

ENVIRONMENT  
SOCIAL  
GOVERNANCE



# 2022 S.F. HOLDING SUSTAINABILITY REPORT



 **HOLDING**  
顺丰控股

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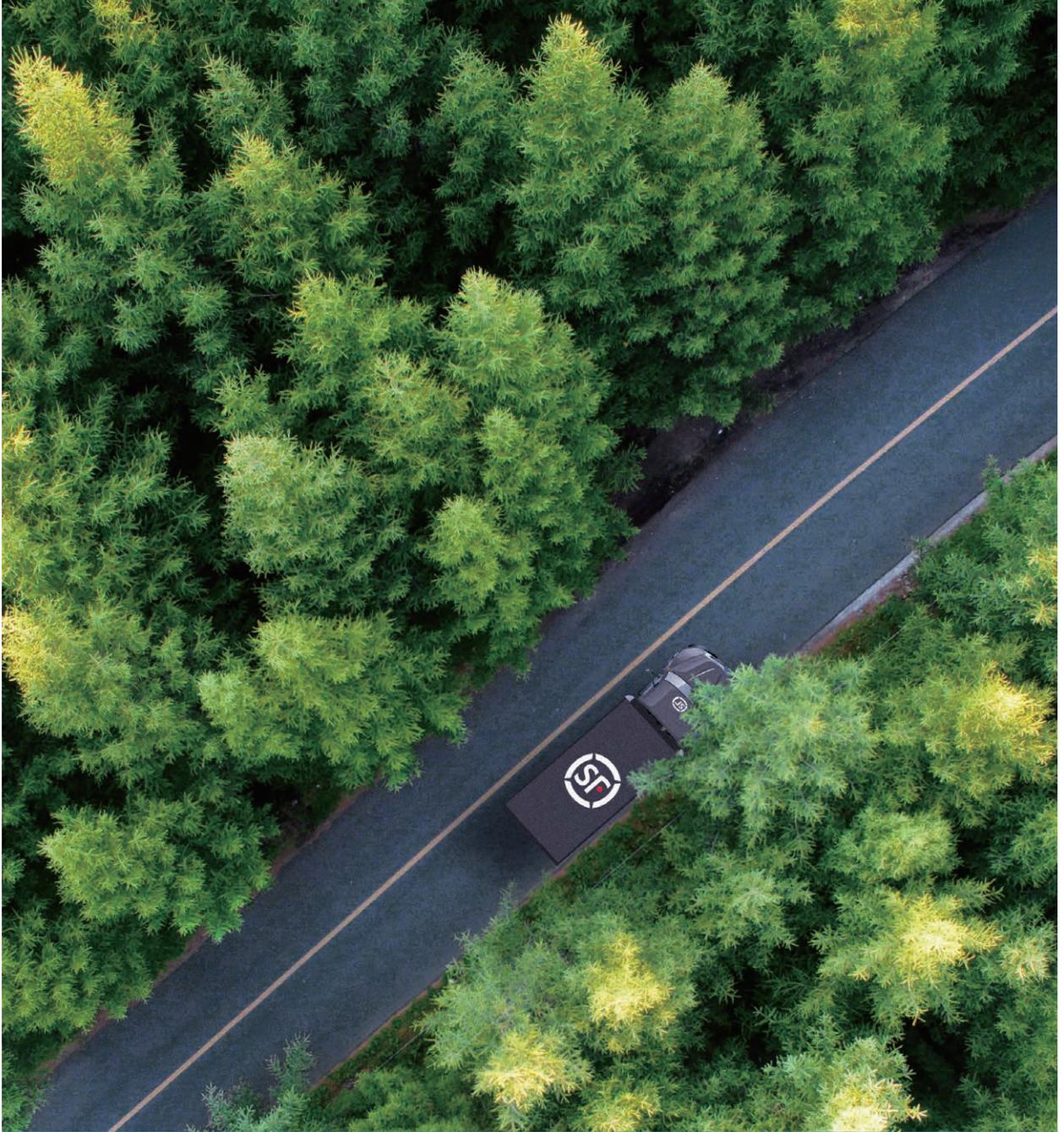
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# Foreword to the Report

Chairman's Message

About SF

Sustainability Management

## Chairman's Message

2022 is a significant year for China to embark upon a new trajectory of building a modern socialist country in all aspects and heading into the goals of the second centenary, and also a crucial year for the comprehensive implementation of the 14th Five-Year Plan. As for SF, it is another year to put down-to-earth efforts. This year, as guided by its core logistics strategies, SF held fast to sustainable and healthy development, pursuing the integration and unity of business development and social value, and strived to deliver more convenient, reliable and thoughtful services to global customers.

## Spearheading the Industry to Forge Ahead

As an important channel for smooth production and consumption, the express and logistics industry connects thousands of cities and industries, and serves people around the world. Upholding the vision of "building a truly digitalized ecosystem with our partners, driving towards global excellence with our customers and striving for common prosperity and a better future for all", SF has continuously enhanced its business capabilities by centering on its logistics ecosystem, and vigorously built a digital supply chain ecosystem by capitalizing on our leading technological research and development capabilities. SF has teamed up with partners to deliver high-quality services. In 2022, SF was debuted in the *Fortune* Global 500, showcasing its unstoppable pace towards greater success.

## Going All Out to Protect the Ecological Environment

Thanks to an insight into the significance of green development, SF is committed to building sustainable green logistics supply chain services, in the hope of taking the lead to bring a positive influence to the whole industry and even the whole society through optimization and upgrading of enterprise operations. In response to the national "Carbon Peaking and Carbon Neutrality" policy, the Company has promoted green transformation in all business links, constantly lifted resource utilization, reduced carbon emissions and energy consumption, and fulfilled green responsibility by increasing investment in new energy transportation capacity, building photovoltaic industrial parks, promoting green packaging, and advocating green office. In 2022, SF launched the industry's first green initiative "Zero Carbon Future", extending green values to the industrial chain. While working with upstream and downstream partners and customers, SF has helped partners accelerate low-carbon transformation, propelling the development of green society.

## Giving Back to Society and Promoting Rural Revitalization

SF is in the full conviction that enterprises are closely bound up with the society, and accordingly, enterprise development mingles with social responsibility. 2022 is a critical year for China to consistently push ahead with rural revitalization on all fronts. Adhering to the goal of driving the supply side reform of rural industries, SF continues to consolidate and expand the achievements of poverty alleviation by capitalizing on its own logistics strength. The Company actively cooperates with local governments to build regional agricultural product brands, and assists in branding of Yangcheng Lake hairy crab, Yantai cherry, Lingnan lychee, Yunnan flowers, Ganzi matsutake, etc., smoothing the upward channels of agricultural products. By the end of the Reporting Period, the Company's service network for facilitating upward movement of agricultural products had covered more than 2,800 county-level cities across the country, serving a total of over 4,000 fresh varieties, achieving transportation of 3.62 million tons of special agricultural products, and helping farmers generating income of more than RMB100 billion.

Powered by thirty years of ups and downs, as well as courageous struggle, the Company ushered in its 30th anniversary. SF always believes that the continuous creation of social value will bring in corporate value and business development, which can in turn facilitate the Company to achieve long-term stable development. Looking ahead, SF will closely follow the national development strategy, stay true to its original aspiration, bravely shoulder social responsibility, serve people's livelihood wholeheartedly, and adhere to sustainable and healthy development, in an effort to deliver considerable value through high-quality services.

# About SF

## Company Profile

SF was established in Shunde, Guangdong in 1993. After years of development, it has become a leading comprehensive express and logistics service provider in China and the fourth largest express company in the world. Adhering to the “user-centered, demand-oriented, and experience-based” product design thinking, SF focuses on industry characteristics and starts from customer application scenarios to deeply explore the customer’s end-to-end full-process touchpoint needs and other personalized needs in different scenarios, design products, services and solutions suitable for customers, and keep optimizing product systems and service quality. Moreover, SF applies technology to empower product innovation and develop industry solutions to provide customers with intelligent and integrated smart supply chain solutions covering multiple industries and scenarios.

Centering on the logistics ecosystem, SF horizontally expands diversified business fields and vertically improves product stratification to meet the needs of different market segments and cover the entire supply chain of customers. After years of development, by virtue of the Company’s express delivery network covering major countries and regions around the world, SF provides customers with integrated supply chain solutions covering procurement, production, circulation, sales and after-sales service. In addition, as an intelligent logistics operator with the advantages of “aviation + ground + information” network scale, SF has a business model with strong control over the entire networks.

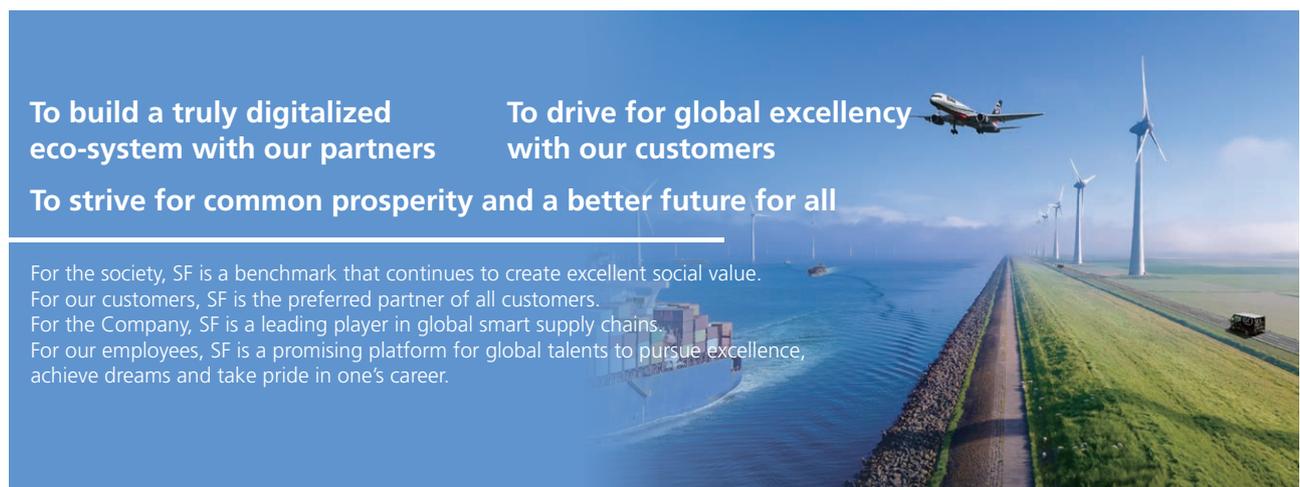


## SF Culture

This year marks the 30th anniversary of SF's establishment. After 30 years of endeavor, SF has built a corporate culture imprinted with the brand of SF. For SF, corporate culture is not only a belief, but also a commitment and practice. It is reflected in the words and deeds of all SF employees, and in all SF's business conduct, and has become a strong spiritual force that is deeply cast in the cohesion, competitiveness and vitality of SF.

## Corporate vision

Corporate vision is the goal and blueprint of SF, navigating the development direction of SFers.



**To build a truly digitalized eco-system with our partners**

**To drive for global excellency with our customers**

**To strive for common prosperity and a better future for all**

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For the society, SF is a benchmark that continues to create excellent social value.  
For our customers, SF is the preferred partner of all customers.  
For the Company, SF is a leading player in global smart supply chains.  
For our employees, SF is a promising platform for global talents to pursue excellence, achieve dreams and take pride in one's career.

## Core Values

Core values are the value standards and basic faith that SFers must believe in, guiding SFers the approaches to realize the corporate vision.



**Integrity and responsibility**  
**Dedication to employees' success**  
**Dedication to customers' success**  
**Innovation and inclusiveness**  
**Pursuit of excellence**

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In SF, all people shall adhere to the principle of integrity and responsibility, take dedication to employees' success and dedication to customers' success as their own tasks, always be innovative and inclusive, pursue excellence and create a better future together.

## Corporate Spirit

Corporate spirit is the team quality and spiritual outlook that SFers demonstrate in practice, and is the portrait of SFers and the popular image of SF.



**Equality and respect**  
**Integrity Pragmatism**

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Treat others and handle affairs in principle of equality, respect, integrity and pragmatism. These Corporate Spirits are the practices of SF values and also the public's most intuitive perception of SF.

## Team Culture

SF's team culture, derived from SF's vision, core values and corporate culture with organizational characteristics, guides SF to victory.



**Win the game; teamwork**  
**Identify the weaknesses and make improvement**  
**Promote the capable ones; coach; sunshine**

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The Company is like a team, all the members gather to win for common goal. They learn and grow here, coordinate and cooperate with each other, train and fight together. The honor of the team means personal achievement of each member.

## Awards

### Awards that SF received in 2022

Ranked 441st of Fortune Global 500 in 2022

Ranked 5th of Fortune's Most Admired Chinese Companies in 2022

Named to Fortune China ESG Influential Listing

Ranked 19th of the BrandZ™ Top 100 Most Valuable Chinese Brands in 2022

Ranked 1st of Chinese Top 50 Private Logistics Enterprises in 2022

Ranked 3rd of Chinese Top 50 Logistics Enterprises in 2022

Ranked 27th of "China's Top 500 Private Enterprises in 2022" of All-China Federation of Industry and Commerce

Listed on the "R&D Investment and Invention Patents of 500 Private Enterprises in 2022" of All-China Federation of Industry and Commerce

Ranked 126th of "China's Top 500 Enterprises in 2022" of China Enterprise Confederation and China Enterprise Directors Association

"Chinese brands favoured by foreigners in 2022" of National Brand Project Office of Xinhua News Agency

"2022 Most Socially Responsible Listed Company Award" of Stock Star

Ranked 4th of "Top 25 Global Logistics Brands by Value in 2022" and 52nd of "China's Top 500 Brands by Value in 2022" of Brand Finance

Ranked in the list of *China Business News*' "Golden Sign of the Year 2022" (2022年度金字招牌) for three consecutive years

SF Supply Chain was awarded the title of "China's Top Employers in 2022" by the Top Employers Institute

SF Supply Chain won the third place in the "2022 China's Top 40 Supply Chain Logistics" issued by Log Research

SF Supply Chain won "Best Logistics Service Provider – Warehousing" at the 2022 AFLAS Asia Freight Logistics and Supply Chain Awards

SF Cold Chain was on the top of the List of 2020 China's Top 100 Cold-Chain Logistics Enterprises for three consecutive years

SF Technology was awarded the Global Top 10 Enterprises in Commercial Track in the second BPAA Applied Algorithm Practice Model (a major brand event of the World Artificial Intelligence Conference)

SF Technology won the Annual Best Big Data Intelligent Application Award at the 8th WRE Retail Digital Transformation Summit in 2022

SF Technology was awarded the Top 100 Industrial Blockchain Enterprises in China

## Highlights of Annual Performance

### Governance performance

This year, the **signing rate** of the *Letter of Commitment to Anti-corruption* among SF employees was **94.6%**, increasing by **1.7%** over 2021, among which, the **signing rate** of third-tier managers reached **96.5%**.

There were **no lawsuits** related to improper competition and anti-monopoly or **privacy leakage** of anonymous whistleblowers throughout the year.



This year, the Company held a total of **24** weekly meetings on risk control, at which **56** resolutions were made. **Four** meetings and **five** resolutions were related to ESG issues, covering personnel safety, work safety and other ESG issues.



### Environmental performance

#### Achievement of carbon targets

Greenhouse gas (GHG) emission intensity of this year was **47.6t CO<sub>2</sub>e/RMB million revenue**, **2.1%** lower than that in 2021. The carbon footprint per shipment was **824.5g CO<sub>2</sub>e/piece**, **4.2%** lower than that of 2021.



#### Green industrial park

SF has developed photovoltaic (PV) power generation projects in **9** industrial parks in Yiwu, Hefei, Hong Kong and etc.

Renewable energy generation for the year was **9,843,000 kWh**, and GHG emissions were reduced by **6,792 tons**.



#### Green transportation

In 2022, SF added **4,911** new-energy powered vehicles. By the end of 2022, more than **26,000** new-energy powered vehicles had been put into use cumulatively.

In 2022, SF saved **1,234 tons** of jet fuel through straight route selection and about **707 tons** of jet fuel through redispatch<sup>1</sup>.

In 2022, **304,000 tons of GHG emissions** have been reduced through green transportation initiatives.



<sup>1</sup> Redispatch: While ensuring the safe and normal operation of the flight, the international aviation fuel policies should be reasonably applied to reduce aircraft refueling and lower fuel consumption by implementing a second dispatch for the flight.

### SF Forest

In 2022, SF volunteers planted **214 acres** of carbon-neutral forest in Shijiazhuang, Hebei Province, with **33,628** platycladus orientalis, mountain peach and mountain apricot saplings. By the end of 2022, a total of **50,828** carbon-neutral forest trees of **369.7 acres** have been planted, which can absorb at least **2,430 tons** of carbon dioxide from the atmosphere in the future.

### Environmental Management System certification

SF has obtained the **ISO14001** Environmental Management System certification in several business modules, including express delivery, pharmaceutical transportation and supply chain, and SF Airlines has obtained the **ISO50001** Energy Management System certification.



### Green packaging

SF actively practices packaging **reduction, reuse, recycling and degradation**.

In 2022, the use of base paper was reduced by approximately **47,000 tons** and the use of plastics was reduced by approximately **150,000 tons** through lightweight, reduced packaging use and other green packaging technologies.

The fully degradable packing bags named **"Feng Bag"** independently developed by SF have a biodegradation rate of more than **90%**.

This year, more than **62.51 million** bags have been used in Beijing, Guangzhou and other places.

In 2022, GHG emissions were reduced by **506,000 tons** through green packaging.

## Social performance

### Equality and diversity

In 2022, **14.7%** of our workforce was **female**.

In 2022, SF provided **more than 9,400** jobs for veterans,

increasing by **130%** over 2021, and provided jobs

for **200** people with disabilities,

increasing by **52%** over 2021.



### Democratic management

SF has **130** labor union organizations.

In 2022, the resolution rate of labor union

appeals was **97.1%**, and the satisfaction

rating of labor union was **91.9**.

The coverage rate of collective bargaining

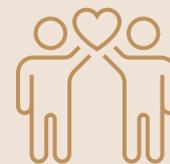
agreements for the year was **49%**.

## Public service and charity

In 2022, the total annual public service expenditure of the SF Foundation was

RMB **117.4 million**.

**22** volunteer associations organized **148** public service activities in total, involving **7,226** people and **1,206,286** hours of volunteer service.



## Rural revitalization

SF's service network for facilitating upward movement of agricultural products has covered

more than **2,800** county-level cities across the country, serving a total of over **4,000** fresh varieties. In 2022, SF delivered **3.62 million** tons of special agricultural products, helping local farmers to generate revenue of more than **RMB100 billion**.



## Service performance

In 2022, a total of **37,050** consumer complaints<sup>2</sup> were accepted, of which **351** were valid complaints, with the effective complaint rate<sup>3</sup> of **0.03 PPM**<sup>4</sup> and the complaint processing rate of **100%**.



The total amount of Research and Development (R&D) investment was **RMB 3.53 billion** in 2022.

By the end of 2022, SF had **4,452** granted patents and patent applications and **2,490** software copyrights, among which the number of invention patents accounted for **64%** of the total number of patents. The number of **new** patents this year was **221**.



<sup>2</sup> Data source: Post Industry Consumer Service Platform

<sup>3</sup> Effective complaint rate=consumer's effective complaints/total complaints\*100%

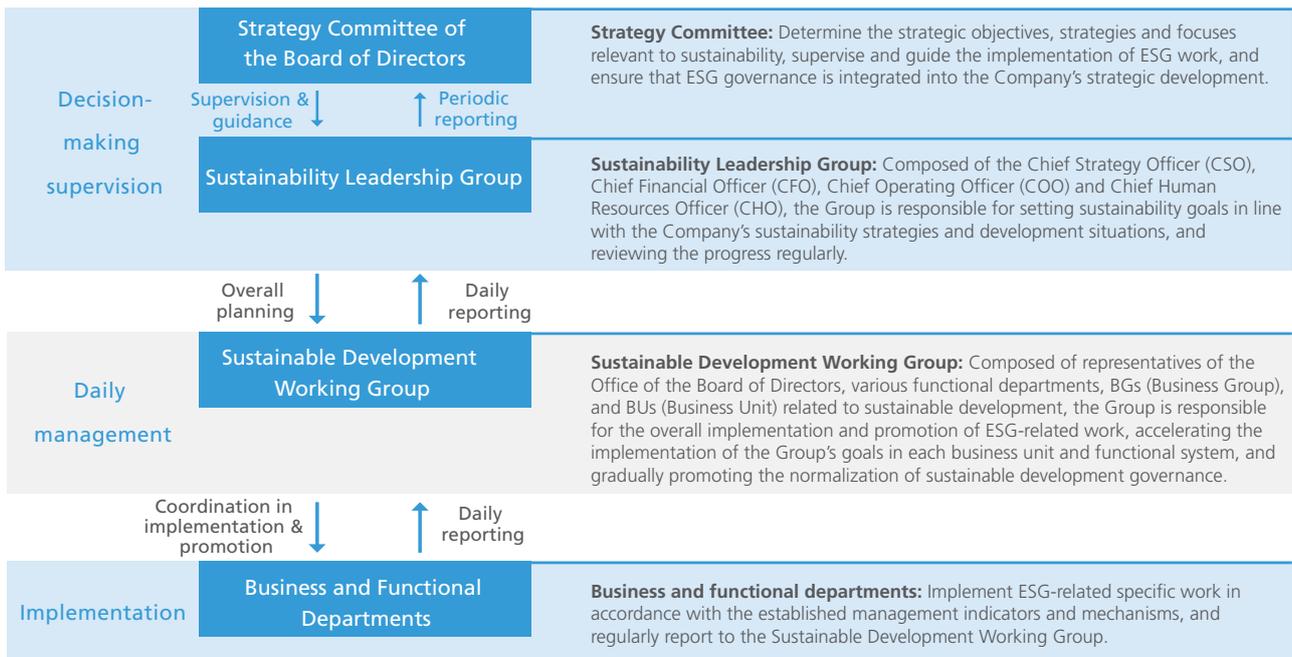
<sup>4</sup> PPM: Part Per Million

# Sustainability Management

SF is committed to the integration and unity of enterprise value and social value to promote the sustainable development of the industry, and actively exploring the path for corporate sustainable development.

## ESG Governance System

SF has continuously improved its ESG governance by establishing a four-level sustainability management framework, and laid a solid foundation for formulation, regular assessment and risk management of sustainable development goals and strategies. In 2022, the Strategy Committee of the Board of Directors added the sustainability oversight responsibility to oversee and manage the Company's sustainability matters, elevating ESG-related management to the corporate governance.



## Communication with Stakeholders

SF attaches great importance to the communication with stakeholders, and has established diverse and efficient communication channels catering for nine types of stakeholders, namely the government and regulatory bodies, investors, employees, customers, and value chain partners, etc., to efficiently ensure the right to know of all stakeholders. In the meantime, the Company also fully considers the concerns of stakeholders, by integrating the expectations and demands of stakeholders into our strategy and operational management, and regularly reviews the materiality of various issues to the Company's operation and development.

Stakeholders	Main Concerns	Forms of Communication	Response Measures
 <b>Government and regulatory bodies</b>	Observing disciplines and laws Paying taxes in accordance with laws Supporting local economic development	Information disclosure Special report Statistical statement	Operating in compliance with laws Preventing major safety accidents Increasing local employment rate Promoting actively industrial poverty alleviation
 <b>Investors</b>	High economic value creation Corporate governance Compliance and risk management Responsibility management	Information disclosure Shareholders' general meeting Roadshow On-site inspection	Establishing and improving the scientific decision-making and supervision mechanism Strengthening risk management Disclosing information properly Organizing and participating in activities targeting different types of shareholders
 <b>Directors, supervisors and senior management</b>	Corporate governance Compliance risk Sustainable Operations	Regular board meetings	Periodic report Operating in compliance with laws and regulations Strengthening risk management
 <b>Employees</b>	Diversity and human rights protection Employee engagement Employee care Training and development Occupational health and safety management	Staff congress Forespace (Fengsheng) platform Employee satisfaction surveys Discussion, communication and other activities	Protecting employees' rights according to the law Providing training Improving the talent promotion and salary system mechanism Strengthening occupational health and safety management Promoting diverse employee benefits
 <b>Community residents/charitable organizations</b>	Charity and volunteering services Helping community development	Communication mechanism building On-site investigation Volunteer communication	Carrying out various charity activities Intensifying industrial poverty alleviation Encouraging employees to take part in voluntary services
 <b>Customers</b>	Optimizing products and services Safe delivery and transportation Data security Protecting privacy	Customer satisfaction surveys on express services Establishing customer communication and complaint channels	Providing efficient, reliable, and fast logistics services Enhancing the customer claim settlement process Building a safe ecosystem
 <b>Value chain partners</b>	Sustainable supply chain Fair, just and open procurement	Contract signing Providing training to suppliers	Promoting transparent procurement Eliminating commercial bribery
 <b>Industry association</b>	Strengthening exchanges and cooperation Industrial standard development	Convening summit activities Organizing technical exchanges	Participating in industry activities Participating in the development of industrial standard
 <b>Media/the public</b>	Information transparency Interaction with the media	Information disclosure Building a communication mechanism	Active communication through websites and other official platforms Providing external publicity materials

## Determination of Materiality Issues

SF keeps an eye out for the sustainability dynamics and trends of the industry, and conducts regular assessments of materiality on sustainable issues to ensure that they are highly relevant to the industry. The Company has summarized, updated and concluded the importance of the sustainability issues of SF in the year 2022 based on the analysis of the materiality issues of the previous year by referring to the sustainable development issues of outstanding peer companies both domestically and internationally and combining the concerns of the capital market and other related parties on the sustainable development of SF. The materiality assessment report for 2022 has been submitted to and confirmed by the Board of Directors.

### SF 2022 ESG Issues Materiality Issues

SF 2022 ESG Issues Materiality Issues No.	Materiality Issues
1	Product and service optimization
2	Bearing social responsibility
3	Building a green and smart industry chain
4	Promoting green packaging
5	Corporate governance management
6	Caring about employees
7	Employee training and development
8	Charity and volunteering service
9	Occupational health and safety management
10	Continuing to obtain economic benefits
11	Securing safety delivery and transportation
12	Improving energy efficiency and tackling climate change
13	Employee diversity and human rights protection
14	Pollutant discharge and environmental protection management
15	Focus on employee engagement
16	Compliance and risk management
17	Anti-corruption
18	Waste management and recycling
19	Promoting environmental protection activities
20	Water use management
21	Data security and privacy protection
22	Labor union management and development
23	Promoting local communities' development

## Annual Progress on UN Sustainable Development Goals

Core goals		
	<b>Goal 4: Quality education</b>	SF offers tuition subsidies to employees for supporting education programs and skill certifications. SF also sets up scholarships for students in need to help employees and vulnerable groups acquire high-quality educational resources.
	<b>Goal 8: Decent work and economic growth</b>	SF offers suitable job and internship opportunities for veterans, people with disabilities and college students to ensure the decent employment and career development of special groups.
	<b>Goal 11: Sustainable cities and communities</b>	SF has developed a series of recyclable express containers, including π-Box, constructed a recycling operation platform for data management, and actively cooperated with related parties to build an express packages recycling ecosystem and promote the realization of "zero-waste city".
	<b>Goal 13: Climate action</b>	SF reduces energy consumption in all aspects of express parcel transportation, and increases the number of new energy vehicles through self-purchase, leasing and outsourcing, heading into the goals of "green operation" and "carbon neutrality".
Direct goals		
	<b>Goal 3: Good health and well-being</b>	SF has set up a company-wide health and safety target, a safety management system and ISO45001 certification. Meanwhile, SF has formulated measures of transportation, transfer and warehousing to ensure the health and safety of our employees.
	<b>Goal 5: Gender equality</b>	SF strictly adheres to the principle of gender equality, and prohibits all forms of discrimination. The Company continues to increase the number of female employees, and provides exclusive welfare and care for female employees.
	<b>Goal 7: Affordable and clean energy</b>	SF has developed photovoltaic power generation projects in the 9 industrial parks in Yiwu, Hefei and Hong Kong, etc. SF has also purchased many new-energy powered vehicles and charging pile equipment to build a clean energy fleet.
	<b>Goal 9: Industry, innovation and infrastructure</b>	SF adheres to innovation and develops new products for pickup, transit, transportation and delivery to create intelligent logistics and empower the industry with intelligence.
	<b>Goal 10: Reduced inequalities</b>	SF actively carries out rural revitalization to help poverty-stricken areas increase employment opportunities, facilitate regional economic development and reduce inequalities among regions.
	<b>Goal 12: Responsible consumption and production</b>	Targeting at sustainable and intelligent product development, SF actively promotes green and recyclable packaging in logistics, and has constructed a recycling operation platform for data management, and actively cooperated with related parties to build an express packages recycling ecosystem and promote the realization of "zero-waste city".



# 01

## GOVERNANCE

**Stay True to Original Mission and  
Write a New Chapter of Development**

Standardizing Corporate Governance  
Strengthening Risk Control Management  
Abiding by Business Ethics  
Data Security Governance

# Theme Stay True to Original Mission and Write a New Chapter of Development

2022 is a critical year to proceed with the 14th Five-Year Plan, and also the beginning of a new journey to build China into a modern socialist country on all fronts. SF has always kept in mind the CPC’s glorious centennial development, learnt from and carried forward the great spirit of the CPC forged in its long-term endeavors. Also, SF stays true to its mission and forges ahead, in a bid to gain new accomplishment in the new era and new journey.

## Strengthen Political Leadership

### Adhere to the Integration of Party Building

Under the guidance of the superior Party Committee, SF’s Party Committee carefully studied and arranged the integration of Party building into all aspects of corporate governance, and achieved institutional, standard and programmatic integration between Party building and corporate governance, ensuring the correct development direction of the Company as it promotes the constant optimization of corporate governance. The Company implements the leadership system of “two-way entry and cross-appointment” for the Party Committee team, to enhance the ability of the Company’s Party Committee to steer, plan and coordinate, and thereby strengthen the responsibility of the Party organization in the execution, supervision and implementation of corporate governance.

### Deepen the Party Knowledge Education

Guided by the thought on socialism with Chinese characteristics for a new era, SF has organized and carried out a series of theoretical study activities, and constantly deepened education on Party knowledge. On October 16, 2022, the 20th National Congress of the Communist Party of China opened successfully, and the Party Committee of the Group organized Party members to watch the live broadcast of the opening ceremony in online and offline ways, and carefully listened to and studied the report of the 20th CPC National Congress. In the meantime, in order to further study, publicize and implement the strategies of the 20th CPC National Congress, SF gave full play to the Party branch as strongholds, organized offline special seminars, and called on Party members to strengthen the study of the Party Constitution. By making full use of online platforms such as Xuexi.cn (学习强国), Shenzhen Smart Party Building (深圳智慧党建), WeChat official account and other online platforms to widely publicize the report of the 20th CPC National Congress, the Company created a positive learning atmosphere throughout the Company.



Watching the 20th CPC National Congress



Participating in the 20th CPC National Congress Special Seminar

## Build a Solid Organizational Foundation

### Foster Infrastructure Construction of Party Branches

SF has selected Party members with excellent political accomplishments and strong professional ability as Party branch secretary, continued to intensify the construction of branches, and completed the intensive leadership changes of 62 Party branches in 2022. The Company flexibly set up Party groups, optimized the setting of primary Party organizations, founded regional association of Party branches, and set up a total of 70 new Party groups in 2022. SF also strengthened the guidance of Party building work in all branches of the network, and increased the coverage of Party organizations.

### Strengthen the Management of Party Members

SF conscientiously implements the “Three Sessions and One Lesson” system, positively advances the ideological construction of Party members, diversifies and innovates the education forms. Through the application of Shenzhen smart Party building system, The Company organizes Party members to participate in special examinations, subscribes to Party building books, and also releases the Group’s Party building dynamics and Party building study content through the Internet, Party member WeChat group, SF Party Committee WeChat official account (Xianfeng team), Forespace (Fengsheng) and other online platforms, and SF vigorously increase the coverage of Party members’ learning activities. SF has also carry out trainings for Party member development targets to control the quality of Party member development.

### Optimize the Party Building Position

On the basis of the Group’s original Party and mass service center and Nanshan, Futian, Xixiang and Tianbei Party and mass service stations, the Company has newly built 7 Party and mass service stations, namely the Qianhai, Guanlan, Tiejia, Ailian, Pingshan, Dapeng, Haipeng stations, etc., set up a Party building book bar at each service station to provide thoughtful services, such as power charging, resting and learning for couriers, and provide more than 600 books on Party history, express delivery industry, psychology etc.

## Consolidate Education Results

The Company widely publicizes the typical stories of the award-winning Party members who participated in the appraisal and evaluation of excellence, to highlight the influence of role models and celebrate the successful inauguration of the 20th CPC National Congress. At the same time, the Company continues to consolidate and deepen the achievements of the themed education of “staying true to the original aspiration and mission”, carry out in-depth Party history study and education, and ensure the normalization and long-term effectiveness of theme education.



Party History Knowledge Competition of “Learning Party History Heading Toward the Future”



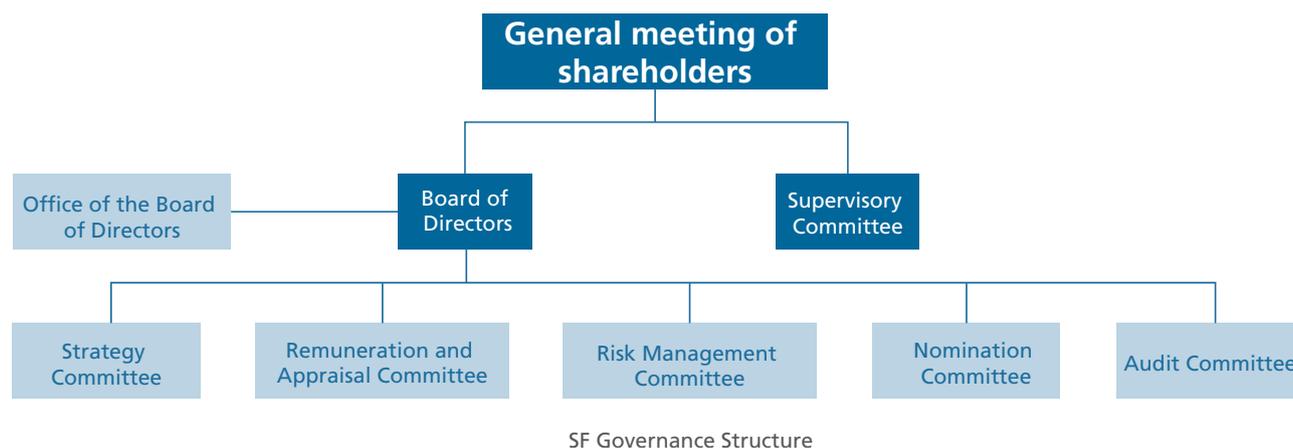
Themed Activity to Celebrate the 101st Anniversary of the Founding of the CPC and the “July 1st” Commendation Conference

## Standardizing Corporate Governance

In strict compliance with the *Company Law of the People’s Republic of China*, the *Securities Law of the People’s Republic of China*, the *Code of Corporate Governance for Listed Companies*, the *Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange* and other relevant laws and regulations promulgated by the China Securities Regulatory Commission and the Shenzhen Stock Exchange, SF has formulated the *Articles of Association*, *Rules of Procedure for General Meeting*, *Rules of Procedure for Board of Directors*, and *Rules of Procedure for Supervisory Committee* and other internal control rules and regulations to improve the internal corporate governance structure, and the internal management system and regulate the conduct of the Company.

## Sound Governance System

The Company has clearly defined the responsibilities and authorities of decision-making, execution, and supervision, established a corporate governance structure composed of the shareholders’ general meeting, Board of Directors and Supervisory Committee, and formed an effective division of labor and restraint mechanism with clear rights and responsibilities and standardized operation.



## Information about General Meetings of Shareholders

The Company convenes and holds general meetings of shareholders in strict compliance with relevant laws and regulations, treats all investors equally, engages lawyers to attend the general meeting as observers and issue legal opinions on the holding and voting procedures of the general meeting, and gives full respect to and protects the legitimate rights and interests of all shareholders. The Company’s controlling shareholder strictly regulates its behaviors, exercises the shareholder’s rights through the general meeting, and does not interfere with the Company’s management or decision making directly or indirectly bypassing the general meeting and the Board. In 2022, SF held 4 general meetings.

## Information about Board Meetings

The Company elects director candidates in strict accordance with relevant laws and regulations. In 2022, the Company completed the general election of the Board of Directors, and the new Board of Directors comprises 7 directors, of which 3 are independent directors and 4 are non-independent directors. In 2022, the Company held a total of 11 board meetings to study and make decisions on major matters such as daily related party transactions, equity incentives, external guarantees, and share repurchases, giving full play to the decision-making and guiding role of the Board of Directors. The board meeting strictly followed the requirements of the *Company Law*, the *Articles of Association* and the relevant laws and regulations of the China Securities Regulatory Commission and the Shenzhen Stock Exchange, meticulously conformed to the relevant procedures of the meetings, and made timely disclosure of information after the meetings.

The Board of Directors has established five special committees, namely the Audit committee, the Remuneration and Appraisal Committee, the Strategy Committee, the Nomination Committee and the Risk Management Committee. In 2022, SF held a total of 12 meetings of special committees. All directors diligently fulfilled their duties with a serious and responsible attitude. The independent directors performed their responsibilities independently, protected the interests of the Company as a whole, and expressed independent opinions on important and major issues.

### Performance of Duties by Special Committees of SF's Board of Directors in 2022

<b>Strategy Committee</b>	Supervise the implementation of the Board's major financial statements and other decisions to ensure the effective implementation of the Board's resolutions.
<b>Remuneration and Appraisal Committee</b>	Ensure that the Company's remuneration system serves the Company's business strategy and is subject to constant adjustment to support the Company's further development.
<b>Risk Management Committee</b>	Guide the Company's overall risk management work, evaluate the perfection of the risk management system and issue opinions, and provide support for the Board of Directors to perform risk management functions.
<b>Nomination Committee</b>	Provide professional recommendations on the candidates, selection criteria and selection procedures for directors, general managers, and other senior management appointment of the Company.
<b>Audit Committee</b>	Give full play to the role of audit supervision, review audit work reports every quarter and put forward guidance and suggestions, promote the establishment and improvement of the Company's internal control, standardize the Company's business behaviors, optimize business management, and evade business risks.

## Information about the Meetings of Supervisory Committee

The Company elects supervisor candidates in strict accordance with relevant laws and regulations. SF's Supervisory Committee comprises 5 supervisors, of which 2 are employee representative supervisors and 3 are non-employee representative supervisors. The number of supervisors and composition of the supervisory committee are in line with the requirements of laws and regulations. The Supervisory Committee of the Company convenes and holds the meeting of supervisory committee in accordance with relevant regulations. In 2022, SF held a total of 9 meetings of supervisory committee. All supervisors seriously attended the meetings of supervisory committee, diligently fulfilled their duties, and supervised and expressed their opinions on the major issues, related party transactions, financial conditions, etc. of the Company.

## Compliant Information Disclosure

SF continues to strengthen information disclosure management, honestly fulfill information disclosure obligations, and strictly follow the provisions and requirements on information disclosure of the China Securities Regulatory Commission and Shenzhen Stock Exchange, as well as the relevant provisions of the Company's *Information Disclosure Management System*. The Company further intensifies the collection, feedback, collation, and review of major information, and ensures the truthfulness, accuracy, completeness and timeliness of the disclosed information.

# Strengthening Risk Control Management

SF has established a sound internal control and risk management system to strengthen and standardize the Company’s internal management, constantly improves the Company’s risk prevention and control effects, and promotes the sustainable and healthy development of the Company. The Company identifies and evaluates the ESG risks in company operation and development, clarifies the response strategies for such risks, and effectively reduces business risks.

## Risk Management System

In accordance with the Basic Standards for Enterprise Internal Control, the SZSE No. 1 Self-discipline Supervision Guidelines for Listed Companies – Standardized Operation of Main Board Listed Companies and other laws and regulations, and with reference to the Enterprise Risk Management Framework and Articles of Association, the Company has formulated the Management System of Risk Control of SF Group and the Crisis Management System of SF Group to ensure the effective identification and monitoring of risks. In 2022, the Company revised the Management System of Company Risk Control of SF Group, the Crisis Management System of SF Group, the Operation Rules of the Risk Committee and other systems, and constantly optimized the risk management system.

SF has established a risk management structure led by the Risk Management Committee of the Board of Directors. The Risk Committee under the Risk Management Committee of the Board of Directors is a professional body for the overall management and control of Group risks, mainly responsible for deliberation and decision-making of the Group’s risk management system, policies, major risk prevention and major crisis responses. The Risk Committee reports to the Risk Management Committee of the Board quarterly and annually.

The Company’s Chief Financial Officer (CFO) is responsible for implementing the Group’s risk management strategy, guiding and evaluating the establishment and improvement of risk management and control mechanisms in functional departments, BGs (Business Groups), BUs (Business Units), and districts. The Group’s Risk Control Compliance Section coordinates risk control and compliance work. The leader of each functional department, BG, BU, and region is responsible for related risk control in their work area and introducing risk management measures and implementation rules. They are also responsible for identifying and evaluating of daily risks as well as the implementation of management and control measures.



SF Risk Management Organizational Structure

## Risk Event Response

For risk events, SF takes a three-stage approach of “responding→review→precipitation” to realize the closed-loop risk management. During the “in-process” stage, SF coordinates multiple functional departments to make effective responses, reduces negative impacts, and maintains brand image. While in the “post-event” stage, SF works with multiple relevant regions and organizations to conduct comprehensive review and inspection, traces back to the root cause and improves control measures accordingly. Based on risk event management, in 2022, the Company has prepared 10 management and control plans and optimized 20 risk control matters.

## Digital Risk Management

The Company has built a risk management system and an internal control and compliance platform, and carried out the development of the compliance management system. Through continuous iteration and optimization of the systems, SF realizes digital management of the whole chain from risk identification, assessment, monitoring, early warning, response, to loop closing, effectively improving the efficiency of risk identification and management.



In 2022, SF carried out functional reconstruction of the Group's risk management system, and completed the optimization and launch of the risk event management module, which can cover risk event management scenarios from districts to headquarters and cross-functional units, encompassing features such as event reporting, determination of treatment plans, event review, rectification and optimization. SF has completed the functional design for the Group's compliance management system and the system development is expected to complete by 2023.

## ESG Risk Management

SF fully integrates environmental, social and governance risks in the identifying and sorting of risk information databases, as well as the classification of level 1, 2, 3 and 4 risks. At present, the identified ESG risks include a total of 15 level 2 risks such as natural disaster risks, intellectual property risks, fraud risks, production safety risks and human resource management risks, and level 4 risks such as carbon neutrality risks and extreme weather operation risks, covering multiple aspects of the ESG field. The ESG risk management structure is consistent with SF's risk management organizational structure, and the Risk Management Committee of the Board of Directors functions, as the highest risk management body, is responsible for the identification, prevention and control of ESG risks. In 2022, the Company held 24 risk control weekly meetings, generating a total of 56 resolutions, of which 4 meetings and 5 resolutions involved ESG-related issues. (For the governance, response measures and goals of climate change risks, please refer to the “Tackling Climate Change” section).

## Risk Management Training

SF continues to carry out diversified risk training and empowerment courses, raising employees' risk awareness through online learning and examination, etc. In 2022, the Company has opened a total of 12 special courses in the headquarters, involving *Special Training on Business Risk Control*, *Verification Training on Recent Major Risks*, *Training on New Functions of Business Risk Control System* and other contents, and 10 risk control master courses in districts, involving *Construction of Regional Business Risk Control System*, *Risk Control and Audit on Illegal Weighing*, etc. A total of 89,800 hours of risk-specific training courses were delivered throughout the year, and the coverage rate of new employees for risk-specific training reached 100%.

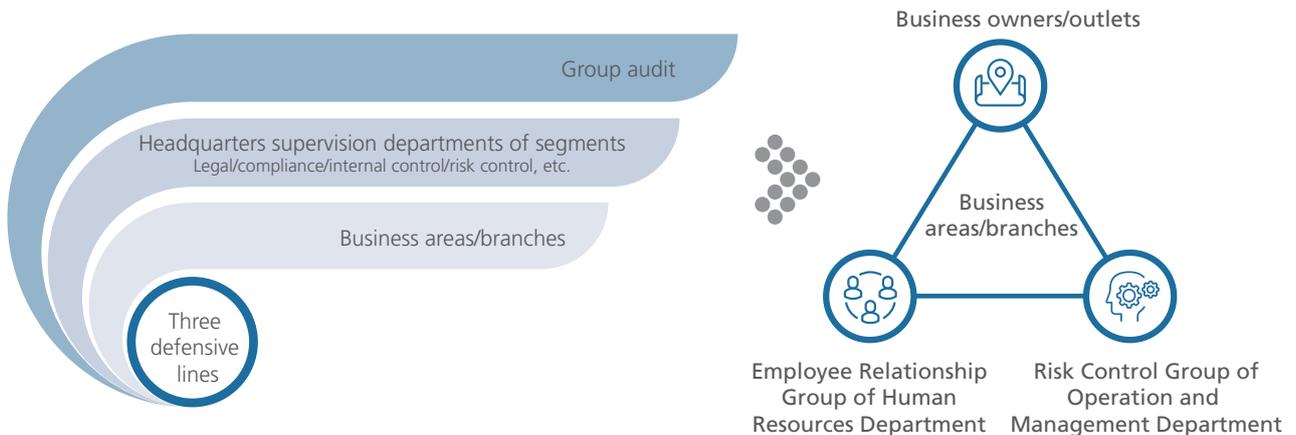
## Abiding by Business Ethics

SF adheres to compliance management and attaches importance to business ethics management. The Company has established a management mechanism led by the Audit Committee of the Board of Directors, and the Chief Audit Executive (CAE) manages Company’s business ethics affairs and regularly reports to the Audit Committee. The Company created the 369 Code of Conduct for primary-level managers. It eliminates three violations of business ethics, requires six affairs to be made public, and establishes nine guidelines for managers to lead by example in business ethics management. During the Reporting Period, SF had no legal action in respect of improper competition and anti-monopoly.

## Integrity Management System

To ensure the effectiveness of the integrity management system, SF will analyze the causes of corruption incidents annually to confirm whether there are any defects in procedures and systems. The Company also iterates the system when necessary. In 2022, the Company amended the *Administrative Measures for Relatives Avoiding* applicable to the entire group, detailing the definition of individual and relative competition in bidding, the circumstances of relative appointment restriction, as well as the mechanism for relative declaration and handling mechanisms. It has also updated the content of the *Letter of Commitment to Anti-corruption* and the *Integrity Agreement* to further improve the integrity management system.

The Company has established a defensive line for integrity supervision from the Audit Committee of the Board of Directors, the regulatory department of the headquarters to the business areas/branch offices. It also has built three lines of defense simultaneously in business areas/branch offices to realize the integrity management system across all networks and posts of management. In addition to the two-level three defensive lines, the Company has also set up the Senior Management Disciplinary Inspection Committee led by Company’s Chief Executive Officer (CEO), Chief Human Resources Officer (CHO) and Chief Audit Executive (CAE), along with the Employee Disciplinary Inspection Committee. These committees are responsible for managing the integrity of senior management and other employees, respectively.



SF’s Defensive Lines for Integrity Supervision

In order to create a fair, just and open working atmosphere, SF has also developed an anti-corruption system of “no courage, no ability and no intention” to strictly prevent and sternly punish illegal and corrupt behaviors such as bribery, acceptance of bribery, embezzlement, and fraud.



SF’s “No Courage, No Ability and No Intention” System for Anti-corruption

In 2022, SF actively carried out digital proactive anti-fraud exploration. Through a series of anti-fraud rectification projects, SF has promptly reported the risks of specific business scenarios to the competent authorities and urged them to make improvement accordingly. At the same time, the Company has also established an anti-fraud related audit model to regularly monitor business ethics risks.

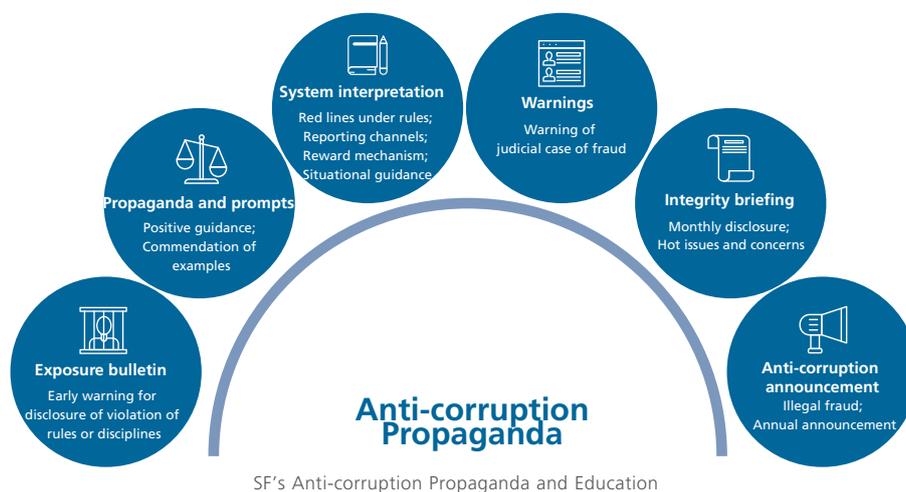
## Anti-corruption Education

SF has formulated the *Employee Handbook and Integrity Handbook*, and provides the English version of the *Employee Handbook* for overseas employees, clarifying the Company’s definition of internal and external integrity behaviors, determining violations and corresponding penalties, providing a clear and reliable code of conduct for all employees, in an effort to standardize employee behaviors, and advocate honest practice.

The Company continues to carry out integrity culture publicity and education, and communicates the Company’s anti-corruption system and measures to employees in forms of system interpretation, integrity briefing, anti-corruption announcement, etc. For grassroots employees and management of business areas, the Company has carried out positive publicity on integrity culture and anti-fraud case warnings through online cases and offline training. As for new employees, the Company conducts anti-corruption induction training, and encourages them to sign the *Letter of Commitment to Anti-corruption*. In 2022, the signing rate of the *Letter of Commitment to Anti-corruption* was 94.6%, representing an increase of 1.7% compared with 2021, among which, the signing rate of third-tier managers reached 96.5%.

In addition, the Company also energetically promotes suppliers to sign the *Integrity Agreement* and work with suppliers to build a clean value chain. In 2022, the suppliers’ signing rate of the *Integrity Agreement* reached 100%.

In 2022, SF arranged the integrity index survey and special training on combating corruption and promoting integrity, and organized all employees to learn regulations to ensure they know and abide by regulations. A total of 20 offline anti-corruption training sessions were conducted throughout the year, with a total of 21,300 hours of anti-corruption education for employees.



**Letter of Commitment to Anti-Corruption, including but not limited to:**

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

## Whistleblowing Management

SF has set up the *Reporting Management Measures* and the *Employee Communication Management Regulations* to standardize the handling process, standards and management requirements for reporting violations of rules and disciplines, which optimizes the Company's supervision system, prevents and corrects violations of rules and disciplines, protects the legitimate rights and interests of employees, customers and partners, and promotes the sustainable and healthy operation and development of the Company. In 2022, the Company further revised the *Reporting Management Measures*, optimized the reporting channels, case filing standards, whistleblowing investigation process, etc., and further clarified the whistleblowing follow-up limitation requirements.

## Reporting Channels

SF has set up six reporting channels for different groups, including mailboxes, hotlines, and official websites, etc.

Reporting channels		Target group
Reporting email	sf5198@sf-express.com	All internal staff and external stakeholders
Labor union hotline	4006883783	
SF official website	About us – I want to report	
Mailing	Audit Department of SF Headquarters (Receipt)	
Fospace APP	Service – I want to report	All internal staff
Monitoring system	Regional complaint management platform	

## Timeliness of Handling

In terms of the timeliness of incident handling, the Company requires the competent departments to follow up in accordance with the "Triple Ones" ("三个一") timeliness requirements to make quick and positive responses. In 2022, the follow-up and response rate in connection with effective reporting of SF was 100%, and its timeliness achievement rate of "Triple Ones" in handling complaints was 96%.

### "Triple Ones" Requirements:

**Respond within one working day: Respond to the whistleblower within one working day after receiving the report;**

**Confirm whether to initiate an investigation within one week: upon the receipt of report, confirm whether the case needs to be filed for investigation within one week;**

**Complete the investigation within one month: After confirming the filing of the case, complete the report investigation and result feedback within one month.**

## Whistleblower Protection

SF's *Reporting Management Measures* clearly stipulates the confidentiality requirements for the information of the whistleblower, namely any employee who comes into contact with the reported information shall keep the information confidential. The responsible person of each organization is the first person responsible for the protection of witnesses (including whistleblower), and shall take reasonable measures to protect witnesses (including whistleblower), ensure that the basic rights and interests of witnesses (including whistleblower) are not infringed, and stamp out any form of retaliation. In 2022, SF had no anonymous whistleblower whose privacy was disclosed.

### *Reporting Management Measures – confidentiality requirements of whistleblower information*

Including but not limited to the following:

- (1) All persons who receive the reported information shall transfer it to the competent department, and shall not forward it to other personnel without permission.
- (2) Relevant personnel who follow up on the report shall not disclose the reported information to other personnel.
- (3) Before the assessment of punishment opinions is made public, the results of the investigation and the handling opinions shall not be disclosed in advance.
- (4) Investigation reports and evidence materials shall not be forwarded to other personnel without permission.

## Intellectual Property Protection

SF puts a premium on intellectual property protection, and strictly complies with the *Patent Law of the PRC* and the *Trademark Law of the PRC*. The Company has formulated internal systems such as the *Group Trademark (Trade Name) Management System*, and the *Operation Guidelines for Handling Group Infringement Incidents*, and has updated *Group Patent (Software Copyright) Management System* in 2022 to further improve the management and protection of the Company's patents and software copyrights.

In 2022, SF has obtained 221 authorized patents, and applied for 446 trademarks and 480 software copyrights, covering fields such as intelligent logistics, smart supply chain, artificial intelligence and big data, safeguarding the Company's technological innovation. By the end of 2022, SF has been granted 1,851 patents, 5,183 trademarks and 2,449 software copyrights.

### 2022



### As of the end of 2022, cumulatively



## Data Security Governance

SF always stays alert for information security and network security risks. The Company has formulated its internal system, such as the *Emergency Plan for Information Security Incidents of SF Group*, *Regulations on Network Security Incident Management*, *Administrative Measures for Information Leakage Security Incidents*, *Administrative Measures for Rewards and Penalties for Information Security*, and successively updated the *Measures for the Management of High-Risk Behaviors in Information Security* as well as the *Administrative Measures for Rewards and Penalties for Information Security*, and constantly optimized the data privacy and network information security system.

SF has established three-tier data privacy and cyber security management schema, covering decision-making, management and implementation. The technical committee, as the ultimate leadership organization, is responsible for information security decision-making, appointments and instruction, and the CEO serves as its chairman and is the highest responsible person for information and data security. In 2022, the Company refined its risk resolution process and included significant data privacy and cyber security risks into the resolution scope of the risk committee.

## Maintaining Cyber Security

SF has formulated its internal system, such as the *Emergency Plan for Information Security Incidents of SF Group*, *Regulations on Network Security Incident Management*, etc., clarifying the response mechanism and handling measures in the event of cyber security incidents. Through cyber security programmes such as network security loophole detection and network security practical exercises, the Company strives to enhance its security defense and promote network security.

In 2022, SF participated in a large-scale hacking and defense drill organized by the Ministry of Public Security of the People's Republic of China, and stood out with 0 point lost, representing its leading position in the industry in terms of cyber security capability.



SF Group's large-scale network hacking and defense drill in 2022

Since 2020, SF has set up a professional cyber security blue army, carried out internal red-blue confrontation drills from time to time, and constantly spotted its own cyber security defense weaknesses through simulating various external cyber security attack methods. Also, it has further reviewed and improved its system accordingly, so as to improve the collaborative combat ability of the security team and safeguard the Company's operation. In 2022, SF carried out a total of 4 red-blue drills.

The Company has established a normalized network security training program "543 Security Technology Corner", maintained the constant matching between personnel capabilities and security situation through customized training courses, and advanced SF's overall awareness of network security. In 2022, a total of 17 technical trainings were carried out, covering over 700 people in aggregate. In addition, the Company also launched the "Cyber Security Awareness Month" special activity, and conducted high-frequency publicity for all employees regarding high-frequency and unexpected security incidents and cases, such as workplace security, daily office awareness security, email phishing, and social worker phishing.

## Information Security Management

SF attaches great importance to information security management and is committed to preventing the occurrence of information security incidents. In 2022, the Company updated the *Measures for the Management of High-Risk Behaviors in Information Security* as well as the *Administrative Measures for Rewards and Penalties for Information Security*, clarifying cyber security high-risk behaviors and the corresponding punishment principles on violations, and lifting security awareness of all staff to protect internal information of the Company through the establishment of a special reward and punishment mechanism.

SF continues to carry out data security audits. In 2022, the Company carried out internal and external risk assessments of data security in accordance with the latest regulatory requirements.

**Graded Protection Evaluation:** According to the national and industrial standards and specifications, SF carries out inspection and evaluation on the security compliance of its information systems, grasps the security protection situation of its information systems in a timely manner, evaluates the system security protection capability, and proposes targeted corrective measures for security problems and hidden risks.

**Internal Audit on the Company's Management System:** In 2022, SF launched an internal audit on the data security management system, reviewed the management system from three aspects: compliance, applicability and adequacy, ensured data security and privacy protection of the Group, and promoted the sustainable development of the Group's data security construction.

**Security Response Center (SRC):** Through SF Security Response Center, users were offered rewards for any loopholes identified in security system and business. By the end of 2022, the SRC platform has introduced a total of 2,100 external testers.

All employees are required to sign the "Employee's Letter of Commitment for Information Security" with SF, to make commitments to information security and confidentiality regarding internal data, customer information and privacy, as well as employee personal information. In the meantime, we strengthened the information security education of all employees, and raised the information security awareness of all employees through various forms, such as special training and publicity. In 2022, SF's data security education has basically achieved full coverage, covering more than 480,000 personnel with an accumulated over 9.6 million training hours.

In 2022, SF led and participated in the formulation of 6 national and industry standards related to data security, constantly advancing the standardization of data security in the industry.

### Information security/cyber security related standards led or participated in by SF:

1	National standard <i>Information Security Technology – Data Security Requirements for Express and Logistics Services</i> (GB/T 42013-2022)
2	National standard <i>Information Security Technology – Basic Requirements for App Collection of Personal Information</i> (GB/T 41391-2022)
3	National standard <i>Information Security Technology – Network Data Classification and Grading Requirements</i>
4	National standard <i>Information Security Technology – Security Requirements for Sensitive Personal Information Processing</i>
5	Cyber security Standards <i>Practice Guide – Guidelines for Classification and Grading of Network Data</i>
6	Cyber security Standards <i>Practice Guide – Guidelines for Organizational Data Security Governance Capacity Building</i>



# ENVIRONMENT

# 02

**Technology Empowers Carbon Management  
and Accelerates Business Sustainability**

Creating Green Logistics  
Promoting Circular Economy  
Tackling Climate Change

# Theme Technology Empowers Carbon Management and Accelerates Business Sustainability

In response to the impact of global climate change, SF remains steadfast in leveraging its resource and energy utilization with technological innovation to reduce carbon emissions in its business processes. In the meantime, SF devotes to empowering its partners by means of technology, to drive green transformation, upgrade of the industry, and put joint efforts to accomplish the national “Carbon Peaking and Carbon Neutrality” goals. As a pioneer and promoter of carbon neutrality, SF has made forward-looking arrangements in cutting-edge scientific and technological fields such as artificial intelligence, big data, robotics, Internet of Things, logistics maps, smart packaging, etc. In combination with new energy application, SF injects scientific and technological strength into the packaging life cycle, to improve quality and efficiency as well as carbon emission reduction in the whole process of “pickup, transit, transportation and delivery”.

## Green Technology Accelerates the Standardization of Carbon Management

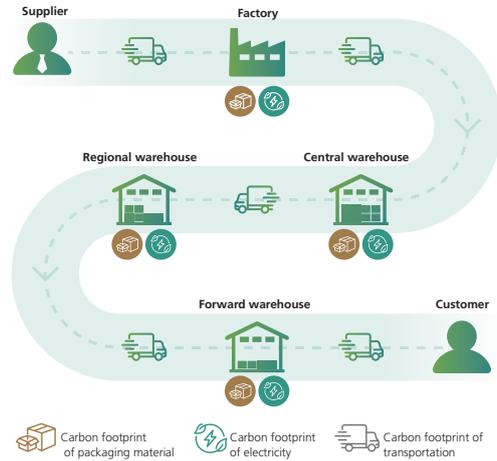
As a pioneer in green and low-carbon transformation in the industry, SF has built a digital intelligent carbon management platform – “Fenghe Sustainability Platform” (hereinafter referred to as the “Platform”), which consists of carbon accounting, carbon targets, carbon asset management and other parts, covering packaging, transportation, transit, delivery and other processes, with a total of over 120 indicators in more than 60 typical scenarios. The Platform can calculate end-to-end carbon emissions of enterprises in real time, realizing real-time monitoring of carbon targets achievement. In 2022, Fenghe Sustainability Platform has passed strict assessment of a third-party panel, and the GHG inventory function of the Platform is complied with the internationally accepted GHG verification standards. The four basic functional sections of “identification of emission sources, setting of emission coefficients, quantification of GHG emissions and emission reductions” are complete, reasonable and accurate. Thus, it can perfectly satisfy the needs of SF’s GHG inventory.



Interface of the Fenghe Sustainability Management Platform

# Digital Intelligent Carbon Platform Promotes Sustainability of Supply Chain

Leveraging on the platform-based standard carbon management capabilities, SF helps customers grasp GHG emissions in transportation and logistics-related activities, enhances the transparency of carbon emission data in supply chain logistics, and analyzes and optimizes services with high-emission, in a bid to achieve effective identification and control in the operation process. Coupled with experience in advanced logistics technology application, the Company is working with a number of brand customers to reshape the supply chain and create sustainable supply chain services. For example, SF assists customer in carbon emission reduction by taking carbon emission reduction measures in storage, packaging, transportation, delivery, and other services. By providing customized low-carbon supply chain solutions, SF quickly extends its platform capabilities to upstream and downstream partners in the industry chain, helping customers achieve visible and controllable carbon neutrality effects and accelerate low-carbon transformation.



Supply Chain Logistics Carbon Footprint Calculation

## Case: Customized Green Logistics Solutions to Assist Customers in Delivering Green Value

In order to assist a brand customer in the apparel industry to achieve green transformation, SF adopted the carbon emission calculation model of “Fenghe Platform” to help the customer understand its greenhouse gas emissions during transportation and improve the transparency of carbon emission data. In the meantime, SF analyzed and optimized the high-emission processes based on the carbon accounting results, provided the customer with a customized green logistics solution of direct delivery from warehouse to railway station, and helped the customer reduce carbon emissions by by 30.5 tons of carbon dioxide equivalent per month by railway transportation.

# Empower the Industry and Work Together for a “Zero-Carbon Future”

In the blueprint to achieve global carbon neutrality, building a zero-carbon business society is crucial. In addition to providing visual and quantifiable low-carbon products and services to help customers demonstrate their commitment to the environment and create green value, SF also shares its carbon management experience with business partners and participates in the development of carbon emission accounting and carbon asset management standards in the logistics industry. In 2022, SF participated in the compilation of the industry standard of Enterprise Green Logistics Assessment Indicators, providing technical support for assessing the green development level of logistics enterprises, helping promote energy conservation and carbon reduction in the logistics industry, advancing the green and low-carbon development of the logistics industry, and working with industry partners to achieve a zero-carbon future.

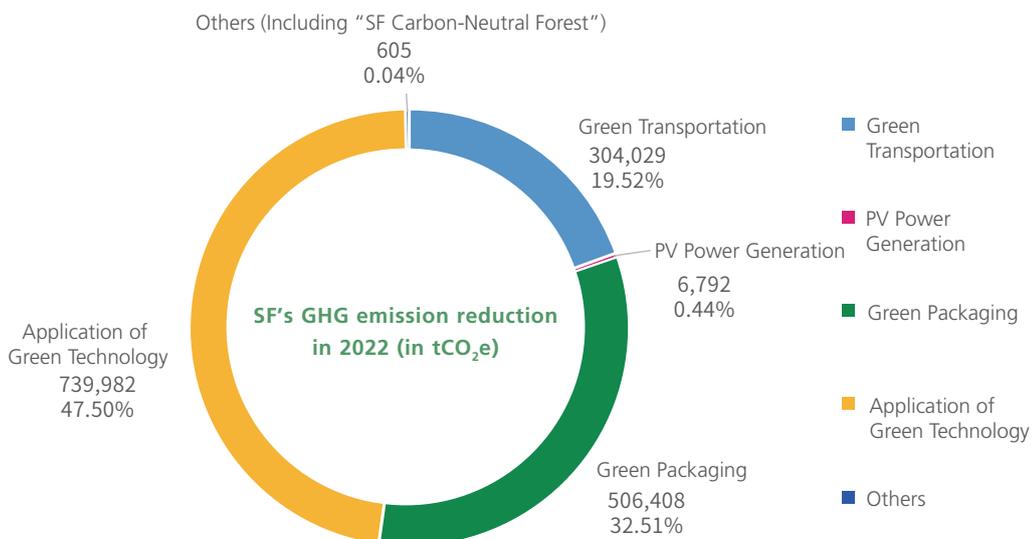


SF's “Zero-Carbon Future”

# Creating Green Logistics

Guided by the purpose of environmental protection, energy saving, and emission reduction, SF has constantly optimized its environmental management system and achieved green management covering the whole life cycle of logistics by promoting low-carbon transportation, building green industrial parks, practicing sustainable green packaging and applying green technologies. SF has been building sustainable logistics energetically. In 2022, SF reduced the GHG emissions by 1,557,816.4 tCO<sub>2</sub>e.

Carbon Reduction Direction	Measures for Carbon Reduction
Green Transportation	<p>Green Land Transportation:</p> <ul style="list-style-type: none"> <li>Optimize the structure of transportation capacity and increase the proportion of new-energy powered vehicles</li> <li>Increase vehicle loading capacity, replace high-axle count vehicles with low-axle count, and retire high fuel consumption vehicles</li> </ul> <p>Green Aviation:</p> <ul style="list-style-type: none"> <li>Increase the proportion of large cargo aircraft with low energy consumption and high efficiency</li> <li>Increase the proportion of new-energy powered vehicles in the airspace</li> <li>Adopt jet fuel-saving technologies such as straight route selection and redispach</li> </ul>
PV Power Generation	<ul style="list-style-type: none"> <li>Continue to increase the construction of photovoltaic equipment in industrial parks and increase the proportion of clean energy using</li> </ul>
Green Packaging	<ul style="list-style-type: none"> <li>Promote packaging reduction, reuse, recyclability, and degradability</li> </ul>
Application of Green Technology	<ul style="list-style-type: none"> <li>Reduce transportation energy consumption through intelligent transportation route planning</li> <li>Promote electronic proof of delivery (POD), photo uploading, and paperless reimbursement</li> </ul>
Others	<ul style="list-style-type: none"> <li>Create the "SF Carbon-Neutral Forest" to achieve carbon offset</li> <li>Implement the uniform points redemption mechanism to motivate the courier to reduce the frequency of uniform replacement and reduce material consumption</li> </ul>



## Environmental Management System Certification

SF has established a sound environmental management system and energy management system, and will continue to facilitate the completion of official environmental and energy management system certifications of each business module. As of the end of the Reporting Period, the Company's main business segments have obtained the ISO 14001 Environmental Management System certification, and SF Airlines has obtained the ISO 50001 Energy Management System certification.

### SF Environmental Management System and Energy Management System Certification

<b>ISO 14001 Environmental Management System</b>	Shenzhen S.F. Taisen Holding (Group) Co., Ltd.
	S.F. Express Co., Ltd.
	Guizhou S.F. Express Co., Ltd.
	Zhejiang Shun Feng Express Co., Ltd.
	Shenzhen SF Comprehensive Logistics Service Co., Ltd.
	Shenzhen SF Freight Co., Ltd.
	GZ SF Pharmaceutical Supply Chain Co., Ltd.
	SF Multimodal Transportation Co., Ltd.
	Shenzhen SF International Supply Chain Management Co., Ltd.
	Shenzhen Fenglang Supply Chain Co., Ltd.
	Hubei Churongfeng Supply Chain Co., Ltd.
	Zhejiang Shuangjie Supply Chain Technology Co., Ltd.
<b>ISO 50001:2018 Energy Management System</b>	SF Airlines Company Limited
<b>RB/T 104-2013 Energy Management Systems for Transport Industry Enterprises</b>	

## Promoting Low-carbon Transportation

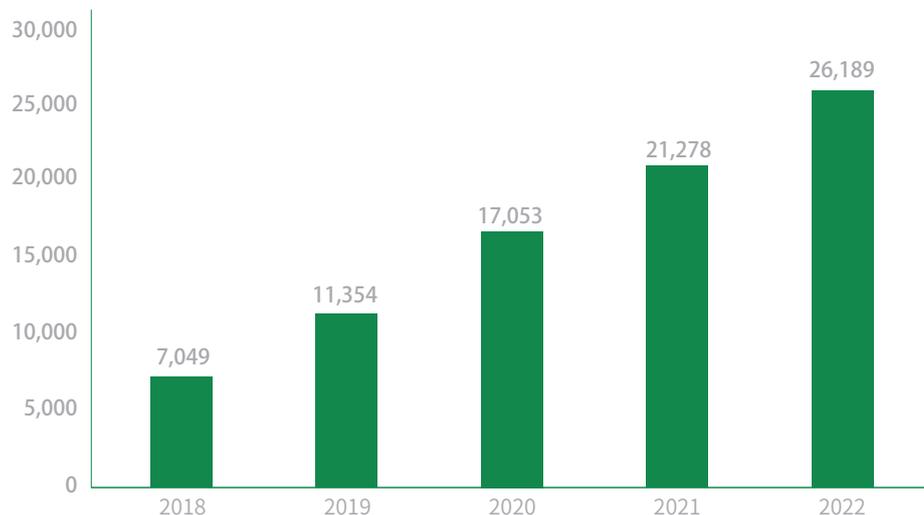
In order to reduce the impact on the environment and improve energy efficiency during transportation, SF continues to promote green and low-carbon transformation of the transportation process.

### Green Land Transportation

Land transportation is the main mode of transportation for SF to provide logistics services. The Company continues to optimize the energy use structure of its transportation capacity and reduce carbon emission during transportation by increasing the proportion of new-energy powered vehicles, optimizing the model selection of fuel vehicles, and controlling vehicle fuel consumption. In addition, the Company has also built an energy management platform to realize the control of energy consumption data, optimizes the transportation routes by adopting big data, cloud computing, and other technologies, and gradually promotes energy conservation and emission reduction in land transportation.

Optimizing Structure of Transportation Capacity

SF continues to increase the number of new energy vehicles through self-purchase, leasing, etc., and keeps expanding the scale of green fleet. In 2022, more than 4,900 additional new-energy powered vehicles were put into operation, covering scenarios such as ordinary package and bulk cargo pickup and delivery, short-haul trunk and branch lines, and feeder transportation in the city. By the end of the Reporting Period, SF has put into use more than 26,000 new-energy powered vehicles in 232 cities.



Number of SF's Self-owned and Leased New-energy Powered Vehicles from 2018 to 2022

For long-distance transportation and transportation in the cold northern area, the Company introduced hydrogen-powered and LNG vehicles as a pilot program. In 2022, a total of 20 hydrogen-powered light duty trucks were put into operation in Shanghai and two LNG tractors were put into operation in Beijing.



SF's Hydrogen-Powered Light Duty Truck

In addition, SF is proactively exploring vehicle battery swapping modes and carrying out application research on new energy vehicle battery swapping models in main and branch line transportation scenarios, so as to improve the efficiency of charging and swapping while reducing the number of in-vehicle batteries and extending the distance to empty (DTE) of vehicles.

### Monitoring Energy Consumption Data

SF monitors the daily data of new-energy powered vehicles in real-time through the new-energy powered vehicles system management platform, and realizes visual data analysis of vehicle mileage, driving duration, charging time, and distribution of usage and charging periods.

In 2022, SF initiated the construction of the charging platform system, which will marshal and integrate the Company's and public charging pile resources in the market and update the distribution information of charging pile resources in real time, meeting the needs of new-energy powered vehicles power charging in a timely and efficient manner. It is expected that the system will be completed and put into operation in 2023.

### Replacing Fuel Vehicles

SF continues to optimize and replace traditional fuel vehicles, enhance energy consumption efficiency, and reduce the impact of fuel vehicle emissions on the environment by increasing vehicle loading capacity, replacing high-axle count vehicles with low-axle count load and retiring high fuel consumption models. In 2022, more than 800 fuel vehicles were replaced or decommissioned by the Company.

### Fuel Vehicle Replacement and Decommissioning Measures in 2022:

- 1. Replaced and decommissioned models with insufficient capacity, and reduced the input of transport capacity by increasing loading capacity;**
- 2. Replaced high-axle count vehicles, and reduced vehicle energy consumption by choosing low-axle count models;**
- 3. Optimized the management of vehicles with high fuel consumption through fuel consumption calibration, speed ratio adjustment, etc., and decommissioned models with failure in improvement;**
- 4. Decommissioned vehicles conforming to China's national III and IV Emissions Standard.**

In addition, through vehicle energy-saving testing and standardizing supplier cooperation requirements, the Company screens out the vehicle models that fit the business scenarios and with highest cost efficiency, realizing centralized management of vehicle brands.

### Controlling Vehicle Fuel Consumption

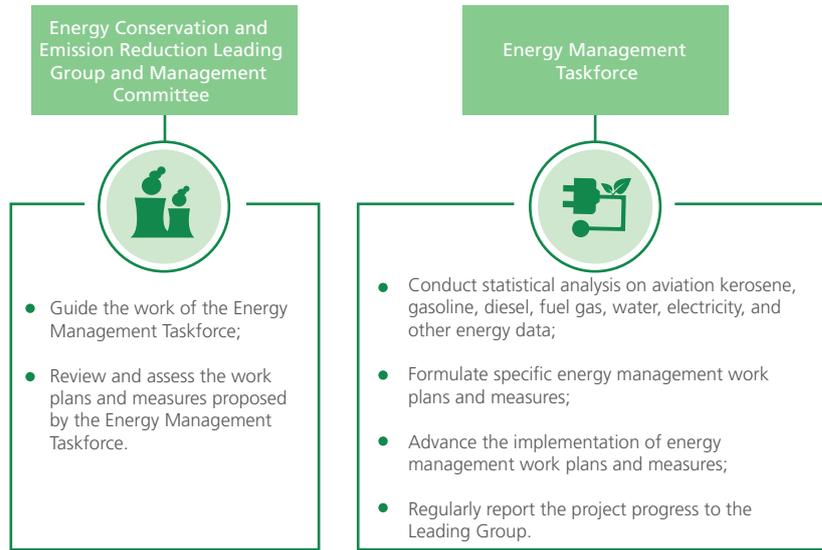
SF has formulated the *Lump-sum Oil Consumption Plan for Commercial Vehicles* to determine fuel consumption standards according to business scenarios, clarify fuel consumption targets, and detail fuel consumption reward and punishment rules, thus realizing fuel consumption control of vehicles. Meanwhile, the Company regularly conducts training on fuel consumption control, energy conservation and emission reduction for drivers, in a bid to improve drivers' awareness of fuel conservation and reduce the level of fuel consumption of operating vehicles.

### Optimizing Transportation Routes

SF's smart map enables transportation route planning to reduce energy consumption in process. It combines with factors such as the time limit requirements and distance of packages and adopts intelligence algorithm to provide optimal route planning solutions. Simultaneously, by virtue of big data analysis and deep learning technology, SF integrates freight route and transport resources to improve land transportation efficiency and achieves accurate matching of vehicles and goods. Besides, the platform can remind drivers to optimize their driving habits based on big data of geographic information and reduce transportation energy consumption by using predictive navigation and fuel-saving algorithm.

## Green Aviation

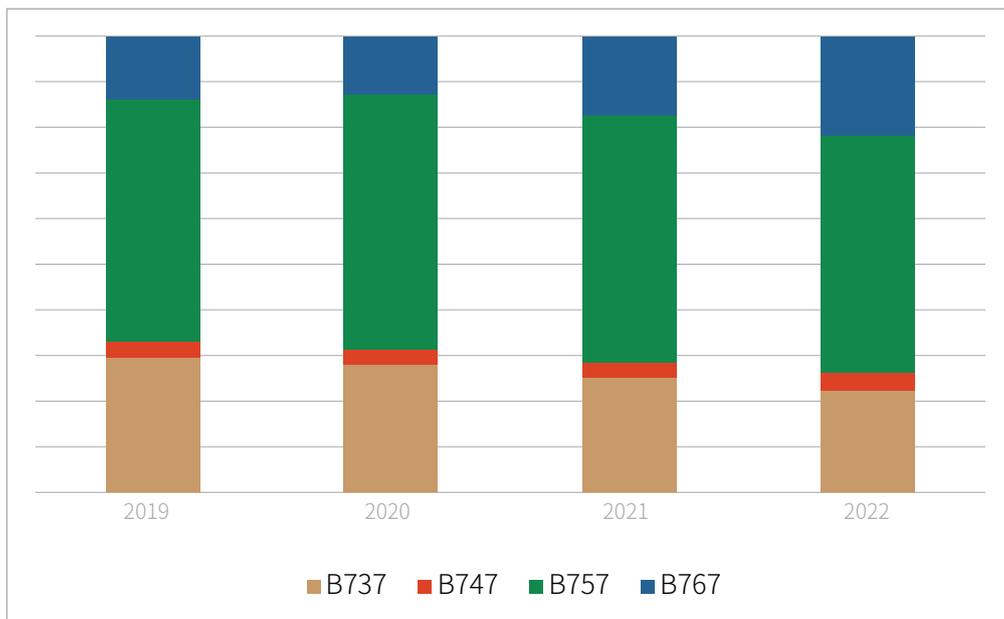
SF strictly complies with the *Energy Conservation Law of the People's Republic of China*, the *Regulations of Guangdong Province on Energy Conservation* and other laws and regulations and constantly optimizes its energy management system. The Company has also developed the *Energy Management System* of SF Airlines and set up an aviation carbon emission taskforce to coordinate and promote the energy conservation and carbon reduction work of air transportation modules.



SF's Aviation Energy Management Structure

In order to ensure the authenticity and reliability of carbon emission data and meet the carbon emission monitoring requirements of regulatory authorities, the Company invites a third-party verification agency to verify SF Airlines' GHG emission data annually and issue a verification report accordingly. In 2022, SF Airlines passed the carbon emission verification of the Civil Aviation Administration of China and the Ministry of Ecology and Environment, carried out internal environmental audits, and completed the annual ISO 50001 Energy Management System certification.

- **Optimizing composition of aircraft types:** SF is committed to building a "green fleet" with low energy consumption and high efficiency. Since 2018, SF has proactively introduced large cargo aircraft models, such as 747, 757 and 767. The newly purchased large cargo aircraft, models, when fully loaded, feature higher carbon-emission efficiency and lower ton – kilometer fuel consumption compared to the traditional 737 model. By the end of 2022, SF owned 77 cargo aircraft in total.



The proportion of self-owned large aircraft of SF increased year by year from 2019 to 2022

- Applying fuel-saving technology:** SF adopts several energy saving and emission reduction measures such as optimization of flight level, refinement of payload, dynamic allocation of aircraft models based on payload forecast, redispatch, straight route selection and APU shutdown to reduce fuel consumption. In 2022, SF saved about 1,234 tons of jet fuel and reduced carbon dioxide emissions by 3,742 tCO<sub>2</sub>e through straight route selection, and saved about 707 tons of jet fuel and reduced carbon dioxide emissions by 2,144 tCO<sub>2</sub>e through redispatch.
- Online fuel management:** SF has built an aviation fuel management system, which can effectively assist in the monitoring of the Company's aviation fuel data, realize monthly fuel consumption data statistics and dynamic monitoring of fuel-saving projects, and improve the consistency between flight plan and actual operation through the built-in refined management module of the system, thus comprehensively improving the operation quality. In 2022, SF further improved the fuel consumption data statistics function of the system, and completed the adaptation of the B747F aircraft configuration to the fuel management system.
- Strict prevention of maintenance pollution:** In response to the waste engine oil generated during the aircraft maintenance process, SF has formulated the *Waste Oil Management Regulation*, which clearly stipulates the treatment of waste oil, hydraulic oil and lubricants released during aircraft maintenance and requires the maintenance personnel to regulate the management of waste oil stored in accordance with the *Dangerous Goods Management Procedure*.
- Upgrading fuel-saving incentives:** Based on the fuel consumption data statistical function of the fuel management system, the dispatchers' fuel-saving data is regularly ranked, so as to help dispatchers understand their own fuel-saving situation and lift their awareness of fuel saving. In 2022, the Company updated the fuel saving rules for flight and dispatch as well as pilot incentive standards, implemented performance-based management of pilots' energy-saving flights, and mobilized pilots to practice fuel saving by setting incentive bonuses.
- Optimizing ground fleet:** In order to achieve the goal of "striving to increase the electrification rate of vehicle equipment in the aviation base field to 100% by 2030", SF has taken the initiative to decommission diesel and gasoline buses in view of the actual situation of the aviation base, and added new energy powered conveyor-belt loaders, lifting tables, tractors and other special vehicles to gradually increase the proportion of airport vehicle electrification.

### Airport base Electrification of vehicles in 2022

<b>Shenzhen headquarters</b>	18 new-energy powered vehicles were added, and 11 diesel vehicles were decommissioned
<b>Hangzhou base</b>	6 new energy powered special vehicles were added
<b>Beijing base</b>	19 new energy powered special vehicles and 2 electric buses were added, and 1 diesel bus was decommissioned



New Energy Powered Conveyor-belt Loaders and Tractors in Aviation Base

## Green Airport

- Smart energy control: The Hubei Ezhou Huahu Airport project, of which SF has participated in the construction, introduced a smart energy management and control platform. After the airport is put into operation, the platform can realize whole process energy control from the source to the terminal, realize coordination and optimization of different energy forms (photovoltaic, charging pile, energy station, outsourced electricity, etc.) through algorithm model, and increase comprehensive energy consumption efficiency of the airport by 10% as estimated.
- Utilizing renewable energy: The renewable energy rate of the airport reached 25.6%. The PV power generation facilities can provide 35.31 million kWh of electric power annually, and the installed capacity of ground source heat pump is 12,362 kW, which help to greatly reduce the fossil energy consumption and GHG emissions.



## Building Green Industrial Parks

SF is committed to building green industrial parks and enhancing transit efficiency and energy-saving benefits, as well as reducing the environmental impacts of transit links by laying rooftop photovoltaic equipment, optimizing warehouse space layouts and other means.

For the management of industrial parks, SF has formulated the *Property Equipment Management System* and the *Property Environment Management System* to restrict water and electricity consumption through equipment management, safety management, decoration management, environmental management and other modules. In 2022, the *Regulations on the Management of Water and Electricity in the Industrial Parks*, the *Guidelines for the Maintenance and Management of Facilities and Equipment in the Industrial Parks*, and the *Property Service Standards for the Industrial Parks* were updated by the Company, clarifying the maintenance standards and procedures for facilities and equipment, further standardizing the management of water and electricity in the parks.

### Case: Rainwater Collection and Reuse, Effectively Saving Water Resources

In 2022, SF carried out the permeable concrete construction in Hangzhou and Nanning industrial parks, piloted the rainwater collection and recycling in the parks for green belt sprinkling, effectively saved the water resources by improving the utilization rate, and set a good example in protecting the ecological environment.

- Hangzhou Industrial Park laid 10,535 square meters of permeable concrete, and collected 2,000 tons of rainwater for green belt sprinkling in 2022;
- Nanning Industrial Park laid 6,612 square meters of permeable concrete and collected 1,264 tons of rainwater for green belt sprinkling in 2022.



Permeable Concrete Construction in Hangzhou Park



Permeable Concrete Construction in Nanning Park

In order to improve the efficiency of property management in the industrial park, SF has set up a property management system, covering property modules such as environmental greening of the park, security and fire management, maintenance and testing of facilities and equipment, etc. As of the end of the Reporting Period, the property management system has covered all industrial parks in operation.

### Case: Building a Smart Water and Electricity Meter System to Dynamically Monitor Water and Electricity Data

By transforming the park's smart water and electricity meters, SF has established a unified intelligent and visual water and electricity management platform to realize the supervision of electricity and water consumption data in the industrial parks, greatly lifting the operational efficiency of the industrial parks. By the end of the Reporting Period, 24 parks have completed the transformation of intelligent water and electricity meters.



The Company constantly strengthens the use of clean energy and actively deploys renewable energy power generation plans. By the end of 2022, the construction of rooftop PV power generation projects was completed in a total of 9 industrial parks, with a photovoltaic panel laying area of 95,000 square meters, an overall installed capacity of more than 13 MW, and renewable energy generation for the year was 9,843,000 KWH.

2022 Targets		Progress of 2022 Targets	2023 Targets
<b>Clean Energy</b>	In 2022, clean energy generation will reach 20 million kWh from industrial parks.	In 2022, renewable energy generation reached 9,843,000 kWh <sup>5</sup> from the industrial parks.	In 2023, the total installed PV capacity in the industrial parks will reach 100MW, and the clean energy generation will reach 40 million kWh.



SF's Photovoltaic Industrial Parks

In addition, SF continues to carry out the laying of charging piles to meet the green travel needs of customers in the industrial parks. By the end of the Reporting Period, the construction of charging piles in 13 parks has been completed, with 148 charging piles and 222 charging guns installed.

<sup>5</sup> Due to influence of the phased static management and abnormal weather on on-site construction in some cities, in 2022, the construction periods and commercial processes of the photovoltaic projects in the industrial parks slowed down, and some projects were not connected to the electricity grid.

## Promoting Green Office

SF has developed internal policies such as the *Measures for Office Management* and the *Measures for the Management of Water and Electricity* to effectively promote the integration of the green development concept into day-to-day operations, encourage employees to follow the low-carbon practice, forge a green and environmental-friendly working environment under concerted efforts, to build up a resource – and energy-saving company.

The Company encourages employees to hold online meetings to avoid unnecessary travels, fosters shared office and regular teleworking, and strives to achieve energy saving and emission reduction. The operation of the Company does not involve massive use of water resources and wastewater discharge, or products and businesses easily causing pollution to water resources.

### Energy-saving measures at the workplace

 <p><b>Power saving</b></p>		 <p><b>Water conservation</b></p>	
 <p><b>Automatic switch-off each hour from 8pm</b></p> <p>Lights at the workplace will be subject to a planned outage during the periodic idle hours, such as automatic switch-off each hour from 8pm after office hours, and changing lighting turning-on method into manual switch-on. We also encourage employees to use natural light during daytime to decrease power consumption.</p>	 <p><b>Use natural light during daytime</b></p> <p>SF strengthens the electricity management on-premise, installs energy-saving devices in designated areas, such as PIR switch, to achieve reasonable use of lighting equipment.</p>	 <p><b>Avoids “waste, spilling, dripping and leakage” of water</b></p> <p>SF reinforces the inspection rounds on water equipment at the operating premises, reports any issues on a timely basis, repairs failed equipment, and avoids “waste, spilling, dripping and leakage” of water.</p>	
 <p><b>Reasonable temperature settings</b></p> <p>Automatic air conditioning will be dynamically adjusted by season. Through reasonable temperature settings, SF guarantees a comfortable working environment for employees, while reducing the waste of power.</p>	 <p><b>Installs energy-saving devices</b></p> <p>SF strengthens the electricity management on-premise, installs energy-saving devices in designated areas, such as PIR switch, to achieve reasonable use of lighting equipment.</p>		

## Sustainable Packaging Practice

In line with the development trend of green packaging, SF firmly carries out the specific requirements of the “9917” Programme for green development of the postal industry, increases investment in R&D of packaging materials, pursues technology innovation, reform and application of green packaging materials, and continuously explores the refined operation of recyclable packaging, intending to shore up green packaging development by collaborating with the downstream and upstream stakeholders. The Company is oriented to sustainability and intelligence to promote packaging reduction, reusing, recycling and degradability. In 2022, SF decreased carbon emissions by around 506,000 tons through the promotion and use of green packaging.

## Packaging reduction

To scale down the waste of resources and environmental pollution, SF reinforces the management at source, and carries out special rectifications for excessive packaging. The Company has published the *Packaging Operation Code of SF* which details the instructions of packaging operation for different types of consignments and implements the requirements of green packaging. The Company continues to improve its packaging scheme library through the intelligent packaging service platform and empowers couriers to use reasonable packaging for different types of contents with guidance via videos, pictures, and other methods, reducing excessive packaging under the premise of parcel safety.

In 2022, SF facilitated the “Fengjing Plan” and started the reduction, standardized, and scenario-based innovative R&D of 8 categories of materials such as plastic bags, adhesive tape, stickers and seals. By using lightweight, compact and foldable design, SF cut down the consumption of plastics. In 2022, the Company reduced the use of base paper by around 47,000 tons, plastics by around 150,000 tons, carbon emissions by 150,000 tons by packaging reduction.

### Case: Air Column Packaging in Replacement of Foam

Pursuant to the physical mechanics theory, air column packaging takes use of natural air to create a full covering cushioning protection, minimizing the loss and damage during transportation. SF promotes the use of air column packaging to replace foam, PE foam and other cushioning materials. Since air column packaging better fits the shape of parcel contents, it can reduce the use of packaging materials, lower cost and enhance operation efficiency in packaging, while realizing the concept of green and environmental protection.



## Recyclable package

To reduce damages, shorten operation duration, and lower operation costs, SF has developed recyclable packaging containers that fit full-scenario and full-function applications to different businesses, determining standard practices for compatibility between containers and carriers. Meanwhile, SF has developed an intelligent management and operation platform to provide support for intelligent container management.

SF has used various mature products such as confidential transport boxes, temperature-controlled containers (for air freight), fragile goods recyclable transfer containers, food recyclable environmental-friendly boxes, and recyclable pharmaceutical pallet boxes for different industries and scenarios, to effectively address the deficiencies of traditional packaging and containers, such as excessive cost, prone to damages, low operation efficiency and waste of resources. In 2022, recyclable boxes have been used for 32 million times, reducing carbon emissions by 13,000 tons.

### Case: Carbon Neutral Product—— “π-Box” Recyclable Boxes

SF launched a carbon-neutral product π-box recyclable packaging box. π-box uses PP honeycomb plate, a single material that is easier to recycle, and an auto-bottom locking foldable structure, as well as velcro tape for the whole box, avoiding the use of consumables, such as plastic tape and zippers. As of the end of 2022, 1.258 million π-boxes had been used in more than 170 cities across the country for 17.98 million times, decreasing carbon emissions by around 5,219 tons.

In addition, the Company also establishes a full-process control platform for π-box recyclable packaging boxes with functions of pickup, delivery, inventory, and allocation, while conducting trials of IoT equipment to pave way for automatic inbound and outbound scanning in the future.



Recyclable packaging box “π-box”

SF provides tailored green packaging solutions to customers for pharmaceutical transportation. By using recyclable and temperature-controlled pharmaceutical boxes and pharmaceutical pallet boxes, SF delivers safe transportation services to customers, while improving the green service experience to customers, and aiding them in reducing costs and enhance efficiency.

### Temperature-controlled pharmaceutical transportation

SF uses recyclable and temperature-controlled boxes to replace disposable foam boxes and increases box reuses by upgrading and iterating the box material. In 2022, the temperature-controlled boxes for medicines had been reused 100 thousand times in total.



Recyclable Temperature-controlled Box

### Normal temperature pharmaceutical transportation

SF uses recyclable pharmaceutical pallet boxes to replace disposable packaging (e.g., cartons) to further improve protection while reducing stuffing, effectively resolving the problem of medicine and other fragile content's protection prone to damage. The recyclable pharmaceutical pallet boxes adopt buckles for assembly, and its nail-free operation can reduce risks of work-related injuries. Meanwhile, the foldable design can achieve lower loading and volume while reducing transportation costs. In 2022, the recyclable pharmaceutical pallet boxes had been reused more than 2.3 thousand times in total.



Recyclable Pharmaceutical Pallet Box

## Degradable package

SF carries forward its ongoing commitments to R&D of biodegradable packaging materials, and proactively builds up a technology reserve for biodegradable packaging materials. "Feng Bag" independently developed by SF has been widely promoted and used across the country with a biodegradation rate of over 90%. At the end of the Reporting Period, more than 62.51 million "Feng Bags" had been used in Beijing, Guangzhou and other cities.



Fully Degradable "Feng Bag"

In addition, the Company also carried out trials on various kinds of biodegradable packaging materials, including degradable tape and degradable cushioning materials, intending to reduce the use of non-degradable plastic in an orderly manner, perform its duties for environmental protection and put green packaging into practice.

## Formulation of green packaging standards

To support the country's postal authority to continuously improve the standard and policy system in connection with green packaging, SF made an active contribution in formulating the national and industrial standards thereof. In 2022, SF, as one of the key companies, participated in the formulation of two national standards, namely the *Management Specification for E-commerce Logistics Recyclable Packaging*, and the *Guide for Package Recovery and Recycling of Mails and Shipments*, devoting itself to green governance for express packaging materials and recycling of packaging resources to reduce environmental pollution and achieve sustainable development.



Certified by the ISTA (International Safe Transit Association)

In addition, SF also has established a packaging laboratory testing center to focus on testing the materials used in express and logistics packaging, safety verification of packaging solutions, and innovation and research on packaging standards. Along with its capability of testing 45 types of packaging material and 400 projects, as well as over 140 testing standards, SF has led the industry by being accredited as the "Green Packaging Technology R&D Center for Postal Industry" and has been certified by both the ISTA (International Safe Transit Association) and the CNAS (China National Accreditation Service for Conformity Assessment).



Certified by the CNAS (China National Accreditation Service for Conformity Assessment)

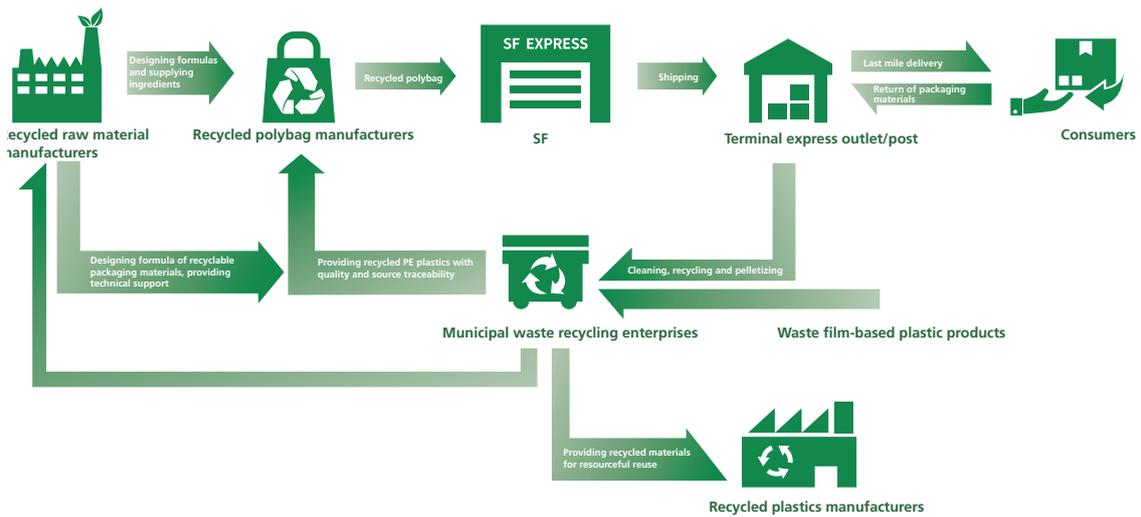
SF Packaging Laboratory Testing Center constantly strengthens its input in fundamental research, collaborates with dozens of universities in R&D of functional packaging technology, temperature control and freshness maintenance of food, and green technology, packaging carbon emission assessment, and formulation of national standards. SF also builds up an expert and resource pool to engage in multiple research projects, facilitating the transformation of logistics modes, and filling up the gap in the industry.

# Promoting Circular Economy

In response to the country's call for the full implementation of a circular economy, SF has put in place the improvement of resource efficiency and the reduction of GHG emissions as the direction of green development, cooperating with the upstream and downstream of the industry chain to jointly contribute to the construction of "zero-waste cities".

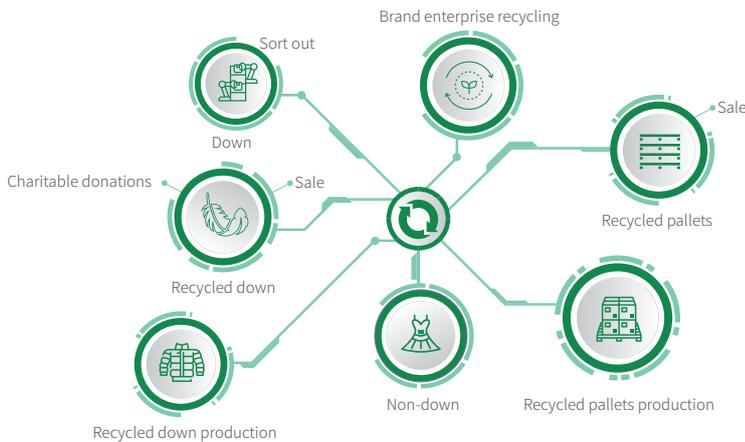
## Green Industry Development

SF made continued efforts on building an express packaging cycle ecosystem and cooperating with the upstream and downstream of the industry chain to jointly promote the development process of sustainable packaging. In 2022, SF participated in a research project on the high-value use of plastic packaging initiated by the Green Recycling Plastic Supply Chain Group (GRPG) to jointly explore a new model of green and low-carbon recycling of plastics and the development of a "double easy" (easy to recycle, easy to regenerate) standard for express packaging. SF was committed to crafting a synergetic model of "packaging R&D + social operation", i.e., express packaging bags are recycled by specialized recycling enterprises and put back into production and manufacturing, breaking away from the traditional linear model of "manufacture-use-disuse". This is designed to build a system of plastic packaging (from design, production, consumption, to recycling, regeneration and – high-value application) to minimize the impact of plastic waste on the living environment and to create a green closed loop for the whole process.



Express Recycling and Regeneration System

In addition, SF proactively carried out the recycling of used clothing, electronic products, cartons and other items to drive customers to participate in recycling by quantifying the carbon emissions in the recycling process, while effectively saving the use of raw materials, reducing the consumption of natural resources and promoting the development of a circular economy.



## Cultivating Public Awareness of Environmental Protection

SF has always been committed to raising public awareness of environmental protection. SF promotes environmental protection activities at all levels within the company to reduce GHG emissions. Moreover, the Company actively promotes the ideas of environmental protection in the society. By virtue of a wide range of environmental protection activities, SF aims to inspire the public and partners to be more environmentally conscious, to achieve green development and to build a “zero-carbon future”.

### SF Forest:

The SF Forest project is an active exploration of the Company’s involvement in a new model of carbon neutrality, promoting the idea of “zero carbon” for volunteers, employees and customers through online SF Forest micro-application and offline SF Carbon-Neutral Forest.

**The SF Forest micro-application** is available on the WeChat and Forespace (Fengsheng) platform, where users can measure the total amount of GHG emissions generated directly or indirectly within a certain period of time and offset their own CO<sub>2</sub> emissions by planting trees to achieve “zero emission”. And SF Forest also offers games such as charity hike for watering and rewarding sapling cultivation. As of the end of December 2022, a total of 46,156 persons participated in the online activities and 8,111 people adopted 36,301 saplings online. Among them, an additional 18,801 people participated in the activities in 2022, and a total of 20,471 saplings were adopted, representing an increase of 3,180 compared with 2021.

**SF Carbon-Neutral Forest:** By the end of 2022, SF has planted over 300 acres of carbon-neutral forest in Hebei, with over 50 thousand saplings. It will absorb at least 2,400 tonnes of CO<sub>2</sub> from the atmosphere during its future growth.

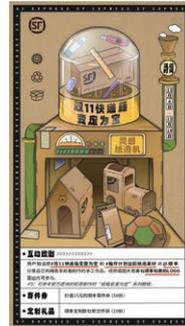


Volunteers Planting Trees in SF Carbon-Neutral Forest

## GO GREEN TOGETHER:

From 2020 onwards, SF has launched the GO GREEN TOGETHER, a creative initiative to transform cartons, aiming to call on all people to make use of idle express boxes and DIY together to make secondary use of carton resources, turning waste into wealth.

After the “Double 11” promotion in 2022, a large number of express cartons piled up at users’ side, therefore SF launched the “Double 11 – Carton Recycling” initiative of “GO GREEN TOGETHER – Enjoy A Better Life Through Paper Recycling” on multiple Internet platforms. With the theme of cute pets popular among young users, SF encouraged and called on users to transform the express cartons into various pet supplies, cooperated with well-known bloggers to post carton transformation tutorials, and gathered a group of DIY enthusiasts to participate in the “GO GREEN TOGETHER” program for more user engagement.



## Green Gift Box of Campus Recruitment:

In campus job fair, SF adopted fully degradable packaging tape and laser inkless printing to produce campus recruitment gift boxes, using laser engraving technology to replace traditional ink, solving the problem of ink pollution in the production of gift boxes and conveying the concept of green packaging to university students.



## Green Carbon Energy Platform:

SF launched a Platform (“SF Carbon Energy Platform”), to advocate consumers to obtain “green energy” by using recycled packaging. In April 2022, the Platform was upgraded to include more carbon-reducing scenarios, with users earning “green energy” when using low-carbon services such as intra-city delivery, recyclable packaging, electronic POD and photo uploading, which can be redeemed for points. By this platform, SF would work together with users to create a low-carbon life.



# Tackling Climate Change

In recent years, with the frequent occurrence of extreme weather events and the intensification of global climate risks, addressing climate change has become a global consensus. With the national carbon peaking and carbon neutrality strategy in mind, SF has integrated climate change into its management and operational practices, proactively identified climate change-related risks and opportunities, and strived to improve its governance performance on climate-related issues, with a view to becoming an industry leader in sustainable development. In accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), SF disclosed the work on identifying and responding to climate-related risks and opportunities from four aspects: governance, strategy, risk management, and indicators and targets.

## Governance

SF has sufficiently integrated climate change risks into its risk management system, and regularly identified and assessed them in accordance with the Company's overall risk management process. The Risk Management Committee under the Board of Directors has a clear understanding of climate change risks and guides the overall risk management of the Company on behalf of the Board of Directors. The Risk Committee is a sub-committee of the Risk Management Committee and is responsible for formulating the Company's overall risk management strategy, including climate change risks, and making decisions on the Company's major risk prevention, control and coping strategies. The Group's Risk Control and Compliance Office regularly conducts discussions and analyses on climate change-related issues and prepares reports on the Group's overall risks, including climate change risks, for submission to the Risk Management Committee of the Board of Directors. (For more details on the risk management structure and the risk identification and assessment process, please refer to the "Risk Management System" chapter.)

## Strategy

SF identifies risks through questionnaire survey, team discussion, expert consultation, scenario analysis, policy analysis and industry benchmarking, and lists the following potential risks according to TCFD climate-related risk classification:

### Physical risk

Acute risks: Typhoons, extreme precipitation, floods, extreme heat, extreme cold

Chronic risks: Rise in temperature and sea level

### Transition risks

Policy and regulatory risks: Energy structure and energy use, carbon pricing, environmental information disclosure

Technical risks: Energy technology, green packaging, green transportation, green sales, green office

Market risks: Change in consumer preferences

Other stakeholder impacts: Investor concerns, demand of upstream and downstream supply chain, local community concerns, employee needs

The risk control department conducts in-depth studies on various potential risks and assesses the risk tolerance of the Company based on their impact on the realization of risk control and management objectives.

## Risk Management

SF constantly improves its risk management mechanism and climate risk identification and response measures. In 2022, the Company sorted out the identified climate change risks and reviewed and updated its response strategy in two dimensions: physical risks and transition risks.

Risk type	Risk name	Countermeasures
<b>Physical risk</b>		
<b>Acute risk – extreme weather</b>	Operational risks	<p><b>Land transportation:</b> The Company implements pre-warning for vehicle use in abnormal weather; for new-energy powered vehicles, the Company develops courses for winter use, charging, power supplementation, maintenance and other matters needed attention for vehicle management personnel to learn.</p> <p><b>Air Transportation:</b> The Company formulates standard operation manuals for operation guarantee under severe weather conditions such as thunderstorms, turbulence and low-level wind shear, and sets up posts of meteorological engineers to monitor and give early warnings about the weather situation and the development of important weather systems, thus fully guaranteeing the stable operation of daily flights.</p> <p><b>Industrial Park:</b> The Company develops a weather warning function in its property system, including dispatching emergency work orders, sending weather warnings and emergency preparedness messages to enhance the response speed of industrial parks to extreme weather and lessen the negative impact caused by extreme weather.</p>
	Packaging material safety risks  Employee health risk	<p>Based on the national urban temperature data and routing data collection, the Company developed an environmental temperature model, dividing the country into different temperature zones, used different temperature control materials and composite temperature control technologies, and output temperature control packaging schemes and refrigerant configuration requirements based on temperature zones and flow directions to cope with the potential adverse effects of low temperature in winter, high temperature in summer and north-south temperature differences on freights.</p> <p>The Company issues yellow or higher heat warnings in areas with a high incidence of heat-related illnesses and reduces the number of people working outdoors during hot periods by combining areas/shifts according to the volume of work. Also, employees are provided with heat protection materials, such as portable fans, hats and heatstroke preventives.</p> <p>The Company is equipped with cooling equipment (fans, air conditioners, etc.) at the premises, installed heat insulation on the roof for solar insulation so that the premises will not be overheated by solar radiation, and installed sun-proof curtains for windows that are exposed to direct sunlight.</p>
<b>Transition risks</b>		
<b>Policy and regulatory risk</b>	Green energy policy risk	The Company keeps a close watch on green energy-related policy trends, responds to regulatory requirements in a timely manner and promotes internal management optimization. The Company has built up national and local policy research teams to make an in-depth analysis on the relevant policies that have been introduced and to make forward-looking arrangements based on changes in the internal and external environment.
	Offshore compliance risk	With the rapid expansion of the air fleet size of SF and the increase in demand for intercontinental routes, SF is highly concerned about the international carbon emission-related laws and regulatory requirements. The Company built a group on carbon emissions for EU routes and prepared an EU carbon emissions work plan to cope with changes in EU policies, familiarize itself with the EU carbon market operation mechanism in advance and ensure the normal operation of EU routes.
	Green packaging policy risk	The Company is committed to exploring and innovating the sustainability of green packaging, promoting packaging reduction, reuse, recyclability and degradability, and has successively launched green packaging products such as “π-Box” recyclable boxes and “Feng Bag” fully-degradable packaging plastic bags.
<b>Technical risk</b>	Low carbon transition risk	The Company gains keen insights into industry development trends by taking the external environment and policy changes into consideration, pays attention to its own environmental impact, formulated the <i>Carbon Target White Paper</i> , and uses artificial intelligence, big data, and other technologies to adjust the energy consumption structure, upgrades transport and business models, and promotes green low-carbon transformation.
<b>Market risk</b>	Change in consumer preferences	Responding positively to the green consumption trend, the Company provides more environmental-friendly and sustainable logistics services to consumers by adopting sustainable logistics solutions, reducing resource waste, promoting green logistics services, optimizing logistics networks and facilities, and supporting environmental organizations and initiatives.

Changes in the external environment due to climate change are generating new risks as well as new opportunities for the Company.

Opportunity type	Opportunity content	Countermeasures
Marketization of Green packaging	Guided by the national policy of green packaging, the market demand for green packaging will gradually expand.	SF has a well-established track record of research and development in green packaging design and holds a significant amount of intellectual property rights. Once the market environment is mature, SF can quickly promote green packaging, speed up the marketisation of recycled packaging and enhance the Company's reputation and hence market acceptance.
Green supply chain market	As climate change becomes an increasing global concern, the customers that SF serves will demand green and clean services from their suppliers.	As an enterprise with an early presence in new energy capacity resources in the industry, SF is accelerating the green transformation of last-mile delivery, continuously increasing the proportion of green fleet and obtaining more green supply chain certifications.

## Indicators and Targets

SF is committed to measuring our achievements in addressing climate change risks and opportunities through quantitative indicators. The Company will continue to disclose climate change-related environmental indicators, such as energy consumption and intensity, and GHG emissions and intensity, as well as target achievement progress in the annual Sustainability Report, and strive to achieve its carbon reduction target by 2030, so as to help China achieve the carbon peaking and carbon neutrality goals.

### Long-term targets<sup>6</sup>

- Enhance our carbon efficiency by 55% by 2030 compared to 2021
- Reduce the carbon footprint of each express parcel by 70% by 2030 compared to 2021

### Medium- and short-term targets

Based on the carbon reduction target of 2030, SF has set phased targets and collaborated with all business modules to jointly achieve the carbon target:

Target type	Targets of 2023
Green transportation	2,000 new-energy powered vehicles are expected to be added to the fleet in 2023.
Clean energy	The clean energy generation capacity of the industrial park is expected to reach 40 million kWh in 2023.
Green packaging	By implementing packaging reduction measures in 2023, it is expected to reduce carbon dioxide emissions by 88 thousand tons.

<sup>6</sup> This long-term goal does not include Kerry Logistics Network Limited ("KLN") as KLN has set and announced its carbon reduction target and there are differences in business forms between SF and KLN.

03

## SOCIETY

**Showcasing Love,  
Enriching Communities**

Talent Pool Development

Ensuring Safety Production

Building Responsible Chain Together

Bearing Social Responsibility



# Theme Showcasing Love, Enriching Communities

Around us, there is such a crowd of SF couriers, who are always busy in the corners of cities, riding through streets and alleys, working hard as everyone does, and always stepping up first and reaching out to others or the society whenever needed, for example, when there is a fire to put out, a life to save and an supply to be secured... In the seemingly insignificant efforts, there are many mediocre but great, simple but touching deeds in the action of SFers. The brave, warm-hearted and ordinary couriers not only pass on the express in their hands, but also the warmth of people.

## SF Courier Became a Hero in the Food Truck Fire

In July 2022, Liu Lei, a courier from Linshu, Shandong Province, found a fire in an unattended mobile food truck while passing through a commercial street in the process of delivery. In this critical situation, Liu Lei urgently evacuated the crowd while working with the superintendents to put out the fire. In the process of putting out the fire, Liu Lei found that there were still two gas cans in the food truck. In such an emergency, he risked his life to “grab” the gas cans from the burning food truck, avoiding secondary accidents and protecting the lives and properties of the surrounding people.

After the incident, the owner of the food truck came to the SF outlet with a banner to thank Liu Lei for his heroic act. The banner not only represents the owner’s gratitude to the courier, but also conveys the positive energy of SFers to be upward and kind-hearted.



The owner of the food truck sent a letter of thanks and a banner to Liu Lei

## Couriers Showed “Collective” Power by Climbing the Building to Save People with “Human Pyramid”

In August 2022, Heilongjiang SF couriers Zhang Yan, Zhang Jianyu, and Li Xinbo, and warehouse operator He Fei, were unloading a truck when they heard someone calling for help. Following the sound, they found an old man hanging outside the third-floor window of a residential building, who was delirious and could lose his footing at any time. Zhang Yan immediately called the police and rescued. As the old man suffers from Helmholtz’s disease, in order to prevent him from losing his footing and falling, two people in the bottom lifted him, one person held the window frame and poked out to help, and another person gave help in the building. From a distance, they built a stable “Collective (众-shaped)” structure. When the nearby police arrived in time, they worked together to save the old man back indoors.

The hands of the couriers can hold up the trust of customers and the weight of life. Their actions in distress and courage made the residents who stopped around spontaneously applauded for them.



Couriers Saving the Old Man by “Human Pyramid”

## 40+ Hours of Continuous Rescue to Build a Bridge to Life

In June 2022, when flooding broke out in northern Guangdong due to heavy rainfall, the Blue Sky Rescue, of which courier Mo Qile is a member, rushed to the affected districts and counties to provide relief at the first opportunity. Under the leadership of the local emergency management department, Mo Qile and his fellow team members quickly acted and helped relocate stranded residents. They carried the stranded people on their backs along the flooded way to safe areas, and, due to a large amount of bacteria in the flood, formed “human bridges” in the water to allow pregnant women, children and other susceptible people to walk on their shoulders to the boats. With the joint efforts of Mo Qile and his teammates, a life-saving channel was opened and stranded people were successfully rescued.



Mo Qile rescuing a trapped person from flood waters

Hot-blooded, reliable, positive...these words are not used to describe SFers by accident but from numerous standing-out in danger and commitment to responsibility.

When eating fruits, one should think of the fruit trees; when drinking water, one should think of the source of the river. SF understands that enterprise and society are intertwined, and on the road to development, the Company has persevered in serving people’s livelihood wholeheartedly, giving back to society with sincerity, taking social responsibility as the internal motivation for sustainable development, sparing no effort and devoting ourselves to deliver goodwill and love to society through practical actions.

## Talent Pool Development

SF works to create a fair, just and open talent environment, build a talent mechanism of self-talent generation and an elite talent team, and form a healthy and sustainable talent supply chain, thus supporting the Company's rapid growth and developing its future competitive edge. Talent-driven business helps SF become a career platform for global outstanding talents to realize dreams and take pride in themselves with a passion for excellence.

## Protection of Employees' Rights and Interests

SF acts according to the laws and regulations including the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China to protect the legitimate rights and interests of employees in human rights protection, employment and recruitment, career development, compensation and benefits, health and safety, and to build harmonious labor relations.

### Human rights protection

SF is dedicated to protecting human rights of all groups of the communities involved throughout its global operations and the communities in which it operates. The Company acts according to domestic and international regulations including the *Labor Law of the People's Republic of China*, the *Law on the Protection of Minors*, the *UN Global Compact* and the *Universal Declaration of Human Rights*. SF has developed rules and regulations including the *Employee Handbook* and the *Labor Contract*. The *Employee Handbook* and *SF Recruitment Management System* prohibit child and forced labor, discrimination and differential treatment, which mandate measures including equal pay for men and women, limitation of working hours, protection of female employees' rights and interests and the promotion of employment for people with disabilities. If violations of child labor are found, the Company will immediately deal with the relevant persons seriously according to the severity of the circumstances and report the situation to the administrative authority of labor security.

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#### Policies to address human rights:

**Ensure equal opportunities:** Every employee is treated equally and respected, regardless of their duties or positions. Selections and appointments must follow the principles of fairness, impartiality and openness.

**Protect against discrimination and differential treatment:** Prohibit discrimination on the ground of any legally protected characteristics such as gender, nationality, belief and age.

**No employment of child labor:** Explicitly stipulate that persons under 16 years old are not allowed to be employed.

**No human trafficking:** Prohibition of slavery or human trafficking in any part of the Company's business and supply chain.

**Collective agreements and freedom of association:** SF respects employees to freely connect with third-party organizations in accordance with local laws, as well as join, form or not join labor unions. Employees may join the collective bargaining agreements voluntarily. Employees have the right to participate in or form associations that comply with the laws and regulations of the countries in which they operate.

**Free expression of opinions:** SF respects employees' freedom of speech within the legal boundaries and encourages employees to express their opinions freely and actively communicate with the management.

**No harassment:** Being rude to colleagues, verbal provocation and other disrespectful behaviors and verbal harassment of colleagues, customers or external partners are not allowed by the system.

**No forced labor:** SF does not force employees to work against their will, and resolutely prohibits threatening or restricting their actions.

**Rights to rest and vacation:** All employees are provided with legal paid leaves such as annual leave, sick leave, marriage leave and maternity leave according to their local laws and regulations.

**Privacy protection:** Disclosure of any employee's personal information to others is prohibited without the authorization of the Company and the employee.

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The policies apply to all directors, officers and employees of S.F. Holding Co., Ltd. and its subsidiaries, whether working for the Company on a full-time, part-time or temporary basis.

SF employs an intelligent system to ensure legal employment and prevent child labor. The Company requires all applicants to apply online, and the system automatically identifies the age of applicants from their ID cards. Interviews of those under the age of 16 are prohibited. When the applicant goes through the induction procedure, the online system makes face recognition to judge whether the person and the certificate are consistent.

In 2022, SF was not involved in major labor disputes and received no complaints on human rights issues.

In terms of the working hours of employees, SF stipulates the working hours in the *Employee Handbook, Attendance Management Regulations and Labor Contract*. The Company has established the *Flexible Working System* to provide convenience for employees with demand for special working hours. In addition, during holidays and business peaks, SF increases the number of workers in some temporary and auxiliary positions by working with third-party companies to hire flexible workers. This reduces the work intensity of employees on duty and guarantees their rest and personal time. The Company treats all workforces under flexible employment equally and adopts the same management standards as its own employees. SF or third-party companies sign legally compliant contracts or agreements with all temporary employees, pay reasonable remuneration according to the regulations, and purchase employer's liability insurance (including accident insurance) or work-related injury insurance for all temporary employees.

In 2022, the social insurance coverage of SF full-time employees was 100%.

In case of any labor contract termination, such as major restructuring or changes at SF, SF will explain 30 days in advance to the labor union and all employees. SF will fully consider suggestions from the labor union or employees before deciding.

## Talent introduction

SF formulates an employee recruitment plan every year according to the Company's business development needs and changes in the talent market, strengthens the workforce building, and ensures the stability and vitality of workforce. The Company recruits new employees through campus recruitment, internal recommendation, online recruitment and other recruitment forms, and strives to ensure highly matched and high-quality talent supply through a strict, fair, just and open standardized employment process. In 2022, the Company revised the *SF Recruitment Management System* to further clarify the recruitment principles, standards and implementation process, and to standardize the management of all recruitment links, which provides a professional, continuous and timely talent introduction guarantee mechanism for the sustainable development of the Company.

Table SF Workforce Data in 2021-2022<sup>7</sup>

	Category	Unit	2021	2022
<b>Total workforce</b>		Person	678,413	699,474
<b>By gender</b>	Male	Person	578,854	596,478
	Female	Person	99,559	102,996
<b>By job functions</b>	Management employees (including primary-level managers)	Person	22,020	21,630
	Functional employees	Person	41,368	39,379
	Primary-level employees	Person	615,025	638,465
<b>By educational background</b>	Bachelor's degree or above	Person	46,463	47,664
	Junior college	Person	116,988	124,651
	High school/technical secondary school and below	Person	514,962	527,159
<b>By age</b>	Aged below 30	Person	239,743	227,799
	Aged 30-40	Person	336,844	351,476
	Aged 40-50	Person	93,131	109,905
	Aged over 50	Person	8,695	10,294
<b>By geographical region</b>	Chinese	Person	677,430	698,645
	Non-Chinese	Person	983	829

<sup>7</sup> Excluding the workforce of Kerry Logistics Network Limited.

## Equality and diversity

SF values equality and diverse talent, and will never restrict recruitment or employment for reasons such as gender, region, nationality, religious belief, or economic capability, to ensure the diversified development of talents. In 2022, 14.7% of its employees was female.

In addition, SF actively strengthened the employment of people with disabilities and other special groups to optimize its talent team, increase the employment rate of special groups and demonstrate corporate responsibility.

**Recruiting people with disabilities:** SF observes the resettlement policies for the disabled in various places and provides employment opportunities for people with disabilities. Taking into consideration the pursuit of career and knowledge and the character of patience of people with disabilities, the Company assigns them to job positions that are less physically demanding, for example, customer service, management, warehousing, professional and etc. In 2022, SF provided jobs for 200 people with disabilities, representing an increase of 68 people and 52% year on year over 2021. By the end of the Reporting Period, SF had 781 employees with disabilities in service.

**Recruiting foreign employees:** SF's overseas branches (subsidiaries) mainly recruit employees from their operating places, employing them in areas including human resources, administration, finance, marketing and operations. SF benefits from their understanding of the local culture, market and policies. This also increases the local employment rate. SF had nearly 1,000 foreign employees as of the end of 2022.



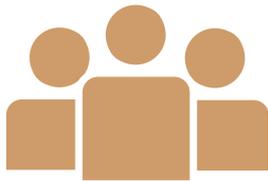
## Democratic management

SF strengthens its democratic management by setting up a labor union to supervise the protection of employees' rights and interests, listen to the real voice of employees, and solve their reasonable demands. In 2022, the Company established the Complete-Process Management Mechanism for Demands and the Work Guideline on Handling of Employees' Demands through Labor Union to constantly improve the democratic communication and appeals mechanism and protect the immediate interests of employees.

Advice and suggestions

The Company encourages employees to offer suggestions for the operation of the Company, issued the *Work Guidelines for Conversing Employee Voice into Productivity and Reasonable Suggestion Management Mechanism*, and has organized 200 representatives to submit relevant rationalization proposals based on the daily demand for collection and delivery services.

200 representatives



One-stop appeal service

The Company collects appeals from employees through the one-stop appeal service and solves these problems in time every month. In 2022, a total of 19,345 appeals were collected throughout the year, and the annual resolution rate of the one-stop appeal service is 97.4%.

a total of

resolution rate

19,345 appeals

97.4 %

### Democratic Communication Mechanism

Labor union at your service

The Company issued the Labor Union Hotline Service Quality Improvement Mechanism to ensure smooth feedback channels for employees' demands and improve the service quality of labor union staff. During the year, 960 random checks were carried out on hotline accessibility and 960 random checks were carried out on recording quality.

Hotline accessibility/recording quality check

960

At the same time, the Company respects employees' freedom of association and collective bargaining and respects the rights of employees to connect with third-party organizations and join or form labor unions. Employees may join the collective bargaining agreement contracts voluntarily.

**In 2022, there were 236 staff representatives, and five staff representatives' congresses were held.**

**There were a total of 130 labor unions, 197 employees are working full-time for labor unions, and over 21,000 representatives proactively engages in the activities of the minimum business organization at all levels. Specifically, there are 61 independent labor unions, 30 of which enter into collective bargaining agreements with the Company on behalf of the employees, and the coverage of collective bargaining agreements was 49%.**

Moreover, the Company conducted the employee satisfaction survey covering all employees quarterly. Based on the research results, the improvement plan was analyzed and formulated. The implementation measures were supervised by the majority of employees, and the improvement effect was reviewed periodically. In 2022, SF had 86.2% employee engagement and 86.4% employee satisfaction.

## Talent incentives

Under the principle of high performance and high salaries, SF takes value creation as incentive orientation. Specifically, for employees with high value contribution, the Company provides competitive compensation systems in order to ensure its internal dynamics for sustainable development. Furthermore, the Company sets salaries based on the position and ensures that the compensation level follows the market rules. Meanwhile, the Company attracts and retains core talents through differentiated and diversified short-and long-term incentive mechanisms. As such, the core personnel will be more closely aligned with the interests of shareholders and the Company, ensuring the continuous growth of the Company's long-term business performance.

In 2022, the Company implemented the "first asking responsibility system", aiming to stimulate employees' creativity and achieve a more objective and comprehensive evaluation of individual value contribution and output. Thus, it could optimize the evaluation of individual value contribution and output by improving the coordination efficiency of organizations and stimulating employees' self-driven force.

### First asking responsibility system

**Definition:** The first one who is inquired for help is responsible for the problem and needs to ensure closed-loop problem solving.

**Philosophy:** Problem solving oriented and service management as the core.

**Attitude:** Assume responsibility rather than shifting the blame and have the fearless spirit of sticking to horizontal synergy.

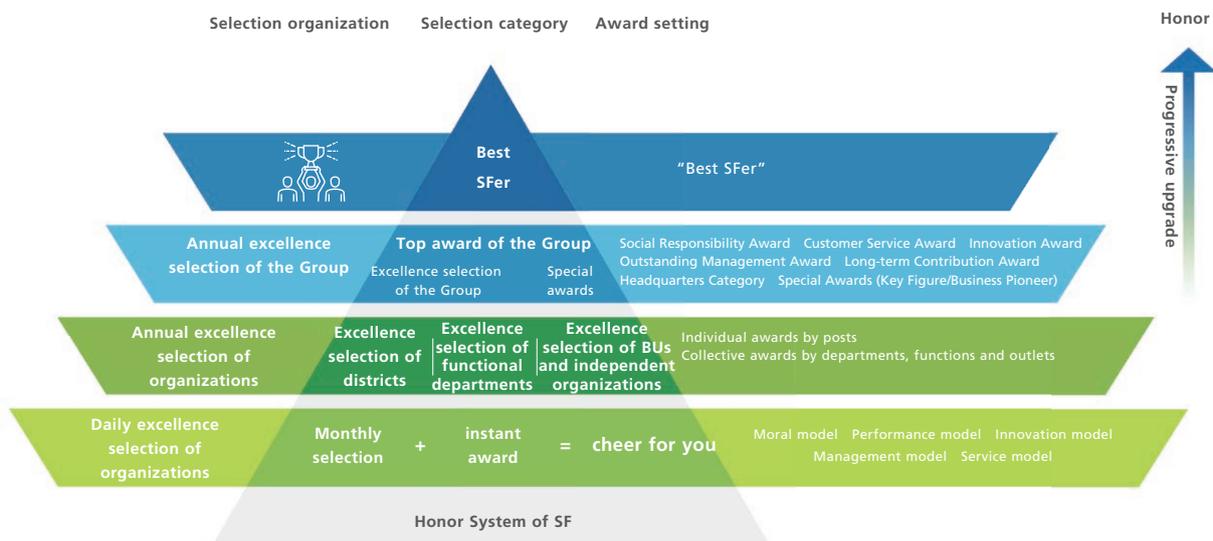
**Supporting mechanisms:** Value systems and incentive systems which are designed to ensure that the value of any employee who solves problems in the real sense could be identified and paid off.



First asking responsibility system

SF has established short-, medium- and long-term incentive mechanisms based on value contribution, determined differentiated incentive structures and standards for different positions, ranks and performances, and strengthened the leading effect of the headquarters and reshaped the framework of organizational appraisal and incentive.

In order to encourage incentive resources oriented toward high-value employees, the Company applies performance management tools to motivate talents and create a clean management orientation. In 2022, the Company advocated "more scientific and leaner management" as its performance management strategies, which further determined and improved the criteria for high-performing employees. These strategies encourage employees to pursue excellence, stimulate their potential, help the Company identify high-performing human resources, and promote the healthy development of its talented team and help implement its business strategies.



In April 2022, the Company deliberated and adopted the *2022 Incentive Plan (Draft) and Abstract for Stock Options* and completed the registration of the initial and reserved grant of incentive targets in July 2022 and November 2022 respectively, with a total of 1,493 people registered. It is aimed to maintain the Company's leadership in the industry, sharpen its competitive edges, further establish and improve its long-term incentive mechanisms, attract and retain outstanding talents, and mobilize its core talents' initiative effectively.

### SF's talent retention measures

Employees with outstanding performance evaluation results are its most important strategic resources. The Company formulates the *Regulations on the Management of Outstanding Employees* to affirm and motivate talents in a timely manner in terms of talent identification, training, retention and exit.

#### ➤ Care and reward

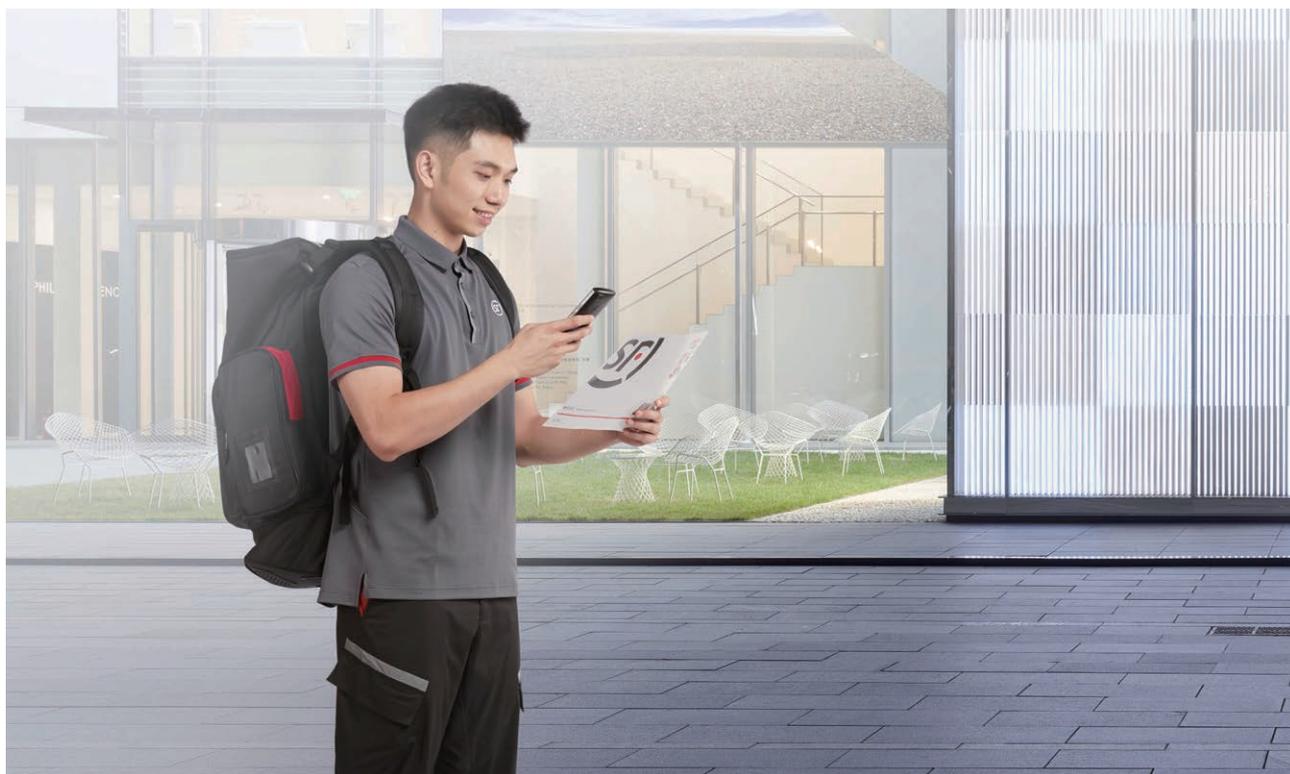
- Stock option incentive;
- Establish a caring system and conduct on-the-job interviews and regular counselling;
- Offer extra two-day paid leave;
- Display the list of outstanding achievements and award exclusive gifts and activity funds.

#### ➤ Career management

- Rely on the Career Development Assistant to encourage employees' self-driven development, and pay bonuses to outstanding employees;
- Provide well-performing employee cultivation fund.

#### ➤ Retention and return visit

- Conduct resignation interviews to retain employees; visit resigned employees regularly and send them gifts on special holidays.



## Helping Employees Grow

SF builds a scientific and comprehensive talent management system, develops a clear talent development path, while improving the professionalism and capabilities of employees, providing them with a sound growth environment and a broad development platform to help them realize their career dreams and create professional value.

In 2022, the Company revised the *Talent Management System* twice combining the corporate vision and the organizational characteristics of “team culture”, which updated the employment concept and managerial responsibilities, and added new modules such as key talent planning and talent standard building, and also updated the promotion management system according to the performance policy.

### Promotion management

SF values the career development of its employees. Guided by the employment principle of “competition, encouragement and elimination”, the Company implements the recruitment standard as measured by the enterprise value and social value contributions, thus identifying, and developing outstanding minds that are aligned with the requirements of values and have a sense of mission as well.

The *Talent Management System* mandates promotion principles and requirements for different categories of employees, which stresses the talent-post matching and value contribution. Employees with outstanding value contributions are given more development opportunities and resources including learning or incentives.

In 2022, the Company continued to improve the mechanism of development programs in two channels, i.e., management competence and technical competence development, offering employees a sound development platform. Through the management competence development channel, employees with certain management ability can participate in corporate operation and management. While through the technical capacity development channel, technical staff can become experts in various fields through continuous improvement in technical skills and accumulation of technical experience.

### Talent training

SF follows the principle to regard talents as the primary resource and focuses on the growth and development of its employees.

In 2022, the core of training was the development of lean operation of talent team in all respects. To this end, the Company consolidated the idea of “one pool” of talents, increased quality at source, for instance, strengthening the development management of new college graduate employees. The Company also focused on “two tracks” to upgrade the management systems of management team as well as professional team. Besides, it improved “three foundations” from end to end. It provided the tools, process, and system support for the full process of talent management and created a sustainable ecology for talents to support the need for business development.

In 2022, SF trained 160,736 new employees and 513,934 employees in total, provided 2,532,405 hours of off-line training<sup>8</sup>. SF conducted online training<sup>9</sup> for 5,981,149 persons. The Company invested RMB65 million in training.

	Category	Training coverage rate		Online training person-times		Average hours of offline training	
		2021	2022	2021	2022	2021	2022
By gender	Male	82	75	5,966,421	5,109,845	4	5.4
	Female	68.4	66	842,225	871,304	3.8	4.2
By job functions	Management employees (including primary-level managers)	98.6	88	220,879	173,303	15.1	16.8
	Functional employees <sup>10</sup>	92.7	65	327,021	256,058	5.5	7.5
	Primary-level employees <sup>11</sup>	78.6	73	6,260,746	5,551,788	3.4	3.8

<sup>8</sup> Offline training refers to the duration of class hours in which employees participate. The data does not include special training in the business field. the Company has reduced the number of centralized offline courses and developed more online courses for employees to learn.

<sup>9</sup> Online training refers to the number of document and course learning on the “Online Class” learning platform.

<sup>10</sup> The third-tier non-management

<sup>11</sup> The first-and second-tier management

SF has established training systems oriented toward grass-roots employees, middle echelons, professional teams, and senior managers, optimized and upgraded the lecturer management system, and completed the upgrading of the lecturer system in the learning platform with over 12,000 lecturers. Meanwhile, the Company encourages employees to participate in various skill competitions to help them tap into their potential.

Table Talent Training System

 <p><b>Grass-roots employees training</b></p>	<ul style="list-style-type: none"> <li>In terms of couriers, warehouse operators, customer service staff, salesmen and other employees, the Company focuses on the development of their service awareness, safety awareness, and communication skills. While emphasizing the performance improvement of employees, it also stresses their sustainable development by supporting the education promotion of employees at the grass-roots level and promoting individual long-term development.</li> </ul>
 <p><b>Middle echelon building</b></p>	<ul style="list-style-type: none"> <li>In terms of college-student training, the Company improves training methods, determines training systems, and adds operation activities and practice. For example, it optimizes the on-boarding training courses and tutor management. It also promotes the exchanges and sharing of college students through online-streaming channels such as “Fengshi” and “Gas Station for College Students”.</li> <li>Concerning to the training of grass-roots management (such as head of outlet), middle management (such as sub-district managers and so on), senior management (such as district managers and so on), the Company has upgraded training systems with different dimensions, such as “Head of Outlet Training Program”, “Fengyun Plan — Training Program for Reserve Head of Functional Department”, “Lighthouse Action — In-service Executive Training Camp” and so forth. Moreover, it supports the combination of training and practice, and empowers employees to realize the rapid transition to managers, and to “learn in work” and “practice in work” through work shifts and taking part in programs. In this way, the Company can create an elite management echelon and help employees develop their leadership and business capabilities in practice, thus providing an impetus for the completion of the strategic goals and supporting the business operation.</li> </ul>
 <p><b>Professional team building</b></p>	<ul style="list-style-type: none"> <li>Committees are set up around professionals according to their areas of expertise, mainly composed of experts who are responsible for determining professional capabilities planning, evaluating experts’ competence and controlling the direction of technical expertise improvement. In the meanwhile, SF carries out customized professional capabilities training programs, including probationary expert training, expert lectures and expert forums, and provides learning resources of excellent courses like general skills in workplace and professional capabilities to help employees improve their professional capabilities in professional fields and achieve long-term development.</li> </ul>
 <p><b>Senior management training</b></p>	<ul style="list-style-type: none"> <li>The Company adheres to differentiated training covering in-service groups, and new promotes and reserve. Conducting Fenghuo training camp, Feng+ Jixun and Fengxing training is helpful for managers to explore the nature of leadership and the core of competitiveness. With a deliberate and steady pace and forward-looking thoughts, the Company could cope with changes, seize opportunities, strengthen will and improve quality. The training could not only help senior executives understand SF in a systematic manner, rise to challenges together, and meet the needs of SF’s future development, but also enhance the spirit of strategy, innovation, change and transcendence, inherit and refresh the spirit, and create the future together.</li> </ul>

“Fengyun Training” Helped Improve the General Leadership of Reserve Head of Functional Department

“Fengyun Training” was a training camp for general leadership development that was newly designed for reserve leaders of functional department in 2022, and for deep research on challenges and problems. It was also a tailored hybrid learning program for management capacity development. It focused on the root and aimed at pain points, and accurately supported managers at grass-roots and middle level in rapidly growing into the crucial cornerstone for the Company.

Around the four aspects of “changing roles”, “excelling at management”, “understanding business” and “strengthening quality”, the program selected internal or external high-quality resources of the Company. Through online and offline training and discussing, workshop and benchmark enterprises examination, it could also help trainees improve their capabilities for back-up, ensuring that they can fill in when there are job vacancies and work immediately once they are on the job.



The program included about 300 participants, with a learning journey of 4 – 6 months. During its implementation, learning methods such as Q&A on the cloud, in-depth exchanges and the “branded” project operation mode were adopted to ensure the overall effect of the program, which was well received by the participants.

### “SF Cup” National Job Skills Competition Was Held

To further motivate front-line employees to study professional skills, raise service quality and provide quality services to customers, SF held the first “SF Cup” National Job Skills Competition with the theme of “strengthening skills, improving quality and providing excellent services”. This competition was the first one in which the Group coordinated job skills of four positions (pickup and delivery, warehouse management, drivers, and transit). It adopted the “online + offline” mode, with 422,000 online participants in theoretical competition and staff participation rate of 72%. Then, excellent staff are selected in each region to participate in the skill competition in order to determine the final winner.



“SF Cup” National Job Skills Competition

## Educational support

SF supports employees for degree programs and certifications, providing reimbursement of learning expenses to help them realize self-development. All qualified employees can choose to the Self-taught Higher Education Examination, the National Unified Examination for College Admissions for Adults or others for on-the-job academic education.

The Company actively works with colleagues and universities to help employees pursue further study. In view of skills upgrading, the Company formulated the *Implementation Plan of Vocational Skill Level Certification of SF*, standardized the skills certification mechanism, and included various post-related skills such as forklift operation qualification certificate, human resources manager certification examination and PMP project management qualification certificate into the certification scope, thus boosting the long-term development of employees.

Educational background	Junior college	Undergraduate
Standard for the financial aid	RMB5,000	RMB10,000

As of the end of 2022, SF had organized the authentication of skills certificates of over **11,209** employees, such as couriers, warehouse operators and operators.

## Employee Care

SF has established a comprehensive and multifaceted welfare care system, covering the special scenarios, critical moments, and major family affairs of employees in work and life. SF understands the real needs of employees through multi-dimensional and downward protection and care mechanism, helps employees solve practical problems, and enhances their sense of belonging and happiness, cohesion and identity.

	<b>Basic welfare</b>	<ul style="list-style-type: none"> <li>Subsidies, help sympathy, festival welfare care are provided, such as the Dragon Boat Festival welfare, Mid-Autumn Festival welfare and Women's Day care.</li> </ul>
All employees	<b>Care for employees' physical and mental health</b>	<ul style="list-style-type: none"> <li>Personnel safety camp activities, including first aid training, free medical care and mental health lectures, have been carried out, covering more than 160,000 people in 2022.</li> <li>"Online consultation" has been carried out, and "SF Medical Housekeeper" has served more than 75,000 people in total by 2022.</li> <li>During the period, external medical resources were introduced into Forespace (Fengsheng) platform and WeChat official account, providing all employees and their families with online consultation, video consultation, convenient medicine purchase, health information and other services. The number of consultations reached 56,000 in 2022.</li> </ul>
	<b>Insurance benefits</b>	<ul style="list-style-type: none"> <li>Social insurance for all employees</li> <li>Commercial insurance welfare for employees in 2022:               <ul style="list-style-type: none"> <li>Critical illness insurance for 60,000 employees at public expense;</li> <li>Bonus insurance for excellent couriers' family member provided to 66,000 employees.</li> </ul> </li> </ul>
	<b>Care about new employees</b>	<ul style="list-style-type: none"> <li>The manager sends care to and interviews the new employees at key points (onboarding, work commencement, salary distribution) after their onboarding.</li> </ul>
	<b>Care about couriers</b>	<ul style="list-style-type: none"> <li>Small fans, cool vests and mats are provided for staff in areas with high temperature in summer.</li> <li>In extremely cold weather, employees in high-cold areas are provided with heating neckerchief, boiled sweet potato and ginger soup.</li> <li>During the peak period of delivery, magnetic suction lamp is provided to couriers who work at night.</li> <li>SF has continued to build a home of employees to help the primary-level employees improve their work and rest environment, and 159 new homes were built during the Reporting Period.</li> </ul>

## Care about mental health

SF cares about employees' mental health. The Company provides psychological counselling services and psychological knowledge popularization for employees through various forms, including the "Shun Xin Ru Yi platform", "Shunxin hotline", "Online psychological counselling", "Shunxin service center" and "Gold medal Shunxin Angel".

### Mental health activities carried out include:

**Shun Xin Ru Yi platform:** More than 882,000 visitors.

**Shunxin hotline:** Online psychological counselling services for 452 people.

**Online psychological counselling:** Video psychological counselling services for 40 people.

**Gold medal Shunxin Angel:** One-to-one counselling services for 664 people.

**Shunxin service center:** Offline psychological counselling service for 68 people.

**Shun Xin Ru Yi Lecture:** A total of 188 lectures were held, covering more than 320,000 people, and the satisfaction rate was 4.9 points.

**Psychological counselling of the union:** One-to-one service from top to bottom for 594 people.

**Online graphic science:** Through internal Forespace (Fengsheng) platform, service account and other channels, 49 mental health articles were pushed, with the page views of more than 200,000 times.

## Care about employees' families

SF has launched a series of care activities of “thousands of families gain gifts from SF” and “SF Scholarship” to provide corporate welfare for employees' spouses and children to enhance their happiness and sense of belonging.

<b>Offer student subsidies/scholarship</b>	<ul style="list-style-type: none"> <li>Golden Autumn Subsidies: Employees with serious diseases and their families and families of employees with major difficulties were helped. In 2022, 759 children of employees in distress were assisted and student subsidies of RMB2.72 million were granted.</li> <li>SF Scholarship: The scholarship was awarded to 158 employees' children who were admitted to universities, with a total of RMB240,000 in 2022.</li> <li>Encouragement kits for college entrance examination: SF provided encouragement kits for children of employees who would take the college entrance examination, benefiting 3,320 people in 2022.</li> </ul>
<b>Promote family harmony</b>	<ul style="list-style-type: none"> <li>Online summer camp: Employees and their children were organized to participate in the online summer camp. They deepened the parent-child relationship through talent show, interactive games and gratitude links, with 130 participants and 4.9 points of satisfaction (full score was 5).</li> <li>Parent-child live broadcast in summer: Professional psychology lecturers were invited to carry out online parent-child relationship courses in summer, which were watched by more than 58,000 people, and the satisfaction rate was 4.9 points (full score was 5).</li> <li>Gifts for employees' family members: the Company provided holiday gifts, letters from home and text messages to employees' family members who are doctors and teachers, covering more than 8,000 employees in 2022.</li> </ul>

## Care about special groups

SF actively offers help to female employees, employees in distress and other special groups, takes the initiative to care about employees' work and life, and lets employees feel the warm care of the Company.

<b>Female employees</b>	<ul style="list-style-type: none"> <li>Festival welfare: Provide exclusive gifts and strictly protect statutory parental leave</li> <li>Maternity welfare: Visit employees who are going to be new parents with maternal and child supplies</li> </ul>
<b>Disabled/seriously sick employees</b>	<ul style="list-style-type: none"> <li>Special care: Engage in the employee care group to provide specific employee care and subsidies</li> </ul>
<b>Family in distress</b>	<ul style="list-style-type: none"> <li>Sympathy and assistance: Offer sympathy and assistance to 16,200 employees and their families in distress, worth about RMB10 million; of which, provide RMB237,000 for more than 40 employees who suffered natural disasters to help them rebuild their homes in 2022</li> </ul>

## Balance work and life

SF carries out healthy and diversified employee activities to enrich their leisure life, satisfy their spiritual needs and balance their work and life. In 2022, the Company carried out “Fengba” cultural and sports activities, including yoga, basketball, swimming, board games, badminton, and boxing, covering more than 8,000 people at the headquarters. In addition, SF carried out online live streaming, topic solicitation, theme videos and other online interactive activities to enrich employees' lives. And leisure areas in the office were set up to help employees adjust their working status.



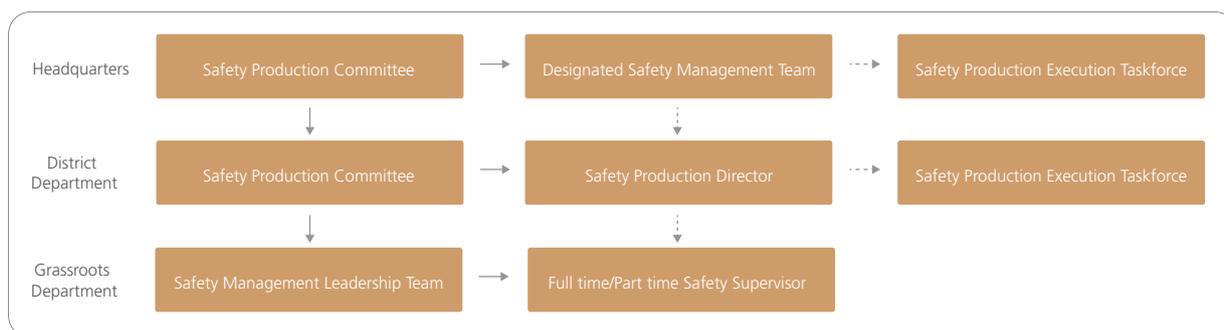
## Ensuring Safety Production

SF strictly abides by the *Law of the People’s Republic of China on Work Safety*, the *Law of the People’s Republic of China on Fire Protection*, the *Law of the People’s Republic of China on Prevention and Control of Occupational Diseases*, the *Law of the People’s Republic of China on Response to Emergencies* and other laws and regulations. The Company firmly implements the safety management policy of “safety first, focus on prevention, legal compliance, full performance of duties, continuous improvement and sound development” and formulates the Company’s safety management principles and policies.

## Safety Management System

### Safety management structure

SF sets up a Safety Production Committee with the COO as the director, established a top-down organizational framework for safety management, which clearly defines three-tier management organizations consisting of Headquarters, District Department and Primary-level Department, and formulated and improved a series of safety systems to safeguard the Company’s safe production and operations. The meeting of Safety Production Committee is convened quarterly and at appropriate time upon approval of the director under special circumstances. Key matters related to production safety are listed on the agenda of the quarterly meetings of the Chief Operating Officer (COO) for regular review on progress.



Safety Committee Structure

### Safety production responsibility system

SF formulated the Safe Production Responsibility System to stipulate the safety responsibilities of organizations, positions and employees at all levels. In particular, the CEO, one of the members of the Board of Directors, is the primary person responsible for production safety of the Company, preventing occupational injury and health damage, assuming the highest responsibility for production safety and making commitments to provide safe and healthy working conditions. At the same time, the main responsible persons at each level take full responsibility for regional safety production.

## Safety management system certification

The Company continues to promote the completion of the occupational health and safety management system certification for each business segment. By the end of the Reporting Period, a total of 12 companies passed the ISO45001 occupational health and safety management system certification.

### SF ISO45001 Occupational Health and Safety Management System

ISO 45001 Certification	Shenzhen S.F. Taisen Holding (Group) Co., Ltd.	Shenzhen SF Comprehensive Logistics Service Co., Ltd.
	S.F. Express Co., Ltd.	SF Multimodal Transport Co., Ltd.
	Zhejiang Shun Feng Express Co., Ltd.	Shenzhen SF International Supply Chain Management Co., Ltd.
	Shenzhen SF Freight Co., Ltd.	Zhejiang Shuangjie Supply Chain Technology Co., Ltd.
	Shenzhen Fenglang Supply Chain Co., Ltd.	Guizhou S.F. Express Co., Ltd.
	GZ SF Pharmaceutical Supply Chain Co., Ltd.	Hubei Churongfeng Supply Chain Co., Ltd.

## Safety Management Objectives

SF sets employee health and safety objectives, quantifies work safety requirements and drives the implementation of work safety projects. In order to achieve the annual safety management objectives, we constantly improve the safety management structure and system, build and implement the safety production responsibility system, strengthen safety risk management and control, enrich safety publicity, improve the safety awareness of all employees, and minimize safety risks.

The Company performs monthly assessments on the achievement of key indicators such as lost working days per million shipments, fire accidents on site, and shipments on fire, and link them with the performance of safety management personnel. In addition, the Company continues to track quantitative health and safety metrics related to employee health and safety, such as personnel safety index and number of fire accidents on site. In 2022, there was no major fire accident or significant casualty accident in SF.

### Safety Management Targets of 2023

Prevent major fire accidents
Avoid major casualty accidents
Reduce the year-on-year accident rate per million shipments by 10%.

	2020	2021	2022
Lost working days per million shipments	77	57	62
Number of major fire accidents on site	0	0	0
Number of significant casualty accidents on site	0	0	0

## Safety Management System

In order to further improve the Company’s safe production management system and prevent accidents of production safety, the Company revised the *Safety Production Management Manual* to strengthen the identification of safety production risks and management capabilities, and ensured that related parties comply with the Company’s safe production management requirements through the *Related Party Safety Management Procedures*. In order to ensure the effectiveness of the safety management system, SF regularly reviews and revises the safety regulation system and continuously improves occupational health and safety management systems. In 2022, the Company organized internal audits of safety management system documents in all regions, conducted self-examinations of compliance in 58 systems, revised the *Post Safety Operation Standard, Posting and Inspection System, Operational Guidelines for Emergency Handling of Shipments on Fires, Regulations on the Management of “Three Systems” for Mails and Shipments* and other systems to gradually improve the safety system.

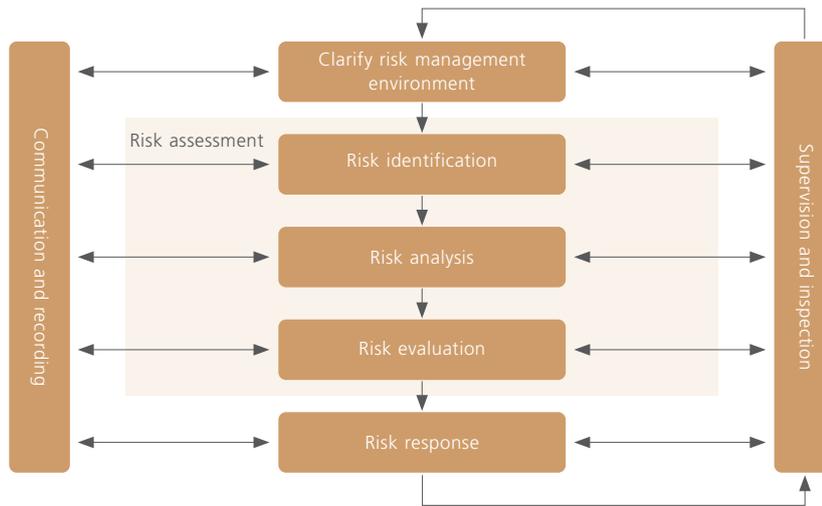
Besides, the Company formulated the *Safety Assessment and Incentive Management Regulations* to clarify the scope and standards of safety performance assessment for employees at all levels and make the compensation and year-end bonuses of senior management and department heads linked with safety production performance, so as to ensure the achievement of safety management objectives.

## Safety Risk Prevention

Integrating risk management into all aspects of production and operation, SF encourages all employees to participate in risk management activities such as hazard source identification, risk evaluation and risk control. The Company enhances the compliance of production safety from aspects of safety risk management and control, potential danger investigation and management, and safety awareness training, guarantees the health and safety of employees, prevents injury and death and helps achieve safety goals.

### Risk identification and control

The Company formulated the *Procedures on Hazard Source Identification, Risk Assessment and Control Management*, determined risk evaluation criteria, identified safety management risks related to production and operation activities, sorted out and determined the safety risk list, conducted regular reviews of the risk list to ensure that the risk list is up to date, and maintained the relevance and effectiveness of risk control measures.



Key safety risk identification and rectification management process

The Company formulated the *Hazard Source Identification, Risk Assessment and Control Management Regulations*, adopted MES risk assessment method<sup>12</sup>, regularly organized regional risk source identification, divided risks into five levels on the principle of hierarchical management and control and business organization settings, and defined the subject of risk management and control at each level. In 2022, SF organized a risk source identification exercise, identified a total of 954 various safety risks, and set signboards of important hazard sources, safety risk notification cards and various safety warning signs at prominent locations to achieve full coverage of safety warning signs on premises, equipment, and facilities to reduce safety risks.

Risk level	MES risk assessment score	Risk management and control subject
Level 5 (blue logo)	Less than or equal to 18 points	Post/employee
Level 4 (blue logo)	20 points to 48 points	Post/employee
Level 3 (yellow logo)	50 points to 80 points	Distribution hub or service center/station
Level 2 (orange logo)	90 points to 150 points	District
Level 1 (red logo)	Equal to or greater than 150 points	The Group

## Remediation of potential hazards

During the Reporting Period, the Company organized a number of special remediation operations to address major potential safety hazards, continuously raise employees' awareness of safety protection and to eliminate potential safety hazards in the Company.

Sorting-conveying equipment safety hazards investigation and remediation	<ul style="list-style-type: none"> <li>The Company carried out a comprehensive inspection of 19 items, including the counter-rotation function of the sorting-conveying equipment, the lack of protective nets on the bottom rollers and the lack of roller guards, and promptly resolved all exposed problems.</li> </ul>
Special program to manage separation between pedestrians and vehicles	<ul style="list-style-type: none"> <li>The Company thoroughly separated pedestrians and vehicles by designating pedestrian lanes, installing speed bumps, warning signs, fences or barriers and other equipment, and improved the safety of driving to reduce blind spots in the yard through safety announcements and setting up convex mirrors.</li> </ul>
Special program to manage on-site driving safety risk	<ul style="list-style-type: none"> <li>The Company made clear the requirements and operational standards for the safe operation of drivers and field personnel in the 11 operational aspects of the vehicle from entry to exit, and stipulated that no operator in the field shall stay in the loading and unloading area or the return area to achieve zero interaction between people and vehicles in the risk area.</li> </ul>
Special program to manage fire and electricity safety risks	<ul style="list-style-type: none"> <li>The Company carried out fire hazard investigation and remediation, and deployed work on fire safety in several workplaces, compliance with fire equipment, vehicle fire safety, fire safety in charging areas, and fire safety training for personnel, so as to effectively reduce the occurrence of fire incidents and ensure the safety of personnel, vehicles and express mails.</li> </ul>
Special program to manage driving safety	<ul style="list-style-type: none"> <li>The Company signed safety management agreements with carriers – to clarify the safety management responsibilities of both parties. The Company has signed safety management agreements with all outsourced suppliers, with 100% coverage of suppliers.</li> </ul>

## Contractor safety management

SF updated the *Regulations on Safety Management of Logistics Suppliers* and signed the *Safety Management Agreement for Logistics Handling and Sorting Services*, the *Safety Management Agreement for Cargo Transportation Services by Road* and other safety management agreements with contractors. The Company also refined the safety management content into the contract terms according to specific business scenarios. As at the end of the Reporting Period, the Company has signed safety management agreements with 100% contractors, and the Company's internal safety management systems and regulations also apply to the safety management of the outsourcing suppliers and their staff. The Company conducted reviews on suppliers' qualifications and licenses, safety management status, insurance conditions and major customers before admission according to the regulations. We also conducted regular safety inspections during the collaboration.

**In 2022, the Company has signed safety management agreements with 100% contractors.**

<sup>12</sup> MES risk assessment method: M: Status of control measures; E: Frequency of exposure of person (objects) to dangerous environment; S: Accident consequence. Risk degree (grade) R=MES

## Technology-empowered Strong Security

By applying technology to empower safety production, SF has effectively improved the Company's safety management capabilities by comprehensively promoting the digital transformation of the safety management system and establishing a three-dimensional, all-day safety monitoring and pre-warning system.

### Case: Upgrading "AI ARGUS" to Reduce Safety Violations

Capitalizing on computer vision and deep learning technology, "AI ARGUS" comprehensively analyzes key production elements in each scenario, forming real-time dynamic business data covering the entire network. AI ARGUS also effectively safeguards business risk control and production safety through digital means such as business risk analysis and automated decision-making, and improves management efficiency and service quality.

SF keeps expanding the scope of application of the AI ARGUS system. In 2022, intelligent identification of violations such as personnel on belt conveyors, stepping down to platform against the procedures, dressing inappropriately and smoking were realized at all premises, an intelligent management platform for high-risk behaviors was built, a work order of safety violations could be generated by docking to the onsite mobile phone APP, violations were audited and notified, and offending operators were required to undergo re-education before being allowed to work. During the Reporting Period, there was no fatal accident caused by irregularities on belt conveyors.

### Case: Building a Vehicle Safety Monitoring Platform to Effectively Regulate Safe Driving Behaviors

In 2022, SF built a vehicle safety monitoring platform and completed the installation of in-vehicle monitoring equipment on 14,054 vehicles operating on trunk and branch routes across the network. 14 system functions such as risk intervention, voice alert, electronic accident report and insurance claim analysis board were put online to dynamically monitor irregular driving behaviors across the network.

## Safety Training and Drills

SF pays attention to the cultivation of staff's safety awareness and ability, standardizes the content of safety training, and effectively enhances staff's safety awareness and skills; meanwhile, the Company continuously improve the emergency plan system and strengthen the work on safety emergency response drills to prevent safety accidents.

### Safety training

SF formulated *Regulations on Safety Education and Training Management* and the *Competence Evaluation and Training Management Procedure*, clarifying the qualification requirements and conditions for personnel in relevant positions to ensure that they have the appropriate competence. Before employees start work, the Company assesses their job competence and provides training on safety management to in-service personnel to continuously improve their awareness and competence.

### Safety emergency drill

SF prepared the *Comprehensive Emergency Plan for Safety Production, Emergency Preparation and Response Management Procedure* and *Emergency Plan Management Regulations*, which have been used as the guide to carry out emergency handling work and drills in regions. In 2022, the grassroots sites organized emergency rescue drills for accidents such as electric shock, mechanical injury, vehicle injury and express spontaneous combustion, with a total of 1,392 drills, involving a total of 118,249 participants.

### Safety Training Related Data in 2022

Total number of employees attending safety training	12,374,382
Safety training coverage rate	100%
Certified employment rate of special equipment	100%

### Case: A Series of Safety Culture Activities Launched to Motivate Employees

In 2022, the Company launched a variety of safety culture activities for all employees to create a positive safety culture learning atmosphere and enhance employees' awareness and skills in production safety.

- The "My Favorite Safety Course" campaign was launched to organize the heads of each region to develop safety courses and learn the Amendment to the Criminal Law, the New Safety Law and other relevant production safety laws and regulations. 1,921 training sessions were organized in 2022, with 73,559 participants.
- The "Open Class", "Let's Talk" and "Class Meeting" on production safety were rolled out, covering production safety, delivery safety and emergency rescue, etc. A total of 1,977 learning activities were organized in 2022, with over 480,000 participants.
- The Company held safety knowledge competitions and organized the training for safety managers of the SF operation network, with a total of 9,123 employees participating in training and passing exams in 2022.
- The "Better Life Starts with Safety" campaign was unveiled to encourage employees to produce short safety promotion videos through the Forespace(Fengsheng) App "SF Facebook". A total of 402 short safety promotion videos were collected, and awards were given to high-quality works.

# Building Responsible Chain Together

SF attaches importance to supplier management, upholds the core values of integrity and commitment, advocates the establishment of a cooperation environment featuring equality, mutual-respect, transparency, development-oriented, win-win consensus and sunshine; over the years, the Company has established long-term stable, mutually beneficial and win-win cooperative relationships with suppliers and partners, working together to build a responsible supply chain.

## Supplier Management System

SF has been committed to minimizing the environmental, social and governance risks in the supply chain, and continuously strengthening internal supplier management. The Company has set up a Risk Supervision Organization, which is responsible for risk supervision of the procurement process. The Company also adopts a hierarchical management model comprising the Strategic Procurement Committee, a strategic decision-making organization, responsible for decision-making and guidance on strategic direction; the Routine Procurement Committee and IT Category Procurement Committee, responsible for strategy formulation of procurement activities; and the Procurement Supply Chain Center, responsible for procurement decisions execution, procurement demand analysis and supplier management.

In 2022, SF revised the “Management Regulations on Procurement Suppliers”, optimizing and adjusting the division of responsibilities of relevant departments, supplier classification and grading, performance management and routine management, and added new regulations on supplier penalty management and withdrawal management to continuously improve suppliers’ life cycle management system.

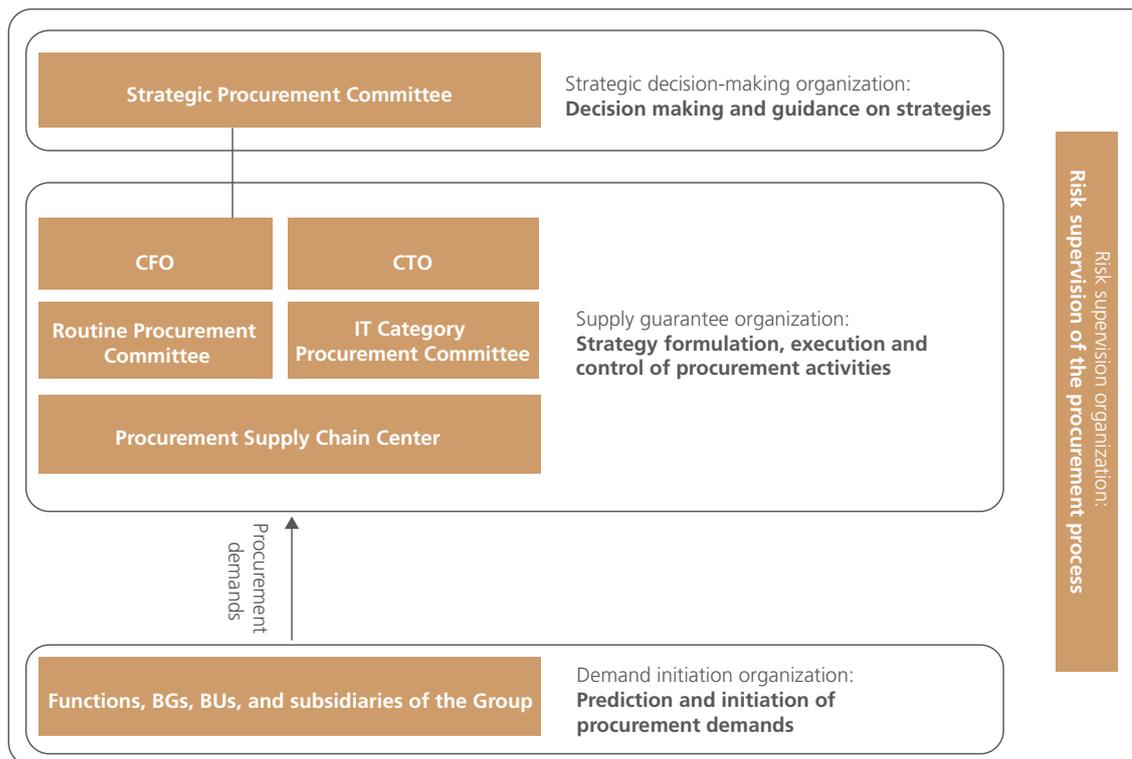
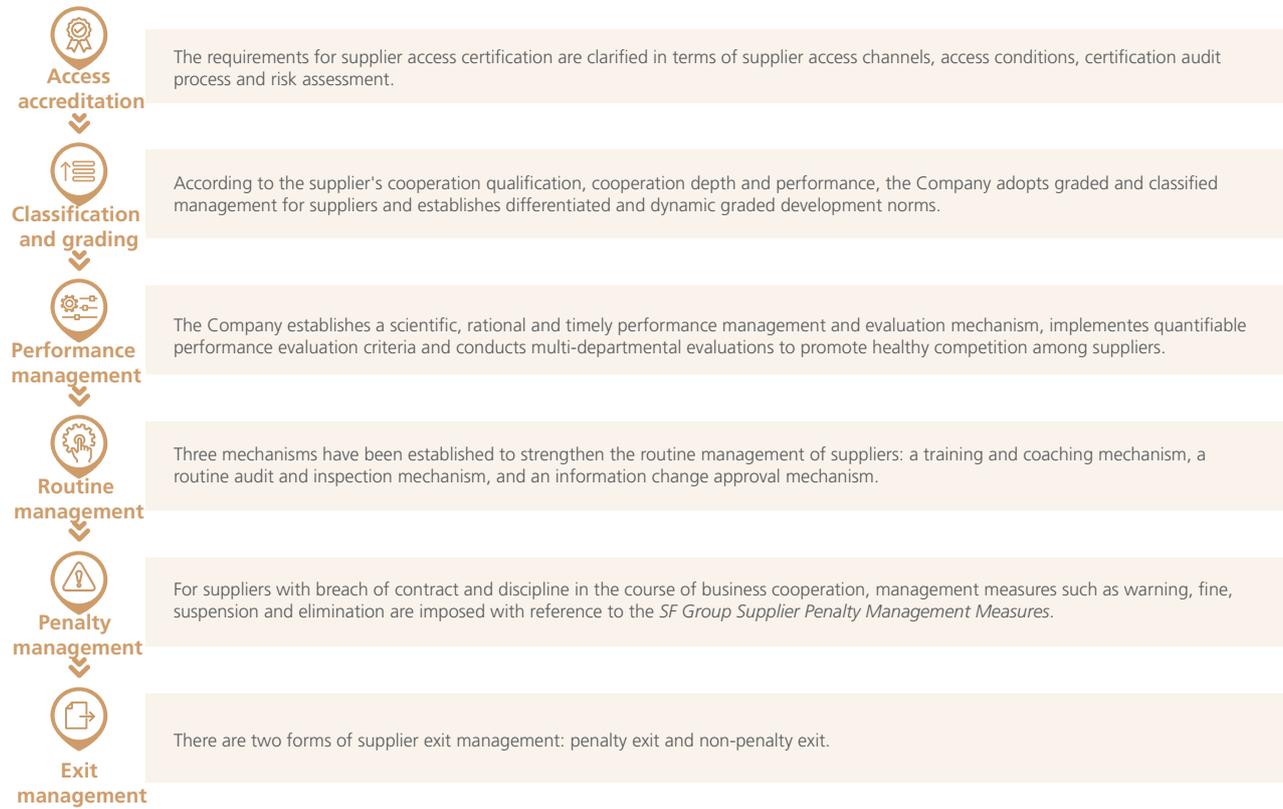


Chart of Risk Supervision Organization Structure

## Life cycle management for SF suppliers



In addition, SF has continued to optimize its procurement process management and built the Digital Intelligent Procurement Platform (DIPP), which covers the life cycle of suppliers and the whole procurement process management, to strengthen collaboration and synergy with suppliers and improve procurement management efficiency.

## Promoting Sustainable Procurement

SF follows the principles of fairness, openness, and impartiality. The Company adopts standards of transparent access in the front stage of procurement, a fair process at the middle stage and fair supervision at the back end to ensure a sustainable procurement environment.

### Supplier management targets of 2023

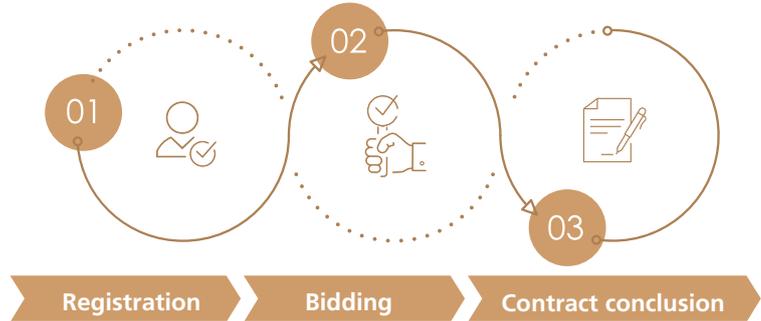
At the level of intensive procurement, SF ensures 100% of suppliers sign terms and conditions on social responsibility, integrity and honesty and confidentiality of information

## Procurement integrity management

In 2022, SF updated the *Letter of Notification of Transparent Procurement* to further determine the responsibilities of both parties for joint development of integrity and the rights they enjoy, in order to build and implement high-standard business ethical practices. Also, the Company signed *Integrity Agreement* with suppliers, prohibiting any form of bribery between the two sides.

In addition, the Company will manage the procurement process online, control key nodes through the process, and gradually improve the early warning function of compliance and potential integrity risks on the system, including the risk alert of affiliated relationship and conflict of interest declaration.

### Procurement integrity management measures:



All suppliers are required to make a proactive conflict of interest relationship declaration.

Risk control management is carried out in the process of supplier bidding, and supplier affiliation is monitored to prevent their collusion with other SF suppliers.

The *Integrity Agreement* shall be signed synchronously to prohibit any form of bribery between two parties.

Reporting channels should be clearly stated before signing the framework master agreement, sub-agreement, and in bidding documents. Any supplier who finds any bribery or acts by SF's internal personnel or their relatives that affect fair trading can report and appeal.

## Responsible procurement

SF has formulated the *Regulations on Green Procurement Management* to add corresponding environmental protection requirements to the life cycle management of suppliers and, to some extent, gives priority to the procurement and use of raw materials, products and services that are conducive to environmental protection, such as energy saving, water saving and material saving, in order to guarantee the implementation of the green procurement concept.

Moreover, SF is committed to regulating the behaviors of the suppliers in the areas of environment, society and labor rights. The Company is concerned about ISO certification of suppliers in environmental, occupational health and safety and information security-related systems and has made environmental and health responsibility an important indicator in the regular evaluation and assessment of suppliers, so as to promote suppliers to strengthen their own environmental, safety and other social responsibility performance.

## Supplier Training

SF regularly organizes supplier training to convey the cooperation concepts of being green and environmental protection, honesty and integrity to suppliers. In 2022, the supplier training contained six modules including quality management, integrity cooperation, and green and environment protection etc. Among them, training on the cooperation integrity module includes management requirements, handling of non-compliance and complaint and feedback channels to enhance suppliers' awareness of integrity and compliance.

For key partner suppliers, the Company conducted online training in the form of video and live courses, with 99% satisfaction rate of training; for the full-volume suppliers, the Company uploaded training materials in the form of training announcement on SRM system (Supplier Relationship Management System) and notified suppliers of the training course materials and asked them to download and complete the training by themselves.



SF's online supplier training

# Bearing Social Responsibility

SF proactively fulfills its corporate social responsibility by supporting public service, carrying out voluntary public service activities in various fields such as medical care, education and environmental protection, focusing on rural revitalization, empowering agricultural development in rural areas with digital technology, securing stable production and supply, using its own supply chain and technological advantages to ensure the rapid delivery of household goods, and striving to contribute to the building of a harmonious society.

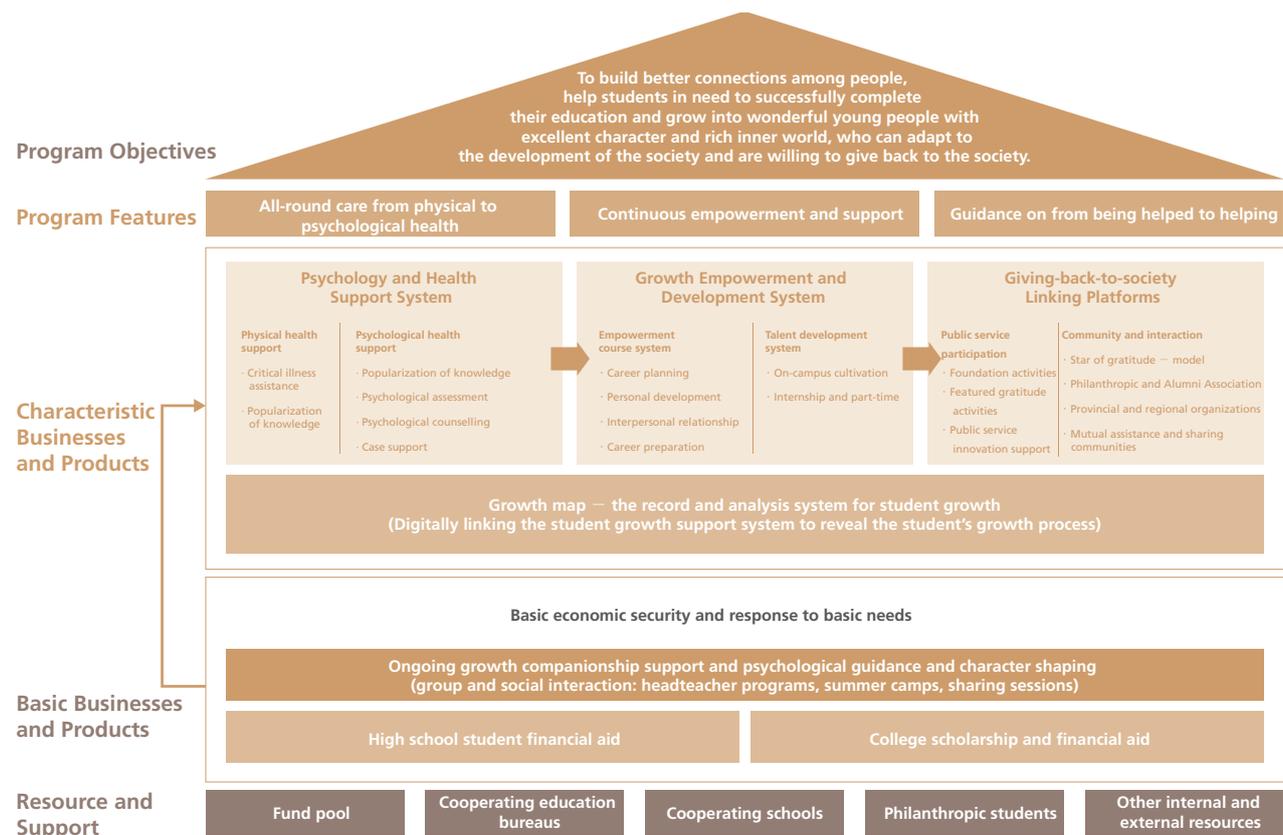
## Practicing Public Service and Charity

In 2022, the total annual public service expenditure of the SF Foundation was RMB117.4 million.

22 volunteer associations organized 148 public service activities in total, with 7,226 participants and 1,206,286 hours of volunteer services.

### Education charity

The SF Lotus Education Assistance Program was launched in 2012, which is designed to build better connections among people and help students in need to successfully complete their study and grow into wonderful youths with excellent character, capable of adapting to social development and willing to give back to the society.



Structure of SF Lotus Education Assistance Program

In 2022, the total investment of SF Lotus Education Assistance Program was RMB31.82 million, including RMB29.38 million in scholarship grants.

In 2022, SF Charity Foundation continued to deepen the implementation of the SF Lotus Education Assistance Program and the overall structure of the Program was optimized and upgraded in “financial support”, “psychological and physical health” and “growth empowerment”.



In 2022, the SF Lotus Education Assistance Program upgraded its scholarship distribution system, which significantly improved the system’s cash withdrawal experience and recognition accuracy rate. In 2022, the Program sponsored 3,942 new high school students in need, and a total of 11,595 high school students were supported throughout the year, with RMB24.8 million of high school student scholarships awarded; and RMB4.59 million of giving-back-to-society scholarships for college students awarded to 1,494 students throughout the year.

**Collective and social engagement:**

- Headteacher programs – A total of 73 headteachers were arranged in 67 schools in 2022, and a total of 7 thematic classroom sessions were conducted in the schools.
- Dream sharing – A total of 5 dream sharing events took place in 2022

**Psychological health:** A framework for psychological support was built and cooperation with universities on psychological support was established. A 3-year study on the students in the Program was conducted to understand the changes in their overall mental health status of and the common health problems faced with by students at different stages, and training on psychological health for school teachers was rolled out.

**Critical illness relief:** On top of the hardship relief program, applications for major illness relief are open for Lotus students.

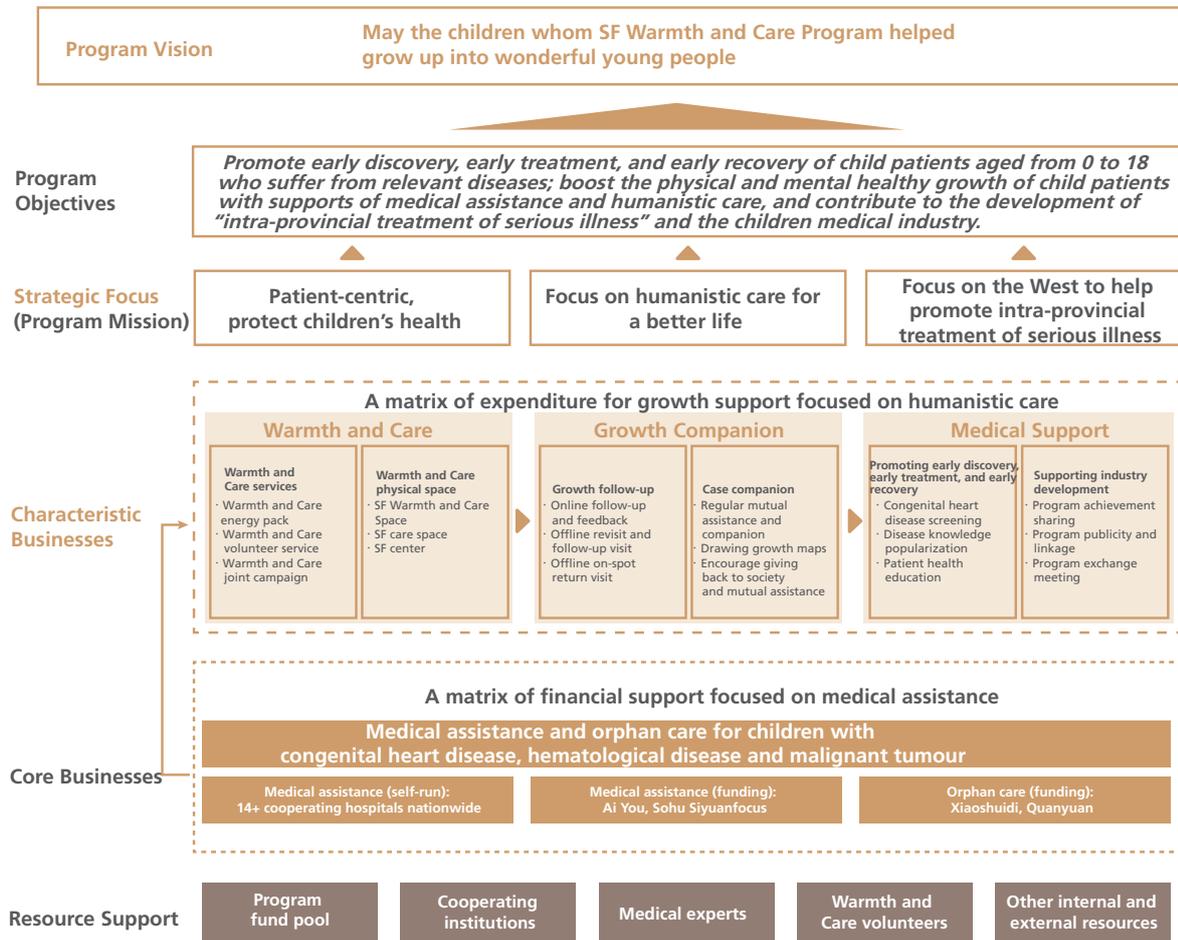
**Empowerment courses:** 53 empowerment course activities were conducted in 2022, with 2,454 participants.

**Empowerment activities:** A total of 92 empowerment activities took place in 2022, including the Village Summer Camp, Creative Classes Competition, and Visit to School & Exchange Program, with a total of 700 participants.

In 2022, the SF Lotus Education Assistance Program sponsored/awarded a total of 13,089 students in need and granted scholarships totaling RMB29.38 million. As at the end of the Reporting Period, the Program sponsored a total of 34,094 high school students in need with RMB172,54 million and awarded RMB24.57 million to 8,155 university students included in the Program.

## Healthcare assistance

SF Warmth and Care – Children Medical Assistance Program (SF Warmth and Care Program) is committed to promoting early discovery, early treatment, and early recovery of child patients aged from 0 to 18 who suffer from relevant diseases. It boosts the physical and mental healthy growth of child patients with supports of medical assistance and humanistic care, and contributes to the development of “intra-provincial treatment of serious illness” and the children medical industry.



SF Warmth and Care Program Panorama

In 2022, the SF Warmth and Care Program invested RMB50.27 million, with 3,160 new children and orphans sponsored in the medical assistance module; and 4,420 children and their families served in the six SF Warmth and Care Spaces (small homes) in the humanistic care module.



SF Warmth and Care Program

In 2022, the SF Charity Foundation comprehensively upgraded the Program’s relief management system in the medical assistance module to improve user experience and the efficiency of relief for children with illnesses. During the Reporting Period, the SF Warmth and Care Program provided assistance to 1,849 new children with serious illnesses in 14 designated treatment hospitals directly cooperating with us, providing financial support to 3,291 people, representing a nearly twofold increase in the scale of the Program compared to 2021. The accumulative subsidy for children’s medical expenses throughout the year was RMB36.01 million, a year-on-year increase of 187%. SF also sponsored other public service organizations to carry out medical assistance projects, providing medical assistance to 1,311 new children and orphans with serious illnesses, with a total of 3,160 new targets of medical assistance increased.

In 2022, based on a new strategic plan, the SF Warmth and Care Program developed its “humanistic care” feature, while building a solid foundation for medical assistance, and through a series of warm-hearted care and growth companionship initiatives, the Company helped the children supported by SF Warmth and Care Program grow up into wonderful young people.

### Warmth and Care Energy Pack Energizes and Delivers Warmth to Children in Need

The Warmth and Care energy pack is a humanistic care product developed by the SF Charity Foundation based on the service concept of SF Warmth and Care Program, which is designed to provide more warm and diversified care and companionship for children in need with the Warmth and Care Energy Pack as a carrier.

In 2022, the SF Charity Foundation and a well-known school uniform brand jointly launched a New Year’s customized Warmth and Care Energy Pack, which includes new clothes for children and a Warmth and Care souvenir booklet to boost the New Year energy of children in need. The Program is based on voluntary applications from parents, and has delivered New Year Warmth and Care energy packs to 309 “Warmth and Care little warriors” in Shanxi, Hebei and Hunan, winning praise from the designated hospitals and parents of the children.

*Although the child was unfortunate enough to have a congenital heart disease, with the generous support from SF Charity Foundation, I saw the light in despair and regained confidence in life from the heaviness and weight at the beginning. For an ordinary family, the assistance of SF charity was truly a timely help. The child is recovering well after the operation and was very happy to receive the Warmth and Care energy pack.*

— Parent of a child in illness

In the New Year of 2022, SF initiated the Warmth and Care Energy Pack Program to satisfy still battling children’s wish to wear new clothes in the New Year. I felt a sense of achievement when I saw the smiling faces of the children and the messages of gratitude from their parents. I hope that while these children are fighting the disease, they also know that there are many people who are with them and watch over them, and I hope that they will grow up into healthy and good young people.

— A SF Warmth and Care Volunteer



SF Warmth and Care Program

### SF Warmth and Care Space – A children’s playground in the ward

SF Warmth and Care Space, a physical space set up by the SF Warmth and Care Program in the Program’s designated hospitals, is not only a children’s playground in the ward and a place for parents to relax and de-stress, but also the main venue for the SF Warmth and Care Program to provide in-hospital humanistic care services for children.

In 2022, the SF Warmth and Care Space built at the Department of Thoracic Surgery jointly by SF Charity Foundation and Children’s Hospital of Shanxi, began to open fully to children and their parents after a preliminary renovation and trial operation. The space has served children and their parents a total of 1,718 times to comprehensively bolster children’s psychological and physical health and growth through medical assistance and humanistic care, as well as warm-hearted services such as Warmth and Care classes, patient education sessions, animation showcases, parent-child craft workshops and festive celebration parties.



### Warmth and Care Charity Journey – A loving connection to accompany children with disabilities

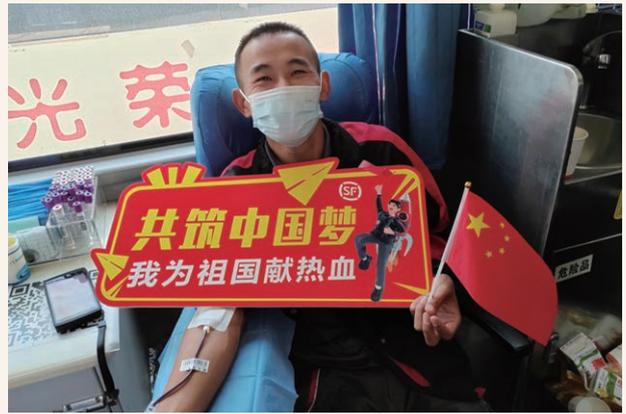
As an important part of the “Humanistic Care – Growth Companion” module of the SF Warmth and Care Program, it combined online and offline visits and growth follow-ups to keep track of the children’s recovery, convey goodwill and hope, and help the children supported by SF Warmth and Care Program to grow up into positive young people.

For example, in August 2022, the SF Warmth and Care Program team embarked on a Warmth and Care Charity Journey to Taiyuan, Shanxi Province, and completed online and offline follow-up visits to 141 families. Through this charity journey, the Company not only delivered warm-hearted care to children and parents, but also established a deeper connection with them, laying a solid foundation for the implementation of long-term growth companionship.



## Blood donation

Up to 2022, the SF Charity Foundation, in collaboration with volunteer associations in various business districts, has organized 36 "SF Blood Donation Day" blood donation events of three phases in 22 cities, with 2,668 participants and over 720,000 ml of blood donated.



## Fueling Rural Revitalization

SF is the first domestic logistics company to deliver fresh agricultural products directly from farmers to urban consumers in the form of express delivery. Since the inception, SF has established a business model for delivering agricultural goods directly from “farms” to the end-consumers. For a long time, many high-quality agricultural products have encountered problems in the delivery process such as “vulnerability, difficulty in packaging, too many links and impossibility of forming scale effect”. The Company is also faced with marketing-related problems such as limited number of channels available, single form, limited target audience size and limited branding effect. For many years, farmers have been struggling to increase their income, but found it practically impossible to achieve profitability by selling agricultural products. SF adhered to the farmer assistance concept of distributing quality agricultural products across the country and promoting good brands of agricultural products.

By building collection points for agricultural products around the fields, developing and investing in mobile sorting vehicles for small batch distribution, building fresh product pre-processing centers close to the place of origin, designing exclusive packaging for many fresh product categories, deploying special refrigeration vehicles, exclusive cargo aircraft and a variety of transport resources during the harvest season of special agricultural products, the Company continues to refresh the delivery speed of agricultural products in the process of circulation and innovate the means of preserving freshness in the process of delivery of fresh products to help farmers deliver quality agricultural products from the fields and out of the mountains directly to thousands of families.

With its strong logistics network, advanced packaging technology and fast delivery capabilities, the Company has overcome the most difficult categories one by one in express transportation, such as hairy crabs, beef and mutton, live fish, seafood, lychees, cherries, strawberries, peach and matsutake mushrooms, to achieve a nationwide direct delivery model of agricultural products with unique Chinese characteristics. The Company continues to expand its service categories and business scenarios through initiatives such as logistics model innovation, cost reduction and efficiency enhancement, and pricing close to the market. At the same time, through technology empowerment, the Company has researched and input convenient technology tools such as fruit wrap, harvest, and one-piece delivery to help farmers operate in a one-stop, convenient and efficient manner for sales, delivery and settlement.

The year 2022 marked the comprehensive promotion of rural revitalization. In order to actively support the national strategy of rural revitalization, continuously consolidate and expand the poverty alleviation results, and effectively connect with rural revitalization, in addition to express and logistics services, the Company also cooperates with local governments to build regional agricultural brands and help branding, so that more local brands of special agricultural products can be known, tasted and recognized. In 2022, the Company formulated a special fund subsidy mechanism for the customization of regional brand packaging materials, invested RMB3 million, and also linked up with local governments to obtain brand authorization and design brand packaging, helping to build a total of 16 regional brands of agricultural products, generating over RMB500 million of incomes for local farmers. In addition, SF responded to the concept of green logistics, piloted green packaging materials for agricultural products, and also provided a series of scientific and technological services such as product traceability and pesticide residue testing, which were well received by users. At present, the Company’s service network to help agricultural products on the market has covered more than 2,800 county-level cities across the country, serving a total of more than 4,000 fresh varieties, achieving the delivery of 3.62 million tons of special agricultural products in 2022 and expected to help farmers generate more than RMB100 billion.



### Case: SF Develops Exclusive Logistics Solutions to Help the Development of the Yangcheng Lake Hairy Crab Industry

By virtue of its strong supply chain capabilities, professional cold chain temperature control technology and the advantages of its nationwide resource network, SF helps Yangcheng Lake hairy crabs move safely, quickly and freshly to consumer families across the country with customized and exclusive logistics solutions, helping Yangcheng Lake crab farmers and merchants increase their income, and achieving win-win social benefits and local economy. In 2022, SF deployed 13 charter flights for “hairy crab” transportation, and has mobilized reserved airport storage space resources in Nanjing, Wuxi, Hangzhou and other surrounding cities to make full use of transportation capacity resources in the Yangtze River Delta economic circle and fully roll out the “air/high-speed rail + hairy crab” cross-city exclusive urgent delivery services, achieving cross-city delivery in as fast as 4 hours.



### Case: Yunnan SF’s “Ten Cities, Ten Thousand Stores” Boosts Local Tourism Economy

In July 2022, SF launched its “Ten Cities, Ten Thousand Stores” program in ten major tourism cities in Yunnan Province, including Kunming, Dali, Lijiang, Xishuangbanna, Shangri-La, Jianshui, Mile, Tengchong, Chuxiong and Yuxi. By investing end-of-line resources such as SF city stations and service centers, SF has been able to meet the delivery needs of tourists while injecting new momentum into the local tourism economy. By continuously extending its express delivery network, SF has brought convenience to the rural life of Yunnan people, and has also greatly contributed to the “Yunnan products out of Yunnan”, driving the high-quality development of rural e-commerce and highland specialty industries.



SF Courier Collects Highland Specialties from Consumer Poverty Alleviation Supermarket



Lijiang Ancient City Zhongyi Market Souvenir Shop – SF Cooperation Point



SF Customizes Packaging Boxes for Shangri-La Matsutake Mushroom



SF’s First Charter Flight for Pu’er Tea



SERVICE

04

## Service

Theme: Building Digital Ecology,  
Creating Digital Intelligent Future

Innovation-driven Development

Securing Safety Delivery

Building Quality Services

**Theme**

# Building Digital Ecology, Creating Digital Intelligent Future

In the digital and intelligent era, technology-enabled logistics and supply chain services form an important link between the virtual and physical worlds. Digital and intelligent technology builds a digital information value chain on the logistics value chain of the physical world. In this context, SF has been accumulating strength in the practice of digital and intelligent transformation, starting from the scenarios and needs, from the inside out, and from the present to the future, to usher in the age of digital intelligence. The efforts made by SF in the digital and intelligent transformation not only meet the needs of its own development, but also promote the ecological partners to accelerate the entry into the digital and intelligent era. It not only complies with the requirements for digital intelligence of enterprises in the market, but also undertakes the social responsibility and mission that should be undertaken by service providers of important economic and social infrastructure.

## Digital Intelligent Logistics Performance Service

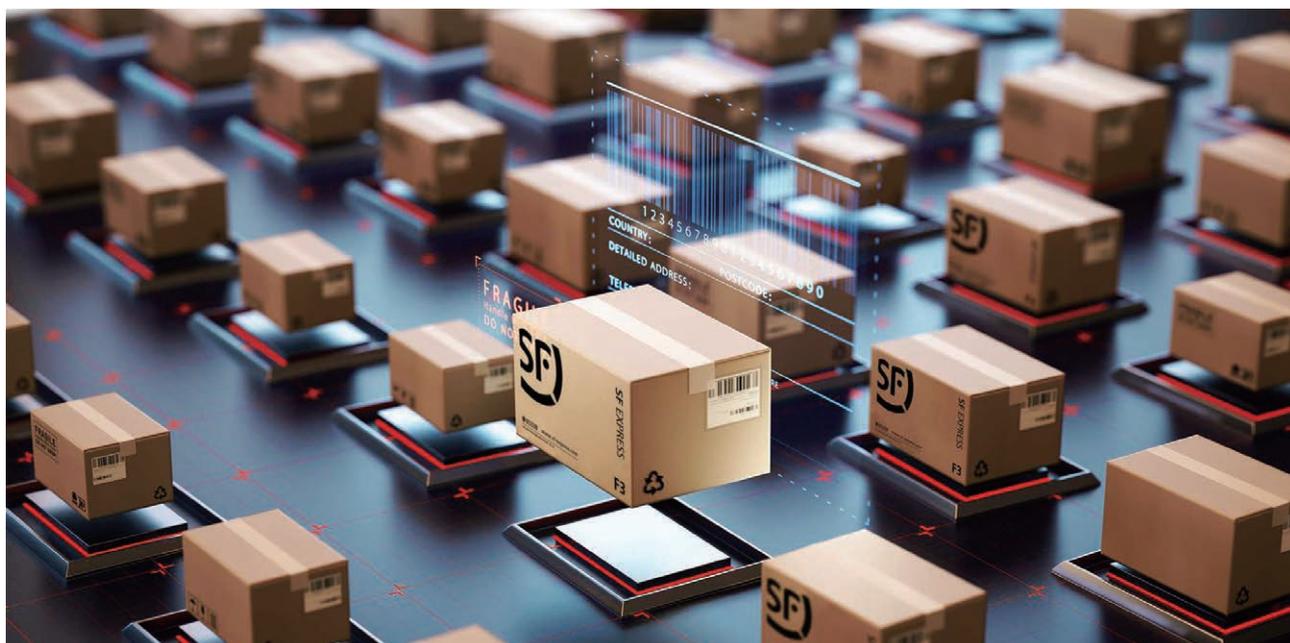
With the increasing demand of customers for high-quality logistics services, they have put forward new requirements for digital intelligent logistics performance services from the three levels: timeliness, cost and service. Thanks to its independent and controllable logistics network, SF responds to the differentiated demands of customers through corresponding system development and digital intelligent customized transformation of specific links based on the scenarios and needs of all kinds of customers in the full-link logistics distribution, and provides high-quality express delivery and other logistics performance services for all the enterprise customers in various industries.

### Case: Document Life Cycle Management Solutions

To meet the special document needs of customers in the professional service industry (such as accounting and law firms), SF has customized and developed a one-stop document logistics solution.

Based on the document processing scenarios of the professional service firms, SF Technology provides customers with a set of management system for the life cycle of document processing, covering functions such as data collation, generation, internal approval, mail sending confirmation, return sorting, return scanning, information collection, data archiving, etc., which supports whole-process closed-loop management of document processing. This system works with the document express delivery service provided by SF, building a standard technology-based document logistics solution.

After the launch, the program can take into account the requirement of customer correspondence for timely delivery, the cost control requirement of the process, and the regulatory requirement, and achieve 100% digital management in the whole process of document delivery service. Meanwhile, the program has helped customers increase their per capita efficiency by 125% and reduce labor cost by 87%, providing a new idea for the industry, and setting an excellent example.



## Digital Intelligent Supply Chain Integrated Services

At present, traditional supply chain service management is still exposed to many challenges, such as high warehouse allocation cost, difficulty in coordination of inventory allocation, fragmentation of online and offline data, and lack of forecasting system. As a third-party logistics service provider providing digital intelligent supply chain integrated services, SF delivers scenario-based, integrated, flexible and full-chain service solutions catering for the special needs of various industries by leveraging on big data, cloud computing, the Internet of everything, artificial intelligence and other vertical technologies.

### Case: Launching intelligent supply chain integrated solutions to propel enterprise transformation and upgrading

One of SF's customers is a leading player in lighting, and has several warehouses across the country and sells over 10,000 types of SKUs. The enterprise hopes to continuously improve the experience of end consumers while reducing operating costs.

From the perspective of integrated supply chain optimization, SF proposed an integrated intelligent supply chain solution including warehouse network planning, intelligent replenishment and allocation of inventory, transportation planning, and packing box recommendation.

**Warehouse network planning** SF sets the order timeliness and cost reduction goals and provides national warehouse network layout optimization plan by combing and analyzing the data of operation cost structure, historical orders as well as relevant business constraints and rules. Also, the Company optimizes the delivery rules for warehouse orders, and improves efficiency and reduces cost from an overall perspective.

**Intelligent replenishment and allocation of inventory** SF conducts data full-link analysis of customer business, builds visual intelligent allocation management system, forecasts and analyzes of sales orders, and outputs reasonable purchase plan and multi-warehouse replenishment and allocation plan through the integration of big data technology and operational experience, so as to help enterprises reduce cross-warehouse delivery problems, reduce transportation costs, improve order delivery time, and improve customer satisfaction.

**Transportation optimization** SF provides customers with actionable systems and business process solutions of "cargo loading, route planning, vehicle scheduling and transportation visualization" through intelligent algorithm, system integration, and lean operation, taking into account cost optimization and business efficiency. Based on customer needs, SF optimizes transportation costs globally, and customizes overlap routes, sequences, models and other suggestions based on customer order structure to help customers improve transportation timeliness and reduce operating costs.

**Packing box recommendation** Through intelligent packing optimization algorithm, SF matches the best packing type for each order, and assists operators with efficient packing through 3D view, so as to solve the problems of low packing capacity, high packing material cost, difficult internal and external account checking and low satisfaction of downstream customers in the process of warehouse packaging and delivery.

With the program put into practice, the Company helps customers reduce millions of cost annually, and improves the average delivery time required and the order fulfillment rate. The customer's end consumer experience and satisfaction are also greatly improved.



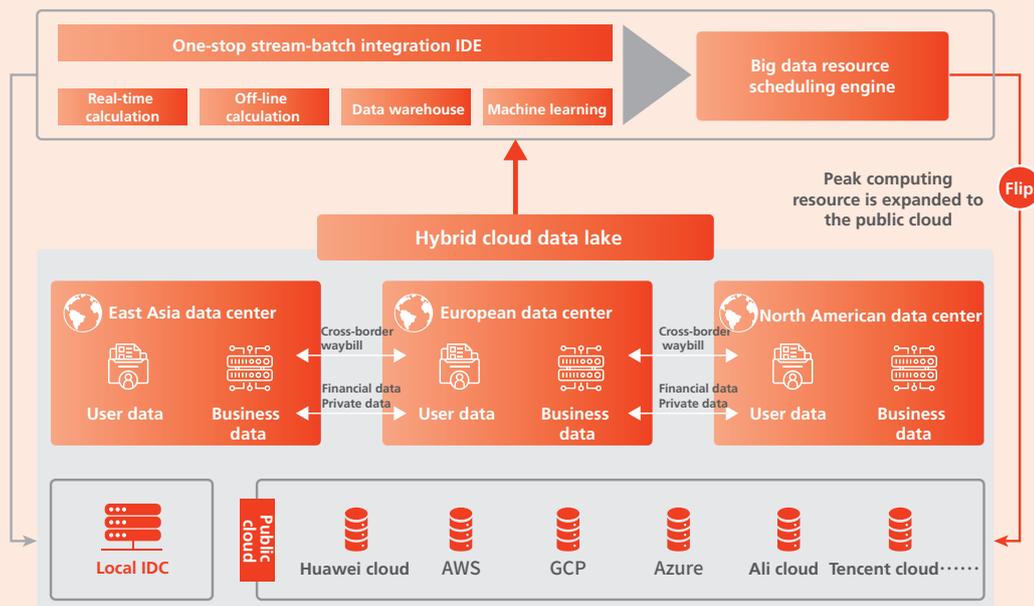
## Digital Intelligent Technology Service Products

At present, many enterprises are facing the challenge of digital intelligent transformation of business and management. Based on the technological capabilities and products accumulated in the process of digital intelligent logistics network construction, SF has developed standard tools, solutions and service capabilities applicable to the transformation needs of multiple industries, especially fields of big data and Blockchain, artificial intelligence and unmanned technology.

### Case: Using cross-cloud data lakes to reduce the management cost of multiple data operation centers

A multinational enterprise has accumulated massive data, but the data timeliness and accuracy cannot be guaranteed due to unstandardized business system data and poor data management. In order to enhance business competitiveness and refine management, the customer has put forward urgent demand for data capability and value utilization.

SF helped the customer establish a hybrid cloud data lake across multiple centers in China (SF Cloud) and Singapore (GCP), and solve the issues of unified management of international big data, converged computing and security compliance



Heading towards a digital intelligent future, SF will, based on the fulfillment service capability of the logistics network, combine its business advantages with the digital intelligent technology capability, accelerate the improvement of operation and management efficiency, and further improve the comprehensive logistics service and integrated supply chain service capability, so as to explore more possibilities of data technology. Furthermore, digital intelligence will further consolidate the timeliness, stability and quality reputation of SF in logistics performance service, promote the improvement of industry operation efficiency, achieve deep integration with the value chain of the real economy, and help the transformation and upgrading of the real economy.

# Innovation-driven Development

## Improving Innovation Management

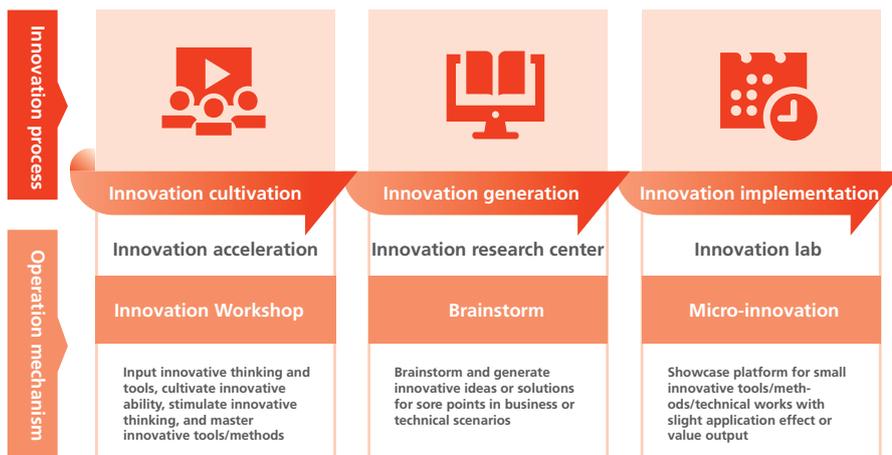
Innovation is the soul of enterprise progress and development. SF is highly concerned with innovation research and development, dedicates itself to transforming innovation into positive enterprise productivity, and encourages employees to create value for the Company in new and exciting ways. The Company has set up a sound innovation management mechanism to continuously inject impetus into the company's technology-enabled actions.

### Technology Innovation Achievements

As of the end of 2022, SF has obtained and applied for 4,452 patents and 2,490 software copyrights, among which the number of invention patents accounted for 64% of the total patents.

Since 2016, SF has set up an innovation mechanism – Innovation Workshop to promote innovation from idea to practical application. At present, it has realized a closed loop covering innovation cultivation, generation, and implementation.

SF has been constantly optimizing the innovation mechanism and improving the efficiency of organizational innovation. In 2022, SF carried out 6 live courses of innovation workshops, 12 selective micro innovation reviews and 4 Innovation Pioneer Award reviews, and set up semi-annual innovation achievement awards to continuously stimulate employees' innovation vitality. During the year, 1,650 innovative achievements were produced, and the employee participation rate reached 70%.



Innovation Mechanism of SF – Innovation Workshop

## Creating Smart Logistics

Staying true to the concept of “technology transforms logistics, logistics transforms lives”, SF constantly improve digital intelligence of the logistic network. Through digital full-chain operation covering pickup and delivery, transit, and transportation, SF achieves intelligent global planning and scheduling, dynamic resource matching, and flat efficient management in combination with big data forecasts, and visual monitoring and early warning. While integrating AIoT, automation, and unmanned technologies, SF raises the network operation efficiency, ensure delivery service security, and drive the Company’s cost reduction and efficiency reinforcement.

In 2022, total R&D amounted to

RMB **3.53** billion

**Achieving digital and intelligent planning and scheduling:** SF built a global intelligent decision-making system of “prediction → warning → scheduling → feedback” based on big data, operation research and artificial intelligence.

- Proactive forecast:** In 2022, due to the uncertain changes in the external environment, it was difficult to refer to the historical performance. SF continued to improve the granularity, accuracy, stability and timeliness of the forecast, adding new forecast business scenarios, exploring and applying the site shift prediction with finer granularity, to support refined operation. By accurately and promptly refreshing the forecast cargo volume of peak periods and holidays, SF helped all links such as sites, transportation capacity and network make resource planning and reserve in advance, improve the precision of resource investment, and improve business profitability during peak holidays. The prediction accuracy of the next day pickup and delivery of the whole network reached 97%, and the pickup and delivery accuracy of the business region level exceeded 90% for the November 11 Campaign. The Company updated the forecast every 2 hours through dynamic prediction, and gave early warning to the shifts that exceed the site processing capacity, thus helping the site and vehicles in transit adjust in time, and guarantee the service quality.
- Network planning:** SF creates intelligent network planning system tools to support the rational planning of resource investment for operation and achieve cost reduction and efficiency improvement. In 2022, the total cost was reduced at the scale of 100 million, and efficiency was improved for tens of millions of shipments. In terms of trunk lines, SF supports the planning and arrangement of direct delivery and frequency raising through line optimization tools, and guides the accurate matching and execution of resource planning by combining with the financial calculation of daily and peak line investment strategies. In terms of branch lines, SF has realized application of digital intelligent tools in the whole network to branch lines planning, and added online applications covering holidays, characteristic economy and other scenarios. In terms of air transportation, SF has rolled out preliminary research on the flight plan/ULD movement/ULD loading model for the first time and applied them to the November 11 peak.
- Real time scheduling:** Through real-time linkage of grass-roots operation positions, tens of thousands of trunk and branch line vehicles, thousands of air/railway lines and other resources, SF has established online exception monitoring, early warning and rescue system covering the whole process of transportation, transfer and delivery to ensure the timeliness of packages that may be delayed, and realize the online closed loop of exception monitoring and scheduling processing in the whole process. A daily average of 260,000 shipments were saved from delay during weekdays and 900,000 shipments during peak days.

**Achieving digital and intelligent transit:** SF is committed to building an automatic, visual and intelligent distribution hubs and creating an efficient intelligent logistics site.

- Automation:** In 2022, SF completed the investment and upgrading of automatic equipment in 47 distribution hubs, increasing the capacity and efficiency of transit processing. By the end of the Reporting Period, the automatic sorting rate of small parcels exceeded 86%, and the automatic sorting rate of unbagged shipment (parcels without collective packaging processing required) exceeded 60%.
- Intelligence:** SF has built a system chassis-system of “planning-driven sorting plan and dynamically adjusted sorting plan” to break through the barriers between planning and actual sorting operation by digital and intelligent means, so that planning can better guide actual production. The Company has realized online dynamic adjustment of sorting plan to achieve faster and automatic adjustments of sorting plan. After the system was put into use, the average time of sorting process has been reduced from 30 minutes to 2 minutes, the transport to wrong transit destination has been improved by 36.28%, and the return rate by 47.42%. In addition, based on the site capacity calculation and delivery volume prediction information, SF gives early warning to the shift overcapacity of the transit site, assists the site in avoiding the warehouse capacity depletion risk in advance and guaranteeing the transfer time. During the November 11 Campaign, 60.2% of the shifts achieved outperformance in accurate early warning in advance.
- Visualization:** Through computer visual technology, SF carry out video tracking and operation monitoring, realize visual traceability of the whole process, and help solve the quality management and safety risk control problems of the transit sites.

**Achieving digital intelligent transport:** SF constantly improved the end-to-end digital management with information technology for air, land, rail and other transport modes.

- **Air transportation:** Focusing on online resource management, SF has built resource pool, realize resource sharing and exclusive emergency dynamic booking, and provide online support and performance guarantee for operation modes with multiple products and at different guarantee levels. In addition, SF cooperates with Shenzhen Airport to carry out a pilot program of “One code for freight” to jointly improve the digital air cargo logistics.
- **Road transportation:** Through intelligent vehicle scheduling, driver efficiency reform and refined fuel consumption control, SF maximizes the application of self-operated resources and improves the utilization rate of self-operated resources. By virtue of intensive recruitment of outsourcing resources, online operation of the whole process of margin scenarios, simultaneous bidding of various resources, and intelligent route combination tools, SF supports the common procurement of various business areas, improves the bilateral trunk shipping rate, and reduces the external transport cost by more than RMB100 million. By establishing a normal transportation timeliness management and control mechanism, SF realizes the full-link and closed-loop time efficiency management and control of the transport, and improves supplier satisfaction and transportation timeliness.
- **Railway transportation:** In the express business, SF has realized online closed-loop operation for the whole process from resource demand to settlement across high-speed railway, ordinary train and freight train. In the bulk transport business, the Company participated in the third batch of multimodal transport demonstration projects of the Ministry of Transport, and became a private enterprise supporting railway transport from pickup and delivery demand to settlement.

**Digital intelligent terminal management:** Based on the dynamic digital map for area of interest (AOI) technology, the Company realized the comprehensive digital operation and online management of terminal pickup and delivery.

- **Improvement of pickup and delivery capacity:** SF is committed to improving the problem diagnosis and resource investment model of the pickup and delivery regions, achieving intelligent output of better strategies and schemes, and improving the problem improvement rate. The areas adopting the schemes recommended by the system witnessed an improvement rate of 22.65% in delayed pickup, 30.62% in delayed delivery and 52.57% in pickup reminder. The Company has built and improved the SOP platform, promptly updated the pickup and delivery operation standards, and improved the speed of new hands to get started. SF has built a courier service quality evaluation model with online quality scoring and visual quality control, achieving fair and transparent management. In addition, the Company has built package delivery models based on customer preferences, order attributes, regional characteristics and other factors to help packages match the optimal delivery channel, and achieved differentiated terminal delivery in line with customer needs, so as to improve customer experience.
- **Terminal network construction:** SF upgrades the operation tools and management tools of the outlets to reduce the labor intensity and customer meeting time of couriers, reduce the damage rate of the package, and support the comprehensive outlets in simultaneous operation of large and small parcels. Through the online closed-loop management of underperforming outlets, SF identifies and rectifies underperforming outlets in time to realize site cost saving.

## Industry-university-research Cooperation

SF is committed to deepening the cooperation between industry, university and research. The Company has established cooperative relations with many universities and research units, and carries out cooperative research and development in various technology fields such as intelligent logistics, supply chain operation research, etc., so as to enhance the innovation ability of the Company.

### Case: Joining hands with universities to develop digital intelligent technology

SF has established cooperation with 17 top universities at home and abroad, such as Tongji University, Zhejiang University and Harbin Institute of Technology. Focusing on the three key technical fields: operation research, digital twinning, and blockchain and privacy computing, SF has selected leading universities to carry out all-round and multi-form cooperation in scientific research, talent base construction and recruitment, and branding activities.

- In 2022, SF continued its strong partnership with Zhejiang University to jointly organize Creation π – the Second Intelligent Logistics Application Innovation Competition. High-quality projects in the contest such as “comprehensive solution for intelligent unattended warehouse” and “SMART packaging carbon neutrality” have been put into practice and included into the business, achieving the improvement of digital intelligent business scenarios and injecting innovative vitality into the Company’s development.
- SF hosted the logistics and supply chain industry operation research and optimization technology exchange summit for the first time, gathering professors from 5 top universities in the field of operation research, including Tsinghua University, Tongji University, Zhejiang University, Beihang University and Shenzhen University, driving exchange on the application of high-quality technology, which was well received by the industry and academia. It has been widely discussed among experts in vertical fields, university talents and the industry, significantly enhancing SF’ influence in the field of operation research optimization.
- In 2022, SF collaborated with the School of Software of Harbin Institute of Technology on a corporate mentorship program. The program consists of a technical experts from SF as mentors and groups of current computer science students to promote technical exchange by conducting daily dialogues, lectures and group research seminars.



Second Intelligent Logistics Application Innovation Competition

## Securing Safety Delivery

The safety of delivery service is a matter of public security and the safety of information and property of the public. SF strictly complies with the *Measures for Supervision and Management of Posting and Delivery Safety in the Postal Industry*, and constantly improves express mail safety management by reinforcing the management system, implementing real-name authentication and strengthening the control of illegal and prohibited articles to ensure the safety of mail delivery.

In 2022, the Company revised its management system, such as the *Operation Procedures for Real-Name Pickup and Delivery*, *Reward Mechanism for Self-Inspection of Illegal and Prohibited Articles*, *Special Plan for the Control of Illegal and Prohibited Articles* and *Regulations on Operation and Management of Battery-Contained Shipments*, to further improve the safety management of delivery service.

## Real-Name Authentication Management

SF strictly implements real-name registration and management, and promotes the effective implementation of the real-name authentication system from the dimensions of process implantation, system enforcement, and assessment and monitoring to ensure the safe and compliant delivery process.

<p><b>Process implantation</b></p>	<ul style="list-style-type: none"> <li>• “Online Real-Name” prompts and real-name authentication links have been added in the WeChat applet and APP order pages to guide customers through real-name authentication before placing orders;</li> <li>• The real-name information of credit account customers (corporate customers) is regularly checked to make system prompting changes for incorrect data and improve the accuracy of real-name information.</li> </ul>
<p><b>System compulsion</b></p>	<ul style="list-style-type: none"> <li>• ID card real-name information manual entry function is used offline, and only the OCR/NFC method can be available for automatically identifying the customer ID card, which significantly reduces the real-name information error collection.</li> </ul>
<p><b>Assessment and monitoring</b></p>	<ul style="list-style-type: none"> <li>• The problem of inaccurate information when clients use foreign passports for real-name authentication is exported to the relevant region through daily reports for follow-up improvements, and solutions are made in parallel;</li> <li>• Cause analysis is carried out on the data of abnormal real-name notifications of enterprises monitored by the State Post Bureau, and the problems are simultaneously exported to the region in the form of daily reports for improvement.</li> </ul>

## Management of Illegal and Prohibited Articles

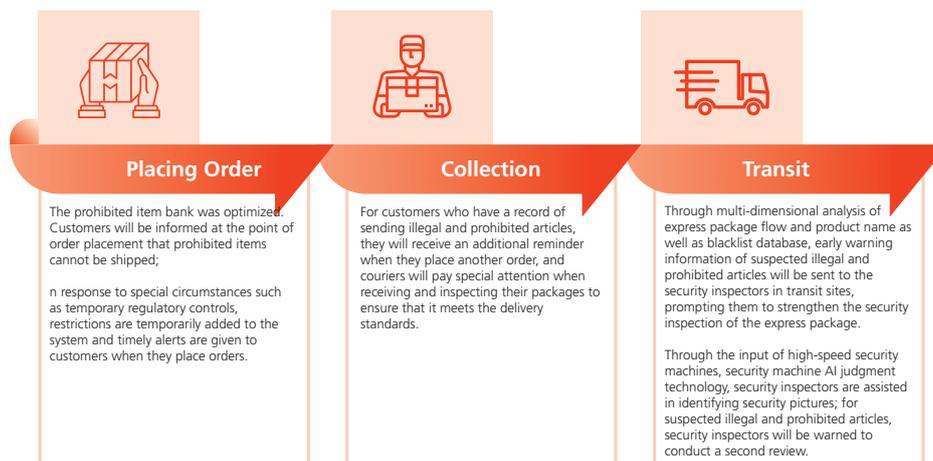
SF regularly carries out special rectification on delivery safety, continuously strengthens the management of illegal and prohibited articles, reduces transportation of illegal and prohibited articles on all fronts, safeguards public security and protects customers’ rights and interests by reinforcing staff training and developing incentive mechanisms for safety checks of illegal and prohibited articles.

### Delivery safety rectification

In 2022, the Company carried out special activities such as “drug control” and “dangerous chemicals control”, while effectively preventing the entry of illegal and prohibited items such as firearms and explosives, drug-related items, hazardous chemicals, and illegal publications into the delivery channel through training on delivery safety, signing of a delivery safety responsibility certificate and establishment of a special improvement and supervision team.

## Inspection and management of prohibited articles

Safety inspection of prohibited articles is a necessary means to ensure safety of SF, customers and the public. In 2022, SF starting with order placement, collection, transit and other delivery links, created a closed loop for the whole process of inspection and management of prohibited articles to protect customers' rights and interests.



## Training on identification of prohibited articles

In order to improve the ability of staff to identify illegal and prohibited articles, SF proactively organizes training for grassroots staff to identify illegal and prohibited articles. In 2022, the Company organized security inspectors to attend training to improve their professional capacity. In addition, the Company regularly promoted training materials, conducted training for regional functionaries and first-line and second-line staff, with a total of about 40 training sessions hosted, and put up posters on “drug control, pornography clearance” and other illegal and prohibited articles to strengthen prevention awareness.

## Digital intelligence management for delivery safety

SF applies big data, AI, Blockchain and other technologies to intelligently capture safety risk factors and improve delivery safety.

- Intelligent mining of shipment safety risks: Through big data mining and analysis, SF locates specific factors of damage and loss and has built an express safety control system, covering 10+ safety control scenarios. The Company tracks black spots data (referring to the collection of express package data for damage and loss scenarios) of relevant risk routes, sites, and intelligent IoT devices in a closed-loop manner to improve the loss warning process, locate high-risk links and operations for damage.
- Smart security check: The first large-scale application of the code binding achieves the full-chain data traceability. At the same time, through AI to reduce the manpower input of security inspectors, the rate of prohibited articles detection and release error rate both outperform traditional security checks.

## Building Quality Services

Based on its mature and efficient express network, SF has built up its logistics ecosystem through internal cultivation and external mergers and acquisitions, expanding new businesses and integrating outstanding business partners to gradually become China's No. 1 express logistics service provider covering time-sensitive express, economy express, freight, cold chain and pharmaceutical transport, and SF rush, international express, international freight and agency, and supply chain business.

Meanwhile, the Company has improved its product matrix vertically, and through various modes such as direct operation, franchising, and external cooperation. SF has introduced high-quality services in each business segment to meet the requirements of the mid-to-high-end market, as well as cost-effective services to meet the needs of the "low-tier market". Through developed product layers and the various combination of different products, SF is able to meet the diversified needs of the customers and form complete end-to-end one-stop integrated logistics solutions.

The Company's services have penetrated into various fields such as industrial manufacturing, commercial distribution, commercialize agricultural products, food and pharmaceutical cold chain, international trade and local life services, covering all aspects of social production and people's life. At the same time, SF actively embraces new industry dynamics and new trends, helping the clients innovate their business models and enhance consumers' perceptions and experiences, and practices as a transmitter and guardian of a beautiful life.

After thirty years of dedicated management, SF has enjoyed wide acclaim and popularity in the industry, establishing a brand image of being "fast", "punctual" and "safe"; the quality services have shaped good brand value, which are widely recognized by customers, the industry and society.

## Enhancing Customer Experience

SF is committed to providing quality products and services, continuously optimizing service processes and standards and enhancing customer experience.

	Targets of 2022	Progress in 2022	Targets of 2023
<b>Customer Service</b>	The customer complaint service dissatisfaction <sup>13</sup> is lower than 5%	The customer complaint service dissatisfaction was 4.8% in 2022	The customer complaint service dissatisfaction is lower than 5% in 2023

### Improving customer service system

SF strictly abides by the *Law of the People's Republic of China on Protection of Consumer Rights and Interests* and continuously improves the service quality. In 2022, the Company further improved its customer service system, including the *Reward and Punishment Rules for Customer Service*, the *Abnormality Handling Mechanism for Time-Effective Category*, the *Differentiated Customer Services* and the *Guidelines for the Control of Internet Public Opinions and Complaints*, to strengthen customer service management and continuously improve customer experience.

<sup>13</sup> Customer complaint service dissatisfaction is derived from the customer satisfaction rating for the handling of their complaints, i.e., the number of customer dissatisfaction with the handling of complaints/total number of customer complaints.

## Digital and intelligent customer experience

SF has built an enterprise customer service and product platform to expand business operations and service scenarios and achieved 99% self-service docking for enterprise customers; the Company has achieved digital upgrading of logistics product management through data and online means to assist product competitiveness.

The Company, by applying a one-stop claims settlement operation platform, accumulated claims data, built a self-service claim settlement model and a claim settlement solution model to achieve unmanned and intelligent rapid claims processing and enhance customer claim settlement experience. The customer satisfaction rate for self-service claim settlement is 98.7%, and the processing time efficiency is 98% higher than that of manual claims.

In terms of active customer service, the Company has taken the initiative to explore new service scenarios such as pre-dispatch appointments, abnormal piece handling and intelligent outbound calls through AOI areas, customer behavior data models and iterative optimization of AI capabilities to achieve refined and differentiated customer services.

## Customer satisfaction survey

The Company actively conducts surveys on the customer satisfaction, fully listens to the voice of customers and implements service improvement measures. In 2022, the Company conducted satisfaction and NPS survey on a quarterly basis to identify customer service weaknesses in six dimensions, including delivery timeliness, package safety, pickup and delivery services, sales services, post-sales services and system services, analyzed and dug out existing problems, and took timely and effective improvement measures to continuously improve service quality and customer experience.

In 2022, SF broadened the channels for customer demands and complaints and responded to customer requests in a timely manner with a customer-centric and solution-oriented approach. In addition to accepting customer requests through hotlines, online platforms and official websites, the Company proactively monitored external social media opinions and dealt with negative voices in a timely manner.

## Customer Privacy Protection

SF scrupulously complies with the *Personal Information Protection Law of the People’s Republic of China* and has laid down internal regulation systems such as the *Regulations on Privacy Data Security Compliance Management*; SF implemented full-link customer data security and protection strategies around the “placing orders, pickup and delivery, transit, after-sales and operation” in business flow and the “collection, transmission, storage, processing, exchange, and destruction” stages of data life cycle.

In 2022, the Company continued to promote the encrypted privacy waybills, and the hidden digits of the customer’s phone number were increased from 4 to 6 digits. Simultaneously, SF also supports customers’ differentiated privacy protection needs by protecting their name and address information, in a bid to comprehensively protect customer data and privacy security.

Service	Placing Order	Pickup and delivery	Transit/after-sales	Operation
Protection measures	Through the promotion of State Post Bureau’s Anyidi Real-Name QR Code and the SF Real-Name QR Code, customers are guided through online real-name authentication on their own before placing an order, and information is collected by means of a virtual QR code at the delivery site.	For sealed documents such as tender documents and personnel files, it is forbidden to unseal and inspect the envelope, and by taking and uploading photographs of the outer packaging, it is ensured that the package is sealed and intact before it is sent.	Data desensitization and intelligent outbound call to customers, with a desensitized number displayed on the call interface, or the customers directly called by the back office, are used to keep customer phone number confidential.	Encrypted storage and transmission are used to encrypt customer information stored in the business systems and big data platforms to realize cipher text transmission during data transfer.

## Outlook

The extraordinary year of 2022 is full of challenges. Despite a complicated and harsh external environment, SF has always remained unyielding while embracing difficulties and challenges. The Company takes the initiative to take responsibility in environmental, social and governance while pursuing high-quality development. By capitalizing on its outstanding efforts in improving the environment, protecting employees, and supporting the community, SF was included in Fortune's first list of China's ESG influence, marking the only express and logistics enterprise in the list.

2023 marks the 30th anniversary of the founding of SF. Over the past three decades, SFers have remained steadfast in taking the lead and making unremitting efforts, turning a startup with only a few dozen employees into a comprehensive express and logistics service provider across the world. Over the past three decades, SFers have worked hard unswervingly, and broken new ground while maintaining stable development. From manual delivery to a widespread and sophisticated transport system, SF has gone all out to develop intelligent logistics by virtue of digital intelligent technologies. Three decades of endeavor and growth have shaped into the philosophy imprinted in SFers' mind that only by holding fast to long-termism, sustainability, and healthy development, can the Company build greater success and win a beautiful future.

Who fights the hardest through adversities can take the lead, and cohesion and unity will open up a remarkable road towards stable development. In the 30 years of age, SF will be even more confident and persistent in responding to the new trends around the chain reconstruction, network optimization, ecological reintegration, and operation upgrading. SF will put continuous efforts in promoting the construction of a green logistics system, improve employee welfare and care, and fulfill social responsibility. As guided by the goal to become a benchmark that consistently delivers remarkable social value, SF will give an inexhaustible impetus to the sustainable development of the society.



# Appendix

## About the Report

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

### Time range

This report covers the period from 1 January 2022 to 31 December, 2022.

### Coverage

This Report covers the businesses of S.F. Holding Co., Ltd. and its major subsidiaries in the People’s Republic of China and other regions including the United States, South Korea, Singapore, and Malaysia. Unless otherwise indicated, the list of entities included in the Report is consistent with the 2022 Annual Financial Report issued by SF.

### Data explanation

In 2022, SF conducted ESG management for Kerry Logistics Network Limited, prioritizing ESG data integration and analysis. During the Reporting Period, SF completed the integration of environmental indicator data of Kerry Logistics Network Limited (see Appendix “Key Performance – Environment” for details); In terms of social indicators, due to differences in the business format of Kerry Logistics Network Limited and regulatory requirements in the regions in which it operates, the management of social indicators has not yet been unified. Based on the principles of clarity and reliability, the scope of disclosure in this Report does not include Kerry Logistics Network Limited’ social data. SF will gradually improve the management and disclosure of social indicators for Kerry Logistics Network Limited in the future.

In March 2023, SF successfully passed the audit by SGS-CSTC Standards Technical Services CO., LTD., an international independent third-party audit organization. The Company completed the third-party verification of greenhouse gas emissions of 2021 and 2022, and obtained the certificate of greenhouse gas accounting.



2021 Greenhouse Gas Verification Statement



2022 Greenhouse Gas Verification Statement

Explanation of the reasons for the restatement of the 2021 environmental indicator:

In 2022, SF changed the method of determining the organizational boundaries of Greenhouse Gas (GHG) accounting from the financial control method to the operational control. The Company believes that the use of the operational control method can better reflect the actual carbon emissions of SF. The adjustment of organizational boundaries has led to the expansion of operational boundaries, which in turn has caused changes in the scope of data collection. Accordingly, it is necessary to restate several environmental indicator data for 2021.

Coverage of environmental data:

All environmental data for 2022 includes data from SF Group (excluding subsidiaries as SF Supply Chain and Xiahui Supply Chain), SF Intra-city, and Kerry Logistics Network Limited.

Statistics on land transportation covers self-owned, leased, employee-owned and outsourced vehicles as well as multimodal transport in mainland China, Hong Kong and Macau. Air transportation statistics covers self-owned and leased aviation cargo aircraft. Air transportation ground operation statistics covers station bases in mainland China. Statistics on office and service outlets covers self-owned and leased office buildings and service outlets in mainland China, Hong Kong and Macau. Statistics on industrial parks and distribution hubs covers Mainland China, Hong Kong self-run industrial parks, self-owned and leased distribution hubs in Mainland China, as well as self-owned and leased warehouses in Mainland China.

Unless otherwise stated, the currency in the Report is denominated in RMB.

## Reference and Principles

United Nations Sustainable Development Goals (SDGs)

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

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

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

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

## Report title

For the convenience of expression and reading, “SF”, “the Group” and “the Company” in this Report all refer to “S.F. Holding Co., Ltd.”.

## Release of this Report

This Report was approved and released by the Board on 29 March 2023 after confirmation by the management. The sustainability report of SF is released annually at the same time as the annual financial report.

## External audit statement

The statistics (excluding economic data in the Annual Report) contained in this Report has been verified by an international independent third-party verification organization SGS-CSTC Standards Technical Services CO., LTD.

## Accessibility of this Report

You can obtain the electronic version of this Report from the following website: SF's official website <https://www.sf-express.com>  
For further consultation, or to offer any opinion or suggestion about this Report, please contact the Company via [sfir@sf-express.com](mailto:sfir@sf-express.com).



## ASSURANCE STATEMENT

### **SGS SGS-CSTC'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE S.F. Holding Co., Ltd Sustainability Report FOR 2022**

#### **NATURE OF THE ASSURANCE/VERIFICATION**

SGS-CSTC STANDARDS TECHNICAL SERVICES CO., LTD.(hereinafter referred to as SGS) was commissioned by S.F. Holding Co., Ltd (hereinafter referred to as S.F. Holding ) to conduct an independent assurance of the 2022 S.F. Holding Co., Ltd Sustainability Report (hereinafter referred to as the Report).

#### **INTENDED USERS OF THIS ASSURANCE STATEMENT**

This Assurance Statement is provided with the intention of informing all S.F. Holding's Stakeholders.

#### **RESPONSIBILITIES**

The information in the Report and its presentation are the responsibility of board of directors and relevant functional departments of S.F. Holding.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all S.F. Holding's stakeholders.

#### **ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE**

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognised assurance guidance and standards including the principles of reporting process contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) GRI 1: Foundation 2021 for report quality, GRI 2 General Disclosure 2021 for organisation's reporting practices and other organizational detail, GRI 3 2021 for organisation's process of determining material topics, its list of material topics and how to manages each topic, and the guidance on levels of assurance contained within the AA1000 series of standards and ISAE3000.

The assurance of this report has been conducted according to the following Assurance Standards:SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)  
Assurance has been conducted at a moderate level of scrutiny.

#### **SCOPE OF ASSURANCE AND REPORTING CRITERIA**

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria: GRI Standards 2021 (Reference)

#### **ASSURANCE METHODOLOGY**

The assurance comprised a combination of pre-assurance research, interviews with relevant employees onsite at Block B, TK Chuangzhi Tiandi Building, Keji South 1st Road, Nanshan District, Shenzhen, Guangdong Province, China, interviews remotely of some relevant employees located in other subsidiaries; documentation and record review and validation with external bodies and/or stakeholders where relevant

#### **LIMITATIONS AND MITIGATION**

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.  
Data tracing on headquarters level, not including original data of all subsidiaries.

The assurance process only involved interviews with the heads of relevant departments and certain employees of headquarters and consultation with relevant documents. No external stakeholder involved.

#### **STATEMENT OF INDEPENDENCE AND COMPETENCE**

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from S.F. Holding, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

#### **FINDINGS AND CONCLUSIONS**

##### **ASSURANCE/VERIFICATION OPINION**

On the basis of the methodology described and the verification work performed, the specified performance information included in the scope of assurance is accurate, reliable, and has been fairly stated.

The assurance team believes that the Report has referred to management approach disclosure and reporting principles in GRI Standards 2021.

##### **Principles**

###### **Accuracy**

S.F. Holding's information in the report was accurate, enable to release more qualitative and quantitative information with indicators for stakeholders.

###### **Balance**

The Report followed the balance principle and truthfully disclosed the positive and negative information.

###### **Clarity**

The Report was presented different ways with words, charts, graphics and pictures, also described with actual cases to ensure the stakeholders understanding easily.

###### **Comparability**

S.F. Holding had disclosed performance indicators in 2022, previous data of partial indicators were disclosed, which could help stakeholders to understand and compare the improved performance year by year.

###### **Completeness**

The Report included coverage of material aspects and boundaries, to reflect significant economic, environmental and social impacts and enable stakeholders to assess the organization's performance in the reporting period.

###### **Sustainability Context**

S.F. Holding had presented the efforts on sustainability development related to governance, environmental, social and service aspects and combined the performance in the wide context as well.

###### **Timeliness**

Verification shewn that the reported data and information was timely and effective. S.F. Holding disclosed its first ESG report in Jul 2020 and has disclosed it annually since then, which indicates good timeliness.

###### **Verifiability**

The data and information can be traced and verified.

**Management Approach**

The Report had disclosed the management approach of identified material topics.

**General Disclosures**

The general disclosures were partly presented in accordance with GRI 2: general disclosures 2021.

**Topic-Specific Disclosures**

S.F. Holding's topic-specific disclosures related to the material topics in economic, environmental, and social areas were in accordance with GRI Standards.

**Findings and recommendations**

Good practices and recommendations for sustainability report and management process were described in the internal management report which has been submitted to the management of S.F. Holding for continuous improvement.

**Signed:**



**For and on behalf of SGS-CSTC**

**David Xin**

**Sr. Director – Knowledge**

**16/F Century Yuhui Mansion, No. 73, Fucheng Road, Beijing, P.R. China**

**Mar. 23, 2023**

**WWW.SGS.COM**

## Policy List

ESG Indicator	Internal system for 2022	
Governance	<i>Rules of Procedure for General Meeting</i>	
	<i>Rules of Procedure for Board of Directors</i>	
	<i>Rules of Procedure for Supervisory Committee</i>	
	<i>Information Disclosure Management System</i>	
	<i>Risk Control Management System</i>	
	<i>Crisis Management System</i>	
	<i>Rules for the Operation of the Risk Committee</i>	
	<i>Letter of Commitment to Anti-Corruption</i>	
	<i>Integrity Agreement</i>	
	<i>Administrative Measures for Relatives Avoiding</i>	
	<i>Employee Handbook</i>	
	<i>Integrity Handbook</i>	
	<i>Rewards and Penalty Management Regulations</i>	
	<i>Employee Handbook</i>	
	<i>Reporting Management Measures</i>	
	<i>Employee Communication Management Regulations</i>	
	<i>Trademark (Trade Name) Management System</i>	
	<i>Operation Guidelines for Handling Infringement Incidents</i>	
	<i>Patent (Software Copyright) Management System</i>	
	<i>Articles of Association of SF Holdings Co., Ltd.</i>	
	<i>Emergency Plan for Information Security Incidents Regulations on Network Security Incident Management</i>	
	<i>Customer Information Management Measures</i>	
	<i>Safety Management Provisions on the Use of Employee Information</i>	
	<i>Safety Management Provisions on the System privacy data</i>	
	<i>Administrative Measures for Information Leakage Security Incidents</i>	
	<i>Administrative Measures for Rewards and Penalties for Information Security</i>	
	<i>Administrative Measures for High-Risk behaviors in Information Security</i>	
	Environment	<i>Regulations on the Administration of Water and Electricity in the Parks</i>
		<i>Management Guide for Maintenance of Industrial Park Facilities and Equipment</i>
		<i>Industrial Park Property Service Standards</i>
<i>Energy Measurement Management System</i>		
<i>Dangerous Goods Management Procedure</i>		
<i>Measures for Office Space Management</i>		
<i>Engineering Electromechanical Management Manual of SF Fengtai Industrial Park</i>		
<i>Property Equipment Management System</i>		
<i>Property Environment Management System</i>		
<i>Lump-sum Oil Consumption Plan for Commercial Vehicles</i>		
<i>SF Aviation Energy Management System (Provisional)</i>		

ESG Indicator	Internal system for 2022
Society	<i>Safety Production Management Manual</i>
	<i>Related Party Safety Management Procedures</i>
	<i>Post Safety Operation Standards</i>
	<i>Pickup and Delivery Inspection System</i>
	<i>Operational Guidelines for Emergency Handling of Shipments on Fires</i>
	<i>Regulations on the Management of “Three Systems” for Mails and Shipments</i>
	<i>Safety Assessment and Incentive Management Regulations</i>
	<i>Procedures on Hazard Source Identification, Risk Assessment, and Control Management</i>
	<i>Regulations on Safety Management of Logistics Suppliers</i>
	<i>Safety Management Agreement for Logistics Handling and Sorting Services</i>
	<i>Safety Management Agreement for Cargo Transportation Services by Road</i>
	<i>Regulations on Safety Education and Training Management</i>
	<i>Competence Evaluation and Training Management Procedure</i>
	<i>Comprehensive Emergency Plan for Safety Production</i>
	<i>Emergency Preparation and Response Management Procedure</i>
	<i>Emergency Plan Management Regulations</i>
	<i>Work Guideline on Handling of Employees’ Demands through Labor Union</i>
	<i>Complete-Process Management Mechanism for Demands</i>
	<i>Plan for Whole-Process Quality Improvement of Demands</i>
	<i>Labor Union Hotline Service Quality Improvement Mechanism</i>
	<i>Work Guidelines for Conversing Employee Voice into Productivity</i>
	<i>Reasonable Suggestion Management Mechanism</i>
	<i>Employee Welfare Management System</i>
	<i>Talent Promotion Management System</i>
	<i>Operation Instruction Manual for Employee Care</i>
	<i>SF Express Safety Production Management Manual</i>
	<i>Letter of Responsibility for Safety Production Objectives</i>
	<i>Operation Procedures for Real-Name Pickup and Delivery</i>
	<i>Reward Mechanism for Self-Inspection of Illegal and Prohibited Articles</i>
	<i>Special Plan for the Control of Illegal and Prohibited Articles</i>
	<i>Regulations on Operation and Management of Battery-Contained Packages</i>
	<i>Regulations on Safety Management of Site Vehicle Operation</i>
	<i>Regulations on Safety Management of Site Vehicle Operation</i>
	<i>Recruitment Management System</i>
	<i>Management Regulations on Procurement Suppliers</i>
	<i>Supplier Penalty Management Measures</i>
	<i>Letter of Notification of Transparent Procurement</i>
	<i>Management Regulations on Procurement Risk</i>
	<i>Regulations on the Management of Purchasing Staff</i>
	<i>Regulations on Green Procurement Management of Procurement Supply Chain Center</i>
<i>Articles of Association of SF Charity Foundation</i>	
<i>Management System of SF Charity Foundation Volunteer Association</i>	

ESG Indicator	Internal system for 2022
Services	<i>Operation Procedures for Real-Name Pickup and Delivery</i>
	<i>Regulations on Operation and Management of Battery-Contained Packages</i>
	<i>Reward Mechanism for Self-Inspection of Illegal and Prohibited Articles</i>
	<i>Special Plan for the Control of Illegal and Prohibited Articles</i>
	<i>Dangerous Goods Transportation Manual</i>
	<i>Reward Management Measures for Self-Inspection of Illegal and Prohibited Articles</i>
	<i>Operation Procedures for Pickup and Delivery Lithium Battery-Contained Packages</i>
	<i>Regulations on Privacy Data Security Compliance Management</i>
	<i>Reward and Punishment Rules for Customer Service</i>
	<i>Abnormality Handling Mechanism for Time-Effective Category</i>
	<i>Differentiated Customer Services</i>
	<i>Guidelines for the Control of Internet Public Opinions and Complaints</i>

## Key Performance

Indicator – Governance <sup>14</sup>	Unit	2020	2021	2022
Number of general meetings	Time	2	5	4
Follow-up feedback rate of effective reporting	%	100	100	100
Completion rate of “three ones” in handling complaints	%	95	96	96
Workforce’ signing rate of the <i>Letter of Commitment to Anti-corruption</i>	%	89.1	92.9	94.6
Total duration of workforce anti-corruption education	Hour	17,500	19,017	21,300

Indicator – Environment	Unit	2020	2021	2022	
				SF	KLN

### GHG emissions

GHG emissions	Total GHG emissions	tCO <sub>2</sub> e	5,426,964.7	9,079,312.0	9,185,355.1	2,472,955.0
	Scope 1		4,182,419.20	2,834,500.1	3,143,752.0	322,253.0
	Scope 2		590,431.6	1,684,937.7	1,804,248.5	80,543.0
	Scope 3		654,113.9	4,559,874.1	4,237,354.6	2,070,159.0
GHG emission intensity	tCO <sub>2</sub> e/ million revenue	35.2	48.6	47.6	33.1	
GHG emissions per shipment <sup>15</sup>	g CO <sub>2</sub> e/ shipment	666.7	860.6	824.5	N/A <sup>16</sup>	

<sup>14</sup> The governance indicators do not include Kerry Logistics Network Limited data.

<sup>15</sup> The GHG emissions of a single order are calculated from the total GHG emissions and the total shipment volume during the Reporting Period. The total shipment volume does not include the shipment volume of Kerry Logistics Network Limited’ business in overseas countries.

<sup>16</sup> Due to the differences in business forms, this indicator is not applicable to Kerry Logistics Network Limited.

Indicator – Environment		Unit	2020	2021	2022	
					SF	KLN
<b>Energy consumption</b>						
Gasoline consumption	Total gasoline consumption	L	69,149,667.3	120,521,385.4	113,514,553.9	1,653,241.5
	Gasoline consumption of land transportation		69,067,775.7	120,419,831.4	113,401,568.7	
	Gasoline consumption of ground aviation		81,891.6	101,554.0	112,985.3	
Diesel consumption	Total diesel consumption	L	914,265,444.4	1,169,914,459.3	1,176,328,146.3	103,351,869.9
	Diesel consumption of land transportation		913,116,365.4	1,168,844,647.6	1,175,178,580.0	
	Diesel consumption of ground aviation		1,149,079.0	1,069,811.7	1,149,566.3	
Outsourced electricity consumption	Total outsourced electricity consumption	kW.h	676,296,585.9	1,759,180,709.8	1,840,522,716.8	164,389,000
	Electricity consumption of land transportation		117,336,376.5	125,767,090.0	142,288,089.0	
	Electricity consumption of ground aviation		7,731,677.5	12,032,767.1	10,773,210.0	
	Industrial Park and distribution hub electricity consumption		299,143,742.3	994,552,136.8	1,090,926,407.1	
	Electricity consumption of office and service outlets		252,084,789.6	563,540,011.0	530,138,728.8	
	Electricity consumption of warehouses		/	63,288,704.8	66,396,281.9	
Aviation kerosene consumption		t	500,657.70	516,508.1	514,485.7	N/A <sup>17</sup>
Comprehensive energy consumption		kW.h	16,321,547,680.4	20,781,811,956.3	20,839,156,761.0	1,215,138,800
Comprehensive energy intensity		kW.h/ million revenue	105,993.1	111,176.9	108,072.9	16,274.4
<b>Resource consumption</b>						
Water consumption	Total water consumption	t	702,968	821,882.0	1,423,452.0	1,169,181
	Water consumption of industrial parks and distribution hubs <sup>18</sup>		620,251.7	653,893.0	1,215,171.0	
	Water consumption of office and service outlets		43,600.3	123,485.0	120,993.0	
	Water consumption of ground aviation		39,116	44,504.0	87,288.0	
<b>Waste</b>						
Non-Hazardous Waste production	Total waste production	kg	20,801,957.2	27,131,393.4	46,096,330.9	28,442,000
	Waste production of industrial park <sup>19</sup>		16,703,832.4	23,934,635.0	42,134,677.0	
	Waste production of headquarters office		4,098,124.8	3,196,758.4	3,961,653.9	
<b>Packaging materials</b>						
Use of packaging items	Total use of packaging items	kg	358,264,904.0	455,273,842.3	445,093,236.0	9,203,000
	Consumption of express envelope		75,051,139.1	80,221,238.6	75,219,380.0	
	Consumption of waybill		22,287,605.8	22,855,775.1	17,620,130.4	
	Carton consumption		231,477,670.1	239,793,264.9	241,291,360.0	
	Consumption of plastic bags		26,761,002.0	37,327,243.6	41,596,926.6	
	Consumption of scotch tapes		26,316,984.3	29,820,095.9	28,412,018.0	
	Foaming type of fillers		/	28,169,587.6	12,814,718.2	
	Inflatable type of fillers		/	17,086,636.6	28,138,702.8	

<sup>17</sup> Due to the differences in business forms, this indicator is not applicable to Kerry Logistics Network Limited.

<sup>18</sup> As 18 new industrial parks were put into operation in 2022, the water consumption recorded an increase compared to 2021

<sup>19</sup> As 18 new industrial parks were put into operation in 2022, the amount of non-hazardous waste produced recorded an increase compared to 2021

Indicator – Society <sup>20</sup>	Unit	2020	2021	2022
<b>Democratic management</b>				
Number of labor union members	0,000	20	45	57
Collective bargaining agreements coverage rate	%	31	40	49
Settlement rate of practitioner communication and advice accidents	%	96	98	97
<b>Employees and employment</b>				
Employment contract signing rate	%	100	100	100
Total number of workforces	Person	634,328	678,413	699,474
Couriers turnover	%	19.2	18.7	19.8
<b>Training and development</b>				
Total number of employees trained	Person-times	6,238,439	7,178,737	8,584,201
Total hours of workforce training	Hour	1,905,093	2,747,491	2,532,405
Total investment in workforce training	RMB100 million	1.3	1	0.65
Number of male workforce online training	Person-times	5,126,141	5,966,421	5,109,844
Number of female workforce online training	Person-times	1,112,298	842,225	871,304
Number of new workforce training	Person-times	205,127	229,623	160,736
Total number of workforces receiving financial support for educational certification	Person	1,191	1,299	1,557
Total amount of educational certification subsidy	RMB	7,466,000	8,157,674	9,261,131
<b>Health and safety</b>				
Number of serious fire accidents on shipments	Accident	0	0	0
Number of Level I and Level II fire accidents on site	Accident	0	0	0
Lost working days per million shipments	Day	77	57	62
Rectification rate of potential safety hazards discovered in various safety inspections and activities	%	100	100	100
Number of safety drills	Times	6,000	6,119	5,850
Safety training coverage rate	%	100	100	100
<b>Employee satisfaction and care</b>				
Staff satisfaction	%	88	86	86
Sympathy to workforces and their families	10,000 Person-times	240	240	349
Input of workforce care services	RMB'0,000	7,625	28,718	31,004

<sup>20</sup> The social indicators do not include Kerry Logistics Network Limited data.

Indicator – Society <sup>20</sup>	Unit	2020	2021	2022
<b>Supply chain management</b>				
Number of suppliers in China	Company	11,126	8,938	10,767
Number of suppliers in Hong Kong, Macao and Taiwan	Company	11	22	25
Number of suppliers in Europe and America	Company	5	5	5
Number of suppliers in Asia (excluding China)	Company	2	2	4
Suppliers with systematic management	Company	11,144	8,967	10,801
Newly introduced collective purchasing suppliers	Company	1,008	664	1,406
Newly introduced separated suppliers	Company	7,558	2,222	2,330
Signing rate of supplier social responsibility clauses	%	100	100	100
Signing rate of supplier integrity agreement	%	100	100	100

Indicator – Services <sup>21</sup>	Unit	2020	2021	2022
<b>Technology development</b>				
Number of patents granted	Patent	1,371	1,680	1,851
Number of new patents granted	Patent	420	283	221
<b>Safe delivery</b>				
Coverage rate of training on safe delivery for couriers	%	84	100	100
Number of safety training courses on safe delivery	Course	31	26	39
Pass rate of delivery safety training	%	99.8	99.9	99.9
Rate of certified employment for special equipment	%	100	100	100
Number of illegal and prohibited products intercepted	Item	10,713	32,460	44,040
<b>Customer service</b>				
Effective complaint rate of consumers	PPM <sup>22</sup>	0.03	0.04	0.03
Handling rate of consumer complaints	%	100	100	100

<sup>21</sup> The service indicators do not include Kerry Logistics Network Limited data.

<sup>22</sup> PPM (Part Per Million) : Part per million

# Indicator Index

## GRI Standards Content Index

Instructions	SF referred to the GRI standards for preparation of the Report covering the period from January 1, 2022, to December 31, 2022.
Use of GRI 1	GRI 1: Foundation 2021

GRI Standard Indicator No.	GRI Standard Indicator	Location/Note
<b>GRI 2: General Disclosure 2021</b>		
2-1	Organizational details	About SF
2-2	Entities included in the organization's sustainability reporting	About the Report
2-3	Reporting period, frequency and contact point	About the Report
2-4	Restatements of information	About the Report
2-5	External assurance	About the Report
2-6	Activities, value chain and other business relationships	About SF Building Responsible Chain Together
2-7	Employees	Talent Pool Development Key Performance
2-8	Workers who are not employees	Bearing Social Responsibility
2-9	Governance structure and composition	Standardizing Corporate Governance
2-10	Nomination and selection of the highest governance body	Please refer to the Annual Report
2-11	Chair of the highest governance body	Please refer to the Annual Report
2-12	Role of the highest governance body in overseeing the management of impacts	Standardizing Corporate Governance
2-13	Delegation of responsibility for managing impacts	Standardizing Corporate Governance
2-14	Role of the highest governance body in sustainability reporting	ESG Governance System
2-15	Conflicts of interest	Abiding by Business Ethics
2-16	Communication of critical concerns	Standardizing Corporate Governance Sustainability Management
2-17	Collective knowledge of the highest governance body	Sustainability Management Standardizing Corporate Governance
2-18	Evaluation of the performance of the highest governance body	Please refer to the Annual Report
2-19	Remuneration policies	Please refer to the Annual Report
2-20	Process to determine remuneration	Please refer to the Annual Report

GRI Standard Indicator No.	GRI Standard Indicator	Location/Note
2-21	Annual total compensation ratio	Please refer to the Annual Report
2-22	Statement on sustainable development strategy	Sustainability Management
2-23	Policy commitments	Talent Pool Development
2-24	Embedding policy commitments	Standardizing Corporate Governance
2-25	Processes to remediate negative impacts	Strengthening Risk Control Management
2-26	Mechanisms for seeking advice and raising concerns	Sustainability Management
2-27	Compliance with laws and regulations	There is no material non-compliance cases during the Reporting Period
2-28	Membership associations	Highlights of Annual Performance Creating Green Logistics
2-29	Approach to stakeholder engagement	Communication with Stakeholders
2-30	Collective bargaining agreements	Talent Pool Development Key Performance
<b>GRI 3: Material Topics 2021</b>		
3-1	Process to determine material topics	Determination of Materiality Issues
3-2	List of material topics	Determination of Materiality Issues
<b>GRI 201: Economic Performance 2016</b>		
3-3	Management of material topics	Strengthening Risk Control Management Tackling Climate Change Practicing Public Service and Charity Fueling Rural Revitalization
201-1	Direct economic value generated and distributed	Bearing Social Responsibility
201-2	Financial implications and other risks and opportunities due to climate change	Tackling Climate Change Strengthening Risk Control Management
201-3	Defined benefit plan obligations and other retirement plans	Talent Pool Development
201-4	Financial assistance received from government	Please refer to the Annual Report
<b>GRI 202: Market Presence 2016</b>		
3-3	Management of material topics	Talent Pool Development
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Talent Pool Development
<b>GRI 203: Indirect Economic Impacts 2016</b>		
3-3	Management of material topics	Bearing Social Responsibility
203-1	Infrastructure investments and services supported	Bearing Social Responsibility
203-2	Significant indirect economic impacts	Bearing Social Responsibility

GRI Standard Indicator No.	GRI Standard Indicator	Location/Note
<b>GRI 205: Anti-corruption 2016</b>		
3-3	Management of material topics	Abiding by Business Ethics
205-1	Operations assessed for risks related to corruption	Abiding by Business Ethics
205-2	Communication and training about anti-corruption policies and procedures	Abiding by Business Ethics
205-3	Confirmed incidents of corruption and actions taken	Abiding by Business Ethics
<b>GRI 206: Anti-competitive Behavior 2016</b>		
3-3	Management of material topics	Abiding by Business Ethics
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Abiding by Business Ethics
<b>GRI 301: Materials 2016</b>		
3-3	Management of material topics	Sustainable Packaging Practice
301-1	Materials used by weight or volume	Sustainable Packaging Practice
301-2	Recycled input materials used	Sustainable Packaging Practice
301-3	Reclaimed products and their packaging materials	Sustainable Packaging Practice
<b>GRI 302: Energy 2016</b>		
3-3	Management of material topics	Environmental Management System Certification Promote Low-carbon Transportation
302-1	Energy consumption within the organization	Promote Low-carbon Transportation
302-2	Energy consumption outside of the organization	Promote Low-carbon Transportation
302-3	Energy intensity	Promote Low-carbon Transportation
302-4	Reduction of energy consumption	Promote Low-carbon Transportation
302-5	Reductions in energy requirements of products and services	Promote Low-carbon Transportation Promoting Circular Economy
<b>GRI 303: Water and Effluents 2018</b>		
3-3	Management of material topics	Promote Green Office Building Green Industrial Parks
303-1	Interactions with water as a shared resource	Promote Green Office Building Green Industrial Parks
303-2	Management of water discharge related impacts	Promote Green Office Building Green Industrial Parks
303-5	Water consumption	Key Performance

GRI Standard Indicator No.	GRI Standard Indicator	Location/Note
<b>GRI 305: Emissions 2016</b>		
3-3	Management of material topics	Sustainable Packaging Practice Promote Low-carbon Transportation
305-1	Direct (Scope 1) GHG emissions	Key Performance
305-2	Energy indirect (Scope 2) GHG emissions	Key Performance
305-3	Other indirect (Scope 3) GHG emissions	Key Performance
305-4	GHG emissions intensity	Key Performance
305-5	Reduction of GHG emissions	Key Performance
<b>GRI 306: Waste 2020</b>		
3-3	Management of material topics	Green Industry Development
306-1	Waste generation and significant waste-related impacts	Green Industry Development
306-2	Management of significant waste-related impacts	Green Industry Development
306-3	Waste generated	Key Performance
<b>GRI 308: Supplier Environmental Assessment 2016</b>		
3-3	Management of material topics	Building Responsible Chain Together
308-1	New suppliers that were screened using environmental criteria	Building Responsible Chain Together
308-2	Negative environmental impacts in the supply chain and actions taken	Building Responsible Chain Together
<b>GRI 401: Employment 2016</b>		
3-3	Management of material topics	Talent Pool Development
401-1	New employee hires and employee turnover	Key Performance
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Care
401-3	Parental leave	Employee Care
<b>GRI 402: Labor/Management Relations 2016</b>		
3-3	Management of material topics	Protection of Employees' Rights and Interests
402-1	Minimum notice periods regarding operational changes	Protection of Employees' Rights and Interests
<b>GRI 403: Occupational Health and Safety 2018</b>		
3-3	Management of material topics	Ensuring Safety Production
403-1	Occupational health and safety management system	Ensuring Safety Production
403-2	Hazard source identification, risk assessment, and incident investigation	Ensuring Safety Production
403-3	Occupational health services	Ensuring Safety Production

GRI Standard Indicator No.	GRI Standard Indicator	Location/Note
403-4	Worker participation, consultation, and communication on occupational health and safety	Ensuring Safety Production
403-5	Worker training on occupational health and safety	Ensuring Safety Production
403-6	Promotion of worker health	Ensuring Safety Production
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Ensuring Safety Production
403-8	Workers covered by an occupational health and safety management system	Ensuring Safety Production Key Performance
403-9	Work-related injuries	Ensuring Safety Production Key Performance
403-10	Work-related ill health	Ensuring Safety Production
<b>GRI 404: Training and Education 2016</b>		
3-3	Management of material topics	Helping Employees to Grow Key Performance
404-1	Average hours of training per year per employee	Key Performance
404-2	Programs for upgrading employee skills and transition assistance programs	Helping Employees to Grow
404-3	Percentage of employees receiving regular performance and career development reviews	Helping Employees to Grow
<b>GRI 405: Diversity and Equal Opportunity 2016</b>		
3-3	Management of material topics	Protection of Employees' Rights and Interests
405-1	Diversity of governance bodies and employees	Protection of Employees' Rights and Interests Key Performance
<b>GRI 406: Non-discrimination 2016</b>		
3-3	Management of material topics	Protection of Employees' Rights and Interests
406-1	Incidents of discrimination and corrective actions taken	Protection of Employees' Rights and Interests
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>		
3-3	Management of material topics	Protection of Employees' Rights and Interests
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Protection of Employees' Rights and Interests
<b>GRI 408: Child Labor 2016</b>		
3-3	Management of material topics	Protection of Employees' Rights and Interests
408-1	Operations and suppliers at significant risk for incidents of child labor	Protection of Employees' Rights and Interests
<b>GRI 409: Forced or Compulsory Labor 2016</b>		
3-3	Management of material topics	Protection of Employees' Rights and Interests
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Protection of Employees' Rights and Interests Building Responsible Chain Together

GRI Standard Indicator No.	GRI Standard Indicator	Location/Note
<b>GRI 413: Local Communities 2016</b>		
3-3	Management of material topics	Bearing Social Responsibility
413-1	Operations with local community engagement, impact assessments, and development programs	Bearing Social Responsibility
413-2	Operations with significant actual and potential negative impacts on local communities	Bearing Social Responsibility
<b>GRI 414: Supplier Social Assessment 2016</b>		
3-3	Management of material topics	Building Responsible Chain Together
414-1	New suppliers that were screened using social criteria	Building Responsible Chain Together
414-2	Negative social impacts in the supply chain and actions taken	Building Responsible Chain Together
<b>GRI 416: Customer Health and Safety 2016</b>		
3-3	Management of material topics	Securing Safety Delivery Building Quality Services
416-1	Assessment of the health and safety impacts of product and service categories	Securing Safety Delivery
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Securing Safety Delivery Building Quality Services
<b>GRI 418: Customer Privacy 2016</b>		
3-3	Management of material topics	Customer Privacy Protection Securing Safety Delivery Data Security Governance Whistleblowing Management
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy Protection Securing Safety Delivery Whistleblowing Management

# Sustainability Accounting Standards Board Index (SASB Content Index)

## Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Category	Code	Location
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Quantitative	TR-AF-110a.1	Create Green Logistics Key Performance
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	TR-AF-110a.2	Environment
	Fuel consumed by (1) road transport, percentage (a) natural gas and (b) renewable, and (2) air transport, percentage (a) alternative and (b) sustainable	Quantitative	TR-AF-110a.3	Create Green Logistics Key Performance
Air Quality	Air emissions of the following pollutants: (1) NO <sub>x</sub> (excluding N <sub>2</sub> O), (2) SO <sub>x</sub> , and (3) particulate matter (PM <sub>10</sub> )	Quantitative	TR-AF-120a.1	/
Labor Practices	Percentage of drivers classified as independent contractors	Quantitative	TR-AF-310a.1	Not applicable
	Total amount of monetary losses as a result of legal proceedings associated with labor law violations	Quantitative	TR-AF-310a.2	Not applicable
Employee Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Quantitative	TR-AF-320a.1	Ensuring Safe Production Key Performance
Supply Chain Management	Percentage of carrier with BASIC percentiles above the FMCSA intervention threshold	Quantitative	TR-AF-430a.1	Not applicable
	Total greenhouse gas (GHG) footprint across transport modes	Quantitative	TR-AF-430a.2	Sustainable Packaging Practice Key Performance
Accident & Safety Management	Description of implementation and outcomes of a Safety Management System	Discussion and Analysis	TR-AF-540a.1	Ensuring Safe Production Safety Management System
	Number of aviation accidents	Quantitative	TR-AF-540a.2	/
	Number of road accidents and incidents	Quantitative	TR-AF-540a.3	/
	Safety Measurement System BASIC Percentiles for: (1) Unsafe Driving, (2) Hours-of-Service Compliance, (3) Driver Fitness, (4) Controlled Substances/Alcohol, (5) Vehicle Maintenance, and (6) Hazardous Materials Compliance	Quantitative	TR-AF-540a.4	Not applicable

### Table. Activity Metrics

Activity Metric	Category	Code	Location
Revenue ton kilometers (RTK) for: (1) road transport and (2) air transport	Quantitative	TR-AF-000.A	/
Load factor: (1) road transport (2) air transport	Quantitative	TR-AF-000.B	Promote Low-carbon Transportation
Number of employees, number of truck drivers	Quantitative	TR-AF-000.C	Key Performance

## Readers' Feedback

Dear reader,

Thank you for taking time to read the 2022 SF Sustainability Report. To improve SF sustainable development program and this Report, SF would like to hear your comments and suggestions.

If you have any opinions and suggestions on the sustainable development of the Company, please send an email to [sfir@sf-express.com](mailto:sfir@sf-express.com).

### Readers' Feedback Form for 2022 SF Sustainability Report

Name: \_\_\_\_\_

Company: \_\_\_\_\_

Position: \_\_\_\_\_

Tel: \_\_\_\_\_

Email: \_\_\_\_\_

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

	Very good	Good	Average	Poor
1. Do you think this Report has highlighted the important ESG information about the Group?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you think the information and indicators contained in this Report are clear, accurate and complete?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you think the content layout and style design of this Report make it easy for you to read the Report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Which part of the Report are you most interested in?  
\_\_\_\_\_  
\_\_\_\_\_

5. What other information do you think needs to be reflected in this Report?  
\_\_\_\_\_  
\_\_\_\_\_

6. What suggestions do you have for SF in terms of its sustainability report?  
\_\_\_\_\_  
\_\_\_\_\_



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**S. F. Holding Co., Ltd.**

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