief, etc.

The Group strictly abides by Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and related laws and regulations. No minors under 18 years of age are employed for any job duties. "Staff Attendance and Leave Management System" is established and standard working hours system i.e., 8 hours per day and 5 days per week, is implemented. Compensation leave is arranged for overtime work and specific policies are implemented to guarantee the entitlement of all employees to statutory holidays.

The Group strictly complies with the laws and regulations of the PRC, and contributes to social insurance premiums including pension, medical care, work injury, unemployment and maternity insurance, as well as housing funds for all employees to protect their basic legal rights.

The Group offers meals to long-term employees and accommodation to staff working at logistics base. Employees who need to stay in dormitories are required to fill in the "Application Form of Staff Accommodation" and "Commitment to the Staff Dormitory Safety Management System" and accommodation would only be arranged after approval.

In Year 2020, the Group was not aware of any gross violations of relevant laws and regulations relating to the significant impacts of the Group's compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits. In addition, no substantial fines or sanction for such non-compliance was imposed on the Group in Year 2020.

Health and Safety

The Group has formulated “Safety and Security Management System at the Base” and “Logistics Base Emergency Preparedness and Response Control Procedures” in identifying potential incidents and emergencies for all activities, products or services, so that it can react promptly in case of incidents to reduce possible casualties, property loss and environmental impacts as well as to achieve sustainable development and fulfill social responsibilities.

The Group’s business has been seriously affected by novel coronavirus pneumonia since the end of January 2020, which led to the suspension of business from February to March 2020. In order to protect its employees, the Group once promoted telecommuting from March 2020 to May 2020.

The Group adheres to the provincial regulations for pandemic prevention. All employees working in offices, logistics warehouses and cold storage warehouses must wear masks according to the regulations and reduce unnecessary travel. The Group provides hand sanitizers for employees throughout the company to reduce the risk of virus transmission.

In Year 2020, the Group was not aware of any gross violations of relevant laws and regulations relating to the significant impacts of the provision of safe working environment and protection of employees from the Group’s occupational hazards. In addition, no substantial fines or sanction for such non-compliance was imposed on the Group in Year 2020.

Development and Training

In order to actively cooperate with the implementation of “Internet + Cold Chain Food” strategy of the Group, “IT System Training and Assessment Management Standardisation” is in place to enhance employees’ utilization of the information system delivery operational management center and end-users application system. Upon completion of training, assessment for employee will be arranged by the Group according to the scope of training.

The Group arranged the following training courses for its employees in Year 2020:

Employee training courses	Attendee department/employee
Orientation for new employees	All departments
Sales skill training	Sales department
Daily report filling and attendance management training	All departments
Knowledge of accounting system and taxation training	Finance Department
Mobile application training	Sales department
Driver safety training	Logistics Department
Customer service system operation and customer complaint handling training	Customer service department
Driver operating skills and preventive driving skills	Drivers
Order handling and abnormal order management training	Sales department
Building security and pandemic prevention training	All departments

Labour Standards

The Group is well aware that the employment of child and forced labour is a serious breach of universal values and therefore assumes the responsibilities for doing our utmost to fight against all employment of child and forced labour and strictly complies with Prohibition of Child Labour Provisions and other laws and regulations on labour standards. Labour contract system is strictly implemented, with labour contract or employment agreement entered into between all new employees and the Company upon formal employment. Identification documents of all employees will be verified and background review will be selectively conducted.

In Year 2020, the Group was not aware of any gross violations of relevant laws and regulations prohibiting the employment of child or forced labour in the Group. In addition, no substantial fines or sanction for such non-compliance was imposed on the Group in Year 2020.

Supply Chain Management

The Group is well aware that selection and management of suppliers is a key link in ensuring the stability and safety of product quality. Close communication and interaction with suppliers is maintained from time to time and the Group is committed to maintaining mutually beneficial partnership.

“Supplier Product Quality Qualitative Grading Management and Control Specifications” is in place and new suppliers are prudently selected based on a number of standards such as suppliers’ products selection and quality, products quality records and business scale. Quality control personnel of the Group conduct field visits and require substitute suppliers to provide necessary licenses, permits and documents for operation in order to assess their qualifications and capability to control products quality. For existing suppliers, their product quality records will be reviewed and they are required to renew relevant licenses and provide proofs upon expiry. For suppliers or products failing in quality assessment, relevant measures such as termination of procurement will be taken.

Product Liability

The Group is well aware of the great importance of the responsibility of ensuring food safety and puts in the first priority the quality and safety of food products. The Group has established stringent quality control procedures, which is strictly enforced to ensure that the operation of the Group is in full compliance with laws, regulations and standards, and is committed to providing customers with quality safe food.

The Group has obtained the “Food Business License” issued by the Shanghai Municipal Food and Drug Administration. The Cold Storage Warehouse of the Group maintains a suitable storage environment for food quality and safety. The Group implements quality control at various stages of business operations such as receipt, warehousing and pre-delivery inspection. As the suppliers supply edible agricultural products, on the basis of prudent selection of suppliers, the Group will further examine the inspection reports as well as the relevant inspection and quarantine reports issued by state-level food safety testing institutions.

The Group has formulated a series of quality management system and operation procedures such as “Qualification of Issues and Handling Management Standards of Sales Process”, “Management Standards in Handling Buyers’ Return of Goods” and “Analysis and Solution of Return of Goods with Quality Issues” for clear standardisation.

The Group has established an order management system, which can show orders placed by customers in a timely manner for management and tracking, so as to keep abreast with the delivery progress till completion. As such, the Group is committed to improving logistics service standards. The Group also makes full use of global positioning system in monitoring vehicles of food delivery business and tracking transportation status from all aspects.

In Year 2020, the Group was not aware of any gross violations of relevant standards, laws and regulations relating to the health and safety of products and services offered, advertising, labelling and privacy matters in the reporting period. In addition, no substantial fines for such non-compliance were imposed on the Group in Year 2020.

Anti-corruption

The Group strictly abides by relevant national laws and regulations, and formulates and promulgates “Regulations on Administration of Anti-Corruption Policies” for circulation of all employees of the Company in order to enhance their awareness of anti-corruption, prevent favouritism and irregularities and abuse of power and strengthen their self-discipline.

The Group has set up discipline inspection office for supervision and acceptance of complaints or whistle-blowing from staff on misconduct or breaches. Upon receiving the complaints or whistle-blowing, the Group will carry out inspection and investigation according to the complaint and will collect relevant evidence for verification before reporting to the Executive Committee. Penalty will be decided by the Executive Committee after consideration during executive meetings and implemented by the Human Resources Management Committee.

In Year 2020, the Group was not aware of any gross violations of “Anti-Unfair Competition Law of the People’s Republic of China”, “Interim Provisions on Prohibiting Commercial Bribery” and other relevant laws and regulations.

Community Investment

The Group strives to be a positive force in the community in which it operates and has maintained close communication and interaction with the community for making contribution to community development from time to time.

As a responsible global citizen, the Group is committed to improving social image and social responsibilities through community investment. All employees of the Group are encouraged to take the initiative to help and support local communities and neighbourhood.