

# CNML

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长安民生

重慶長安民生物流股份有限公司

Changan Minsheng APLL Logistics Co., Ltd.\*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 01292)

**2018**

Environmental, Social and  
Governance Report

\*For identification purpose only

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## **1. About the Report**

This is the third environmental, social and governance (“ESG”) report of Changan Minsheng APLL Logistics Co., Ltd. (the “Company”), covering the period from 1 January 2018 to 31 December 2018.

### **Basis of Preparation**

The report has been prepared mainly with reference to the Appendix 27: *Environmental, Social and Governance Reporting Guide* (the “ESG Guide”) of the Rules Regarding the Listing of Securities (the “Listing Rules”) for Main Board published by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The scope and content of the report were determined by following a set of systematic procedures which included stakeholder identification and engagement, ESG materiality analysis, defining the extent of the report, information and data collection, drafting, proofreading and data assurance.

### **Scope of the Report**

The policies, declarations and data within the report cover the headquarters of the Company and the subordinate controlling subsidiaries and holding subsidiaries.

### **Data Source and Reliability Assurance**

The data and cases in the report were mainly extracted from the Company’s statistical reports and relevant documents. The Company undertakes that the report does not contain any false or misleading information or statements and accepts responsibility for the contents of the report as to their accuracy, truthfulness and completeness.

### **Confirmation and Approval**

As confirmed by Management, the report was approved by the board of directors of the Company on 25 March 2019.

### **Access and Feedback on the Report**

This is an independent report. The soft copy of the report is accessible on the Stock Exchange’s HKEx News website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s official website ([www.camsl.com](http://www.camsl.com)).

## 2. Responsible Development and Good Governance

During 2018, the Company further pushed our ESG effort. The Company improved our sustainable development strategy and built a sustainable development governance framework to improve our governance of environmental and social risks.

### 2.1 Sustainable Development Principles

The Company has always upheld and taken concrete steps to promote the idea and practice of corporate social responsibility. We insist on the values of humanism and respect for labor; development driven by innovation; cooperation with industry partners. We believe this is the best way to serve our clients, shareholders and society. The Company's vision is to be a world-class automobile supply chain logistics integrated service provider and we endeavored to realize this vision by committing to our core values in a manner compatible with long-term sustainable development.

#### Our mission, vision and core values

To use innovative logistics to create a better life for all stakeholders		
We are committed to being ahead of our time, to making continuous effort to develop and innovate our logistics management process and logistics model and to contributing to society in a professional and efficient manner to create a better and brighter life.		
▶	To society:	we are devoted to being a responsible and model corporate citizen, earnest in the performance of our social responsibilities, constantly reforming and innovating, a pioneer and industry leader in socially, economically and environmentally sustainable development.
▶	To clients:	we are devoted to continuously delivering value to our clients by providing the best and most professional and efficient integrated solutions and services and to constantly improving customer satisfaction and loyalty under the slogan of "Extremely touched, Happy Provider".
▶	To employees:	we regard employees as the fundamental factor in value creation and are devoted to building a workplace full of respect, happiness, value creation and sharing, a working environment that is fair, transparent, sincere and cooperative, and to establishing a professional development ladder for employees, to recognize their contributions, to help with career development and to boost their well-being.
▶	To shareholders:	we are committed to running a transparent, efficient, progressive and stable operation, to increasing profitability while maintaining sustainable growth, to rewarding shareholders with prolonged, stable and decent returns.
▶	To business partners:	we are committed to conducting business in an honest, equal and mutually beneficial manner, and to establishing long-term cooperative relationships with business partners, hand in hand on value creation and sharing and risk elimination.

<i>Our vision</i>	<i>Our core values</i>
To become a world-class automobile supply chain logistics integrated service provider	<ul style="list-style-type: none"> <li>▶ To commit to the success of clients</li> <li>▶ To develop employees</li> <li>▶ To be honest and responsible</li> <li>▶ To maintain a spirit of cooperation</li> </ul>
We are persistent in our efforts to realize rapid growth, healthy development and in our vision of becoming a world-class automobile supply chain logistics integrated service provider	

## 2.2 Sustainable Development Management Structures

Comprehensive and effective governance structure lays the foundation for the order and efficiency of ESG works and is key to corporate sustainability. The Company has formed an ESG working group to push forward the ESG management work. All departments of the Company have been made aware of their responsibilities in the establishment of a favorable business environment and a social work management system as part of a concerted effort to advance our sustainable development.

## 2.3 Stakeholders Engagement

The Company established a regular communication system based on our own development strategy and the demands of our stakeholders. The Company hopes to realize positive interaction with various stakeholders through specific and various channels and to promptly respond to their concerns. We believe that such engagement is key to achievement of the Company's sustainable development goals.

Stakeholders	Forms of Communication	
Clients	Official Website Customer Interviews Customer Service Hotline Customer Relationship Periodic Maintenance	Customer Satisfaction Survey VIP Customer Annual Party Seasonal Quality Communication Meeting
Employees	Internal Company Liaison Employee Mailbox Employee Family Visits	Staff Meeting Employee Recreational Activities Staff Training
Shareholders and Investors	Shareholder's Meeting Official Website Public Reports	Periodic Reports Visitor Reception
Government and Relevant Associations	Department Visits Communication Meeting	Public Events
Suppliers	Direct Communication and Visits Suppliers' Meeting Online Opinion Poll	Online Procurement and Resource Management Platform Regular Review and Assessment Bidding Activities
Communities	Poverty Alleviation Donations Job Offerings	Public Welfare Activities Volunteer Work Green Operation
Others	Online Surveys	Site Visits

## 2.4 Materiality Matrix

After an analysis on the Company's ESG work in respect of present status, media coverage and peer comparison, in combination with the Company's development plan and communication results with stakeholders, the Management of the Company confirmed that all the issues applicable to the businesses of the Company as set out in the ESG Guide of the Stock Exchange (herein after refer to as HKEx ESG Guide) are issues of significance to our own development. All the response to those issues can be found in this report. The list of the issues dealt with in this report is to be found in the section 10 - Index of Environmental, Social and Governance Reporting Guide, which maps the disclosures against the Key Performance Indicators (KPIs) listed in the HKEx ESG Guide, in accordance with the "comply or explain" provisions.

## 2.5 Anti-corruption and Good Governance

The Company attaches great importance to building an honest and clean enterprise, and is constantly improving its clean governance systems. The company promotes and implements clean governance systems by organizing relevant trainings and other educational activities.

### Clean governance systems

The Company strictly abides by all relevant laws and regulations such as the *Company Law of the People's Republic of China* and the provisions of the Corporate Governance Code of the Listing Rules of the Stock Exchange. The Company has drafted a series of internal policies to restrain employee conducts and promote clean governance standards.

The clean governance regulations of the Company are in four aspects: employee conduct, clean governance work, supervision and accountability, and reporting management.

- 1、 Employee conduct regulations: *Employee Code of Conduct, Code for Employee Clean and Honest Professional Practice, Honesty and Self-discipline Code for Middle and Above-ranking Management, Strict Management Order, List of Negative Behaviours in the Implementation of the Central Party's Eight Provisions, List of Negative Behaviours Against Clean Governance*, etc;
- 2、 Supervision and accountability regulations: *Regulations on the Implementation of Middle-ranking Management Accountability, Management Provisions on Reminding, Questing, and Admonishing Middle-ranking Management, Accountability in Building a Clean Party and Administration*, etc;
- 3、 Report management regulations: *Implementation Measures for Disciplinary Inspection, Supervision, Petition and Reporting Work* (trial version);
- 4、 Clean governance work regulations: *Party Committee Cadre Consultation Mechanism, Disciplinary Inspection Committee Working Mechanism*, etc.

The above documents safeguard the clean governance structure by specifying and regulating employee and management conducts, supervision and accountability, reporting supervision, and the working procedure of the disciplinary inspection committee.

## Clean governance training and education

To further promote and implement clean governance systems, the Company organized a series of educational events themed “clean professional practice” and drafted a series of micro-corruption countering plans in 2018, striving to build a collective clean governance ecology.

### Case: “Reject Corruption and Conform to Clean Practice” Manga – “Clean Professional Practice” Educational Event

In 2018, the Company organized a real story manga competition with the theme of “Reject corruption and conform to clean practice”.

The employees actively engaged in the event and created 118 manga pieces with creative stories reflecting the risk points prone to “micro-corruption” in the grass root management level. After expert and employee reviews, “Corruption: A Black Hole” and other 5 pieces of manga were awarded the first, second, and third prizes.

The “Reject corruption and conform to clean practice” manga competition has enhanced employee clean governance awareness and clean up the operation environment in a straightforward manner, and made concerted employee efforts to fight corruption and achieve the annual operation goals. The “Reject corruption and conform to clean practice” manga competition fostered the anti-corruption and integrity building environment and has become a powerful “engine” to sweep away corruption risks and strengthening clean governance.



### Case: “Collective Action to Fight Micro-corruption” – Anti-micro-corruption Campaign

From 17 December 2018 to 30 January 2019, the Company initiated a 45-day long “Collective action to fight micro-corruption” campaign. 295 stakeholders of five business departments ( Finished Vehicle Business Department, Automobile Parts Business Department, Supply Chain Business Department, International Business Department, and New Business Department) were involved in a questionnaire survey on clean governance ecology, micro-corruption forms, and departments and posts of high micro-corruption risks, and turned in RMB6,985.6 worth of fund related to corruption cases during the self-inspection of each department.

The Company has also made Party clean governance a seasonal performance index of its Party branch linked with cadre KPIs to further enhance corporate clean governance.

During the year of 2018, no legal proceedings were filed against the Company or its employees on corruption charges.

### **3. Shipping to Everywhere and Striving for Excellence**

The Company is dedicated to providing clients with quality services. The Company has always been and remains committed to developing our service network and offering innovative logistics solutions. At the same time, the Company keeps strict control over our service quality and insists on excellence so as to provide our client with professional, efficient and high-quality integrated logistics solutions and services.

2018 was the year of continuous reform for the automobile logistics industry. The new national standard, GB1589, which tightened regulation on the overloading of vehicles and truck emission, posed great challenges to automobile logistics enterprises unprepared in respect of transportation capacity and operating costs. As a professional automobile supply chain integrated service provider, the Company proactively innovated logistics solutions and aggressively leveraged big data and intelligence to deal with the pressure of stagnating automobile market and rising demand for cost reduction. The Company was still very persistent on provision of all-round quality service and integration of innovation and service quality so as to welcome new challenges and thrive in the fierce market competition.

#### **3.1 Innovation in Logistics Solutions**

##### **Innovation in logistics mode**

Innovation in logistics mode is key to innovative logistics solutions, better client services, lowering logistics cost and improving core competitiveness for car manufacturers. In 2018, the Company continued to explore innovative logistics mode combining client demands and achieved major breakthroughs.

The Company actively introduced leading logistics modes, and completed 6 technical design and business development projects in 2018, improving business capacity and efficiency and reducing cost for clients by advanced designs of counter flow transport, LOC mode<sup>1</sup>, mixed transport, etc.

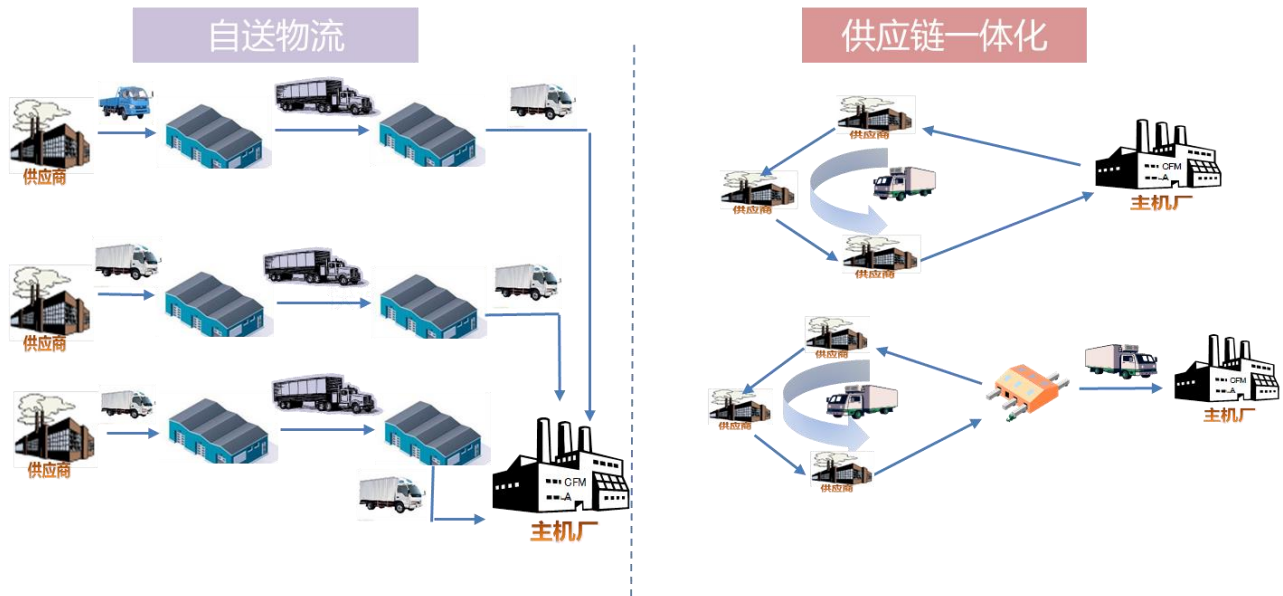
In the meantime, the Company vigorously promoted the integrated supply chain, covering pickup & transport (milk-run & line-haul), packaging, the southwest China distribution centre, and supply chain finance, improving services in cost, quality, delivery, safety, efficiency, and informatization.

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<sup>1</sup> LOC mode: a logistics operating mode of integrated warehousing and distribution



## Case: Integrated Supply Chain Services



Advantages of integrated supply chain:

- ◆ Transparent cost, low storage cost, quick capital turnover;
- ◆ No middleman, unit packing, quality insurance;
- ◆ Output-based, timely delivery, orderly site and en-route visualization;
- ◆ LLP<sup>2</sup> carrier management system to ensure cargo security;
- ◆ Resources integration, unified standards, streamlined procedure, high operation efficiency;
- ◆ Connect with OEM plant system for visualized and systematic management, reducing labour use.

<sup>2</sup> LLP: Lead logistics partner, a leading logistics partnership

## Improving service efficiency

Management efficiency determines service efficiency. The Company strives to improve the management efficiency for better service efficiency to enable our clients.

In 2018, the Company carried out the “efficiency doubling” project, which includes:

1. Doubling of approval efficiency: upgraded the “three keys and one large” mechanism – the determination of key issues, the assignment and dismissal of key posts, the arrangement of key projects, and the use of large amount of capital, to version 1.3 with the optimization rate of over 90%, further enhancing company compliance; optimized over 100 approval procedures; released version 2.0 of power allocation mechanism for five business departments and two subsidiaries; streamlining and delegating power for over 60 decision-making procedures, accounting for over 60% of the totality;
2. Doubling flow efficiency: stabilized 231 and optimized 495 procedures, increasing overall flow efficiency by 23%; electronized 67 procedures, reaching 103 in total; completed over 28,000 procedure instances, reducing operation cost by approximately over RMB2,000,000.
3. Doubling form efficiency: reduced the 76 joint venture reporting forms to 51, by 33%; reduced the 237 functional center forms to 105, by 56.6%; reduced 32 forms of the Finished Vehicle Business, Automobile Parts Business, Supply Chain Business, and International Business Departments, achieving an optimization rate of 40.5%; realized E-form sharing among joint ventures, functional departments, and business departments;
4. Doubling resources efficiency: pushed forward the standardization of forklifts and pallets, and build a sharing system to improve utilization efficiency, reducing cost by approximately over RMB25,900,000;
5. Doubling organization efficiency: abiding by the principles of client-oriented professional services, reformed the establishment-management-control model of business departments to build a streamlined headquarter and strong business branches, improving organizational operation efficiency. The Company has streamlined 66 projects or affiliated organizations with a streamlining rate of 10%;
6. Doubling meeting efficiency: implemented strict time data management, streamlined company meetings by 55%, raising the proportion of structural meetings to 75%, improving meeting efficiency by 30%.

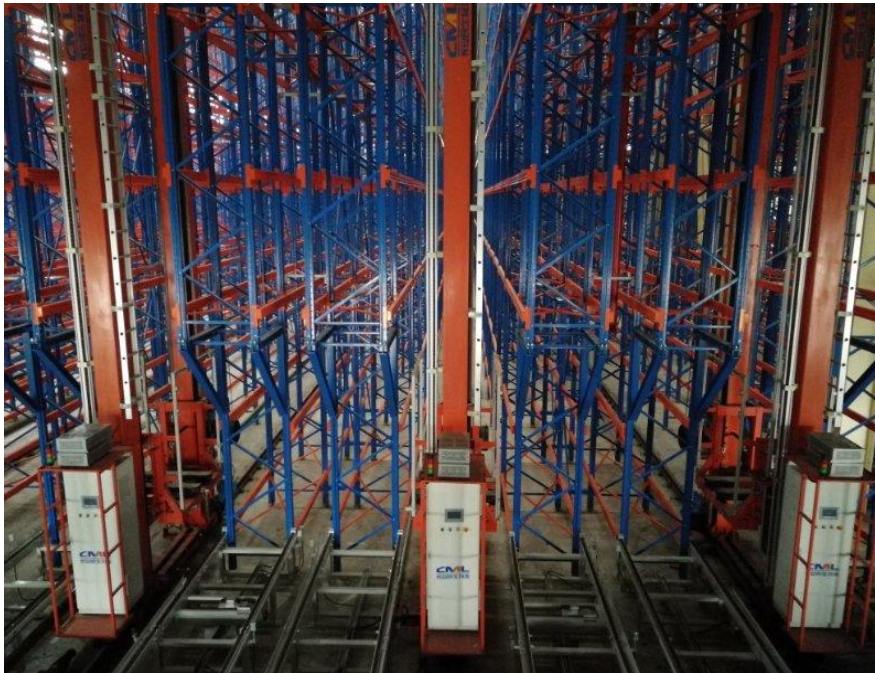
## Building intelligent logistics

The Company is devoted to building and providing intelligent logistics services supported by advanced IT, whereby real-time system captures in every logistics links such as transportation, storage, processing, distribution and information services can be realized, to provide clients with punctual, excellent, well-informed logistics experiences.

In 2018, the Company invested in logistics automation equipment covering the transportation, storage, loading, and inventory counting procedures of vehicles and parts, realizing a primary level of intelligent interaction of the automobile supply chain.

### Case: Intelligent Storage – Hangzhou Automated Multi-level Warehouse

The Company employed world first-class design for the second phase construction of the automated warehouse in Hangzhou. The project is the first and the largest third-party automated automobile logistics warehouse in the country, a benchmarking project that achieved automatic warehouse inbound/outbound with leading intelligent integration technologies, and intelligent and digitalized management with auto-control system and information management system.



The warehouse is 19m high in storage space and accommodates 14,796 storage units, with a daily inbound/outbound capacity of 6,400 pallets, improving the efficiency by 40%, facilitating seven-day storage of over a thousand types of car parts, saving approximately RMB2,200,000 in warehouse construction and preparation, RMB3,920,000 in equipment (reducing 668 rack units, 11 forklifts, and 2 tractors), approximately RMB1,921,000 in rental with the warehouse size reducing by 4,003m<sup>2</sup>, and reducing equipment operation and maintenance cost by approximately RMB423,000 per year, and human resources cost by approximately RMB2,300,000 yuan per year (reducing 27 employees).

By substantially reducing operation cost, we have reformed the traditional storage model of automobile parts, and laid a millstone for the intelligentization of the Company.

### Case: Intelligent Cargo Movement – Magnetic and Laser-guided AGV



In 2018, the Company successfully introduced magnetic-guided AGV (automatic guided vehicle) to the Changan Ford Automobile Company Limited (“Ford”) CQ3 Project, the regional distribution centre and storage centre of Hangzhou Parts Plant inbound logistics. The AGV project of Ford CQ3 has brought the Company the first intelligent tractors for automobile parts logistics and facilitated automatic cargo movement under

complex human-robot mixed environment for the first time.

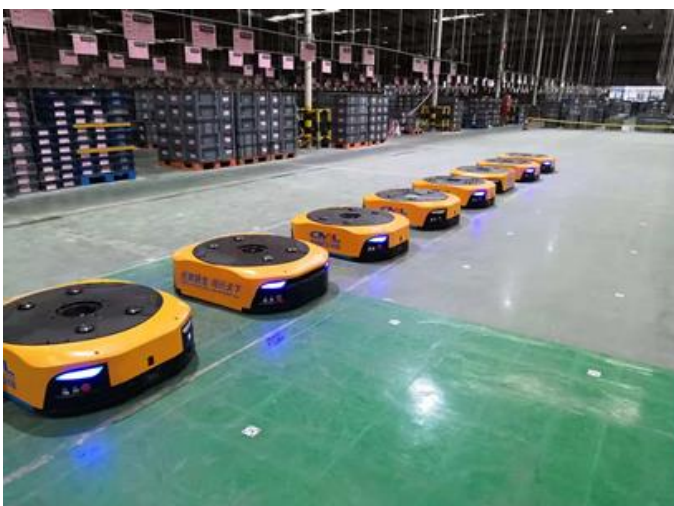
The project substituted 2 tractors and 4 tractor drivers with magnetic-guided AGVs, realizing automatic empty and return of loading boxes. The project has not only reduced cost and improved efficiency, but also provided the Company with experience in its intelligentization.

Hefei Branch of the Company put 7 laser-guided AGVs into use in its Assembly Workshop to realize automatic feeding in the SPS (set parts supply) area. This was the first time for the Company to adopt laser-guided AGV for automatic feeding.

Based on actual production conditions, the Company added an automatic hitching device to the AGV and achieved completely unmanned automobile logistics completely; besides, the Company employed steering-wheel and laser-guided AGVs, which were less demanding on ground condition and path width, thus more adaptable than magnetic-guided AGVs. By employing laser-guided AGVs, the Company reduced 18 double-shift operators and 2 tractors, conserving operation cost by around RMB1,300,000 per year.



### Case: Intelligent Sorting – Unmanned Warehouse in North Chongqing



The project is the first application in scale of KIVA robots and will achieve unmanned storage, movement, and sorting of loaded boxes in the future. The Company built a 6,000m<sup>2</sup> unmanned automated warehouse with 40 QR code-guided carrier AGVs (KIVA robots), 1,300 single-layer, and over 200 multi-layer storage racks. It is estimated to conserve 25 persons, 20 manual forklifts, and approximately RMB2,000,000 in operation cost for the Company.

The project is currently the largest unmanned warehouse of the automobile logistics industry, building a key competence for the Company in the areas of AGV application, unmanned warehouse operation, etc.

### Case: Intelligent Identification

#### ▶ RFID intelligent outbound system

In 2018, the Company completed the testing and application of RFID technology in automobile parts logistics, and installed two RFID gateway systems. When an RFID electronic label (in super high frequency) enters the electromagnetic wave scope of the fixed RFID reader installed at the entrance of the exchange area, the reader will collect the information from the label and send to the system for order check (such as quantity and specifications). Once passed the order check, the cargo with the label will be transported to corresponding location and stored in order. If an order is found mistaken, the system will call for human handling. In this way, the intelligent identification of thousands of car parts is achieved.



#### ▶ UAV +RFID

As the first UAV + RFID vehicle counting project in China, the project was self-developed in all stages, from product planning, conceptual development, to product testing, improvement, and trial application. The Company has filed applications for 3 patents, 2 utility models, and 1 software authorship.

By reading the RFID label on each vehicle in non-touch manner, the technology enhances counting accuracy and reliability and reduces counting time and staffing, effectively preventing counting mistakes and omissions. By adopting the UAV + RFID method, the counting pace is improved to 1s to 2s per vehicle, in 100% accuracy, and the counting efficiency is improved by 300%, realizing the real-time situation display and management of the whole vehicle storing area.



### Case: Intelligent Transportation



The Company employs GPS vehicle-locating technology for intelligent management of transportation process. By now, the vehicle management system of the Company has covered the Company's milk-run parts carriers, main supply chain carriers, and 3,634 managing vehicles of the major carriers of the Finished Vehicle Business Department. The Company employed the dominating GPS equipment in the logistics and IoT markets to ensure data accuracy and data processing services.

The GPS equipment facilitates all-rounded digitalized transportation management by monitoring indicators such as truck location, track, fuel consumption, and behaviours such as over-speed and braking, achieving 100% en-route visualization, refined operation, cost reduction, efficiency improvement, and the application of IoT and Big Data algorithms in intelligent decision-making process.

In 2018, the Company's intelligent logistics development yielded its first fruits. In May, the Company obtained the "Integration of Informatization and Industrialization in management system" certification issued by the national Ministry of Industry and Information Technology. The certification recognized the Company's competency in automobile logistics integration, Internet + automobile logistics integration, multimodal seamless transport, and data-driven online logistics process management, and led the Company into a higher stage of building intelligent logistics.

In 2019, the Company will continue the application of logistics automation, and conduct in-depth research in AMS (automated manifest system) platform of information integrations and intelligent dispatch, visual system design and development, intelligent warehouse integration, etc to further improve the automation and intelligentization level and technological competitiveness of the Company, to create innovative logistics solutions, and to provide better services for our clients with innovative technologies.

### **3.2 Strict Customer Service Quality Control**

In 2018, guided by the Company's strategic plan, focused on customer satisfaction, led by the quality assurance system, ISO9001, the quality management system, IATF16949, and relevant demands from clients, in combination with the requirements of Changan MLQOS (supplier-targeted logistics service quality control system by Chongqing Changan Automobile Co., Ltd. ("Changan Automobile")), Ford Q1MSA (a standard issued by Ford Motor Company to evaluate suppliers' manufacturing site), The Company continued to improve its quality control system, pursuing the goal of "quality logistics" and excellence, and providing clients with higher quality services.

#### **Quality control system**

The Company continued to improve its quality control system and established over 200 QOS implementation standards in the quality control of logistics services of car parts, finished vehicles, and processing and circulation based on ISO9001/IATF16949<sup>3</sup>, clients' special requests such as Changan MLQOS and Ford Q1MSA, other relevant laws and regulations, and the actual operation conditions. The implementation of such standards has formed a relatively complete "CMAL-QOS" quality operation system.

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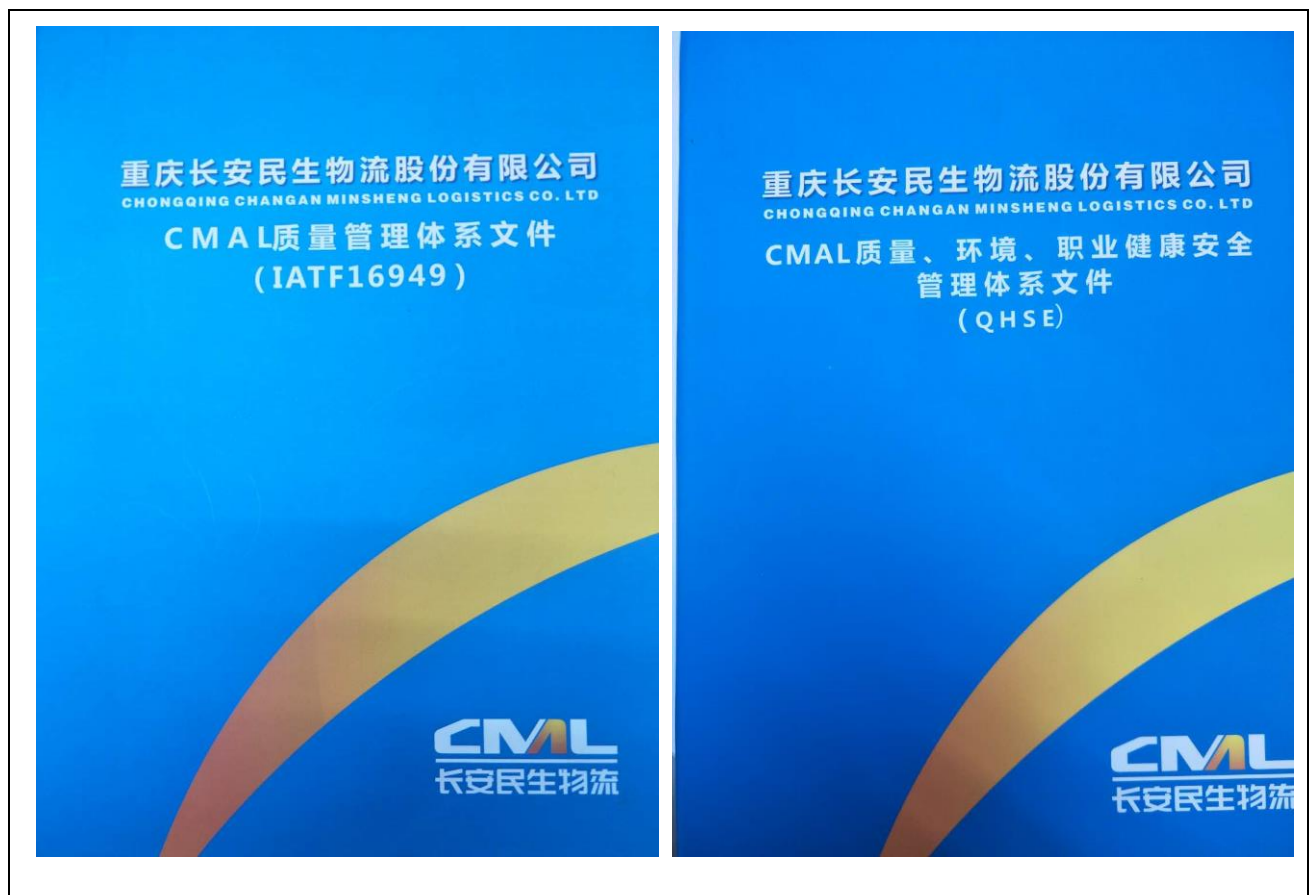
<sup>3</sup>IATF16949 is the latest standard issued by the International Automotive Task Force, a series of rules designed to regulate quality control system of various organizations in the automobile industry.

The system covers the three core areas of part logistics, vehicle logistics, and processing and circulation, and extends to the quality control of R&D and supplier logistics. There are three layers of the CMAL-QOS quality operation system:

1. Layer I: 13 elements. Main functions: combing through business operations and identifying the key influencers of logistics quality and efficiency;
2. Layer II: 27 elements. Main functions: analyzing key influencers and identifying their forming process, clarifying the related business procedure;
3. Layer III: 73 elements. Main functions: establishing practice guidelines based on industrial conventions or codes for each business.

In the meantime, The Company drafted an acceleration plan for the building of quality control system: we established QHSE system articles integrating quality, safety, and environment control, revised 20 quality control system articles, built an operation team safety standardization system, improved 50 environmental protection articles, released *Operation Team Lean Management Manual and 6S Manual* (3rd version), improved 22 lean management articles, 6 project engineering articles, and 15 operation manuals, totalled 113 articles, and renewed these articles according to the lean management operation schedule.

A well-established quality control system clarifies the quality inspection standards, assessment standards and the responsible party of key quality control points, realizing the index and data-oriented quality control, laying a solid foundation for satisfactory customer service quality control.



## Building quality logistics

### (1) Quality control goals

In 2018, The Company reinforced the pre-plan, risk control, processing control, and monitoring, measurement, and improvement of quality control work, and has achieved the quality control goals with the focus on quality control system construction, the direction of risk management, the instrumentality of standardized inspection, quality training, and special competency improvement, as well as the effective management process. The goals include:

S/N	Index	Goal
▶	Quality damage rate	≤0.1%
▶	Net quality damage rate	≤0.03%
▶	Quality system assessment passing rate	100%
▶	Customer satisfaction	≥92 points
▶	On-time cargo outbound rate	≥98%
▶	On-time arrival rate meets with clients' requests	Changan Automobile ≥93% Changan Ford ≥87%
▶	Defective rate of products delivery	≤50PPM
▶	Major quality complaints	0
▶	Quality risk identification coverage rate	100%

### (2) Quality risk identification and control

In 2018, the Company carried out comprehensive operation of quality risk identification and control as per the new requirements of GB/T19001-2016 and the characteristics of the logistics industry. The Company established *Quality Risk Identification, Assessment, and Control Acceleration Plan*, drafted *Management Procedures of Quality Risk Identification and Assessment* and 2 relevant Operation Manuals. The Company organized quality risk identification work of car parts, finished vehicles, and processing and circulation, and has identified over 200 risk points. After the identification, the Company required relevant departments to conduct internal and external inspections and to take precaution measures to eliminate quality risks.

Since the integration of quality risk control into the process control system, the Company has witnessed more than 20% of quality damage rate reduction and substantial reduction of downtime in vehicle special overhauls. Apart from direct quality risk identification and control, the Company also organizes promotional activities and trainings, as well as special competency improvements to enhance the overall service quality.



**Case: “Quality Month” Special Activities**

To practice the 2018 “Quality Month” spirit in the logistics industry, the Company organized a series of “Quality Month” special activities with the theme of “internal motivation, strict management, quality improvement” to strengthen the quality control system, raise quality awareness, enhance identification of quality risks, emphasize quality accountability, and eventually improve logistics quality performance.

The Company prepared 6 standing posts, over 50 copies of knowledge handbooks, over 40 banners, and handed out over 500 copies of promotional brochures in the activities. In terms of publication, the Company reported 2 times the “Quality Month” events on its office Wechat account, promoted the Quality Month Special Issue for 3 times, the Excerpts of Party and State Leaders’ Essays on Quality for over 10 times, QC Staff Must Know for 8 issues, Regular QC Tools for 12 issues, and 18 “Quality Month” special issues on the “Quality Action” Wechat platform. With a pre-event promotion coverage of 100%, the activities have attracted over 500 persons, with over 10 Q&A sections elaborating on over 10 typical quality control and quality risk cases.

**(3) Quality recertification review**

The Company re-ensures customer service quality by actively conducting quality certification reviews.

- ◆ In March 2018, the Company organized internal review of IATF16949 system;
- ◆ In April 2018, the Company went through IATF16949 certification renewal process by NSF-certified body and acquired the new certification on June 10th;
- ◆ In May 2018, the Company organized internal review of QHSE system;
- ◆ In June 2018, the Company went through the certification renewal review by Hangzhou WIT Assessment, and the certification valid period was extended till September 2020;
- ◆ In August 2018, the Company passed the annual on-site inspection of Regular Cargo Transportation and Cargo Terminal Grade II certifications of CCS Safety Production Standards.

### 3.3 All-Round Improvement of Customer Service

#### Establishing customer service system

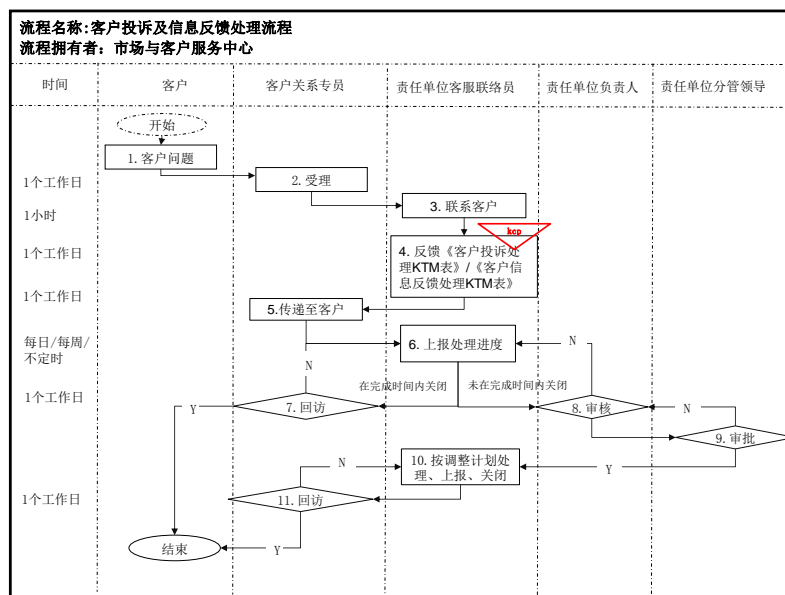
The Company has developed a relatively complete client service system including the *Client Visit Management Process*, *Client Information Management Process*, and *Client Complaint Handling Management Process-Client Voice Management Process* to regulate client services and maintain good client relations, ensuring standard and consolidated management and timely updates to client information, and standardizing the management of client feedback.

In 2018, the Company further established the *Client Top 3 Pain Points Management Process* to solve issues related to the Top 3 client pain points with kind, professional, and efficient services, to improve the service awareness and service quality of our staff, and to create pleasant working environment and atmosphere, which eventually improve client experience.

Besides, we also established *Client Complaint and Feedback Handling Process*, which clearly defines post roles and regulates the complaint and feedback handling work, ensuring timely and effective handling, in order to improve service quality and client satisfaction. In 2018, the overall client satisfaction score was 95.38 points, increasing by 2.06 points.

#### Handling customer complaints

The Company developed multi-channel complaint handling systems covering telephone, email, and Wechat. Client complaints will be handled as per the *Client Complaint and Feedback Handling Process*: respond to complaint in 1 work day, provide solution, following weekly till the problem is solved, revisit for client feedback, and conclude the complaint with client satisfaction. The complaint handling flow is as below:



In 2018, the Company received 23 client complaints, including 9 service complaints, 11 management complaints, and 3 operation complaints.

## Protecting customers' privacy

Privacy protection is an inseparable part of quality customer service. The Company attaches great importance to the protection of customer privacy and fully complies with the provisions regarding personal information protection under the *Constitution of the People's Republic of China*, the *General Principles of the Civil Law of the People's Republic of China*, and the *Tort Liability Act of the People's Republic of China*, for protecting customer privacy, business information and customer interests. At the same time, the Company has internally developed information security system, providing the principle of "Seven Don'ts" for business information protection to enhance protection of customer information to ensure that all business cooperation is based on a principle of mutual trust and sustainable development.

The principles of "Seven Don'ts" for business information protection are as follows:

1. Don't disclose business information to unrelated persons;
2. Don't give out business information via phone or internet;
3. Don't take pictures, record voice or record video in sensitive places without permission;
4. Don't store the storage devices containing business information in unprotected places;
5. Don't bring storage devices containing business information to visit relatives and friends or to places unrelated to work;
6. Don't copy, retain, abandon or lend business information to others without authorisation; and
7. Don't accept media interviews or publish trade secrets in public messages.

In 2018, the Company strengthened client privacy protection. In January, the Company held privacy protection special meeting to release the 2018 work plan and regulations on classified staff entry, operation, and dismissal, and signed 1,493 confidentiality agreements with classified employees. Besides, the Company adopted such measures as confidentiality education and inspection, and confidentiality slogans to improve employee confidentiality awareness.



## Innovative communication methods with customers

Besides regular visits, the Company also developed innovative client communication methods such as annual VIP client conference and quarterly quality communication meetings to deepen communication and enhance cooperation with our clients.

### Case: Innovative and Efficient Services – Quarterly Quality Communication Meeting



In 2018, the Company's Ford inbound project held its quarterly quality communication meeting to listen and respond to client opinions. We also submitted weekly and monthly reports to the client to identify new improvement points. The quarterly quality communication meeting facilitated face-to-face communication, improved operation efficiency, and enhanced friendship between cooperation partners.

### Case: Sharing a Win-win Future – Annual VIP Client Conference

In January 2018, the Company's Parts Business Department held the annual VIP client conference to bring closer our cooperation partners. After the conference, VIP clients are invited on a tour of the company headquarters. By introducing clients to the company mission of "To use innovative logistics to create a better life for all stakeholders", the company core values of "enable clients, develop employees, shoulder responsibilities, and excel in cooperation", and the company spirit of "enthusiasm, innovation, professionalism, and efficiency", we successfully enhanced mutual understanding.



## 4. Concerted Efforts in Mutual Development and Industrial Ecosystem

### 4.1 Contributions to the Belt and Road Initiative

In 2018, the Company adheres to the Belt and Road Initiative development strategy by expanding its overseas business layout, improving the logistics capacity serving the Belt and Road routes, strengthening its international multimodal transport seamless connection capability, and providing clients with one-stop supply chain services.

#### Case: Carrier of New Times Supports Domestic Cars in Iran

Iran as one of the main battlefield of the Belt and Road Initiative and the most promising market on the Belt and Road route, has become sought-after by many Chinese car manufacturers. The Company as the first automobile logistics company in China listed overseas, with its advantageous resources and advanced management philosophy in automobile CKD packaging and operation, international sea freight and rail transport, and custom clearance and bonded storage in Iran, has provided strong support for domestic car brands to seize the market of Iran.

With the mission of “To use innovative logistics to create a better life for all stakeholders” and the principle of full value chain lean management of international logistics, the Company will build the China-Iran logistics services a high-quality product to serve the Belt and Road Initiative, providing “door to door” one-stop supply chain services of international standard to help more Chinese car manufacturers excel in the market of Iran.



## 4.2 Joint Efforts in Building Industrial Chain Ecosystem

In 2018, the Company continued its scientific research and innovation, embarked on strategic partnerships with industry peers, and took part in drafting industry standards to promote industrial development. The Company also strived to create an innovative platform in service of the industrial chain and make joint efforts with partners in the upstream or downstream of the supply chain in the hope of creating value for the industry and the business partners which eventually contributes to an industrial chain ecosystem.

### Continuous scientific research and innovation

The Company focuses on the development of new and advanced technologies to improve its innovation capability and reinforces the development of key technologies and new products of the logistics industry to enhance its core competitiveness, thereby facilitating the transformation and upgrading of the Company.

#### (1) Construction of scientific research system

To encourage and regulate innovation, the Company has established a relatively comprehensive scientific research system, regulating the organizational management, fund use, and technology commercialization:

- ♣ In view of organisation and management of research and development, the Company developed the relevant protocols such as *IT Project Approval Process*, *IT Project Implementation Management Process*, *IT Project Acceptance Management Process*, and *Scientific Research Project Initiation Management Process* to regulate the organisational structure of relevant research and development departments, and determined the management processes for research and development projects;
- ♣ With respect to the use of research and development funds, the Company implements *Scientific Research Project Funds and Acceptance Management Process*, and each expenditure on research and development is strictly managed pursuant to the relevant processes to ensure the proper use of funds;
- ♣ In terms of the formation of scientific and technological achievements, the Company has formulated the *Scientific and Technological Achievements Formation and Reward System*, and *Intellectual Property Rights Management System* to standardise the management of the formation of scientific and technological achievements and to fully mobilize the enthusiasm of research and development technicians.

#### (2) Reform of technology system

In 2018, the Company continued to improve the three-tier technology system and developed Logistics Technology Management System to fully govern the planning, management, and commercialization of logistics technologies.

**(3) Fruitful scientific research achievements**

In 2018, the Company was certified as a High-tech Enterprise, and achieved great results in the projects of “Applications of Intelligent Warehouse Technologies in the Whole-Truck Transfer Process” and “Intelligent Logistics Factory”, obtaining governmental subsidies of approximately RMB4,362,000. In 2018, the Company filed applications for 16 patents, 31 utility models, and 8 copyrights.

<b>Case: Awarded Projects</b>	
<p>Our project “Exploration and practice of intelligent automobile logistics park” was awarded the “2018 Innovation Award of Automobile Logistics Industry” by China Logistics and Procurement Union Automobile Logistics Branch</p> 	<p>Our project “Research and application of AMS integration platform based on the inteligentization of tyre production-storage-ranking-distribution process” was also awarded the “2018 Innovation Award of Automobile Logistics Industry” by China Logistics and Procurement Union Automobile Logistics Branch</p> 
<p>2018 IoT integration innovation and integration application project of the Ministry of Industry and Information Technology: Intelligent Logistics Management System based on Vehicle Intelligent Terminal</p> <p>Demonstration project of 2018 manufacturing and Internet integration of the Ministry of Industry and Information Technology: Whole-truck Intelligent Transportation Management based on the Internet</p> <p>2018 Chongqing IoT top 10 application project: Application of “Eagle Eye” Logistics Map based on Vehicle Intelligent Terminal and Big Data Cloud Platform</p>	
	

#### (4) Industry-University-Research collaboration

Industry-university-research collaboration is another effective measure to jointly build the industrial chain ecosystem. In 2018, the Company continued such measure by coordinating and integrating the different functions and resources advantages of science research, education, and production, connecting the upstream, midstream, and downstream of technological innovation, in order to push forward the development of the industrial chain ecosystem.



#### Contribute to industry progress

The overall industry progress shapes the growing path of the Company. The Company has been active in peer exchange, and strives to promote industry progress through strategic partnerships and taking part in formulating industry standards.

##### Strategic partnership with industrial peers

In 2018, the Company established strategic partnerships with 4 renowned automobile logistics companies in China, boosting the overall development of the automobile logistics industry:

- ◆ In terms of information sharing, the parties will strengthen strategic and operational coordination and build a data sharing mechanism to jointly enhance management level and build an “Internet + automobile logistics” platform.
- ◆ In terms of resources sharing, the parties will open the resources access to each other, and conduct joint procurement and key technology research.
- ◆ In terms of platform co-construction, the parties will improve load capacity and build a nationwide logistics service network and an international logistics service network.
- ◆ In terms of ecological integration, the parties will co-develop new value-adding business, jointly promote innovation in operation method and business model, and be open to industry-wide cooperation opportunities.



## Participation in the drafting of industry standards

In 2018, the Company participated in the drafting of four national standards: *Requirements on Configuration of Finished Vehicle Multimodal Transport Facilities and Equipment*, *Code for Aftersales Backup Parts Storage Services*, *Regulations on Automobile Parts Logistic Labels*, and *Code for Automobile Parts Logistics KD Parts Packaging and Container Loading Operation*, reflecting the recognition from the government and industry peers. The standards also contributed to the regulation and improvement on configuration of finished vehicle multimodal transport facilities and equipment, aftersales backup parts storage services, use of automobile parts logistic labels, and KD parts packaging and container loading operation.

## New business

Taking the new business as the core, the logistics industry ecosystem as the carrier, combined with Internet thinking, the Company took full advantage of the traditional business's control over information and objects, and gradually engaged in such innovative business as Internet plus freight transportation, Internet plus car transportation, supply chain finance, and trailer sharing. In 2018, the Company incubated and delivered 6 trade projects, 2 quasi-financial service projects, and 3 platform projects.

### Case: New Energy Battery Packaging and Transportation

In 2018, the Company finished the cooperation plan with Changan Automobile and Ford in the battery business, extending the services to battery pickup, interim storage and distribution, long-distance transportation, short-distance transfer in the city, etc with its resource advantages and expertise from the previous new energy battery packaging services for Changan Automobile.

### Case: New Energy Car Platform (Kaicheng) Project

In 2018, the Company built the Kaicheng Platform, a logistic platform concentrated on “product + service + solution” with Changan Kaicheng cars, utilizing the resources and expertise of both parties, fueling the third startup project of Changan Automobile.

### Case: The First Automobile Cultural and Creative Experience Center in Chongqing

With the form of “commercial mall + tower”, the cores of automobile and design industries and the advantages of industrial resources and favorable policies, the Fuji Renovation Project serves the three fields of the automobile industry, the design groups, and the supporting cultural and entertainment services with 43 functions, such as new car display and sales, “Internet +” conceptual cars, new energy R&D, car culture display, creative design exhibition, 3D printing, Idea incubator, etc, meeting the consumer demands of food, accommodation, travel, tourism, entertainment, shopping, strolling, culture, and business.

**Case: Intelligent Logistics Park**

- ◆ Wuhan Intelligent Logistics Park: an integrated logistics park of comprehensive services, including car sales center, automobile finance center, car modification center, and acceptance experience center, serving the automobile ro-ro terminal and the information building, as well as affiliated commercial complex.
- ◆ Luohuang Logistics Park: the project was collectively planned by various departments, benchmarking mature logistic parks. Collaborating with Jiangjin Comprehensive Bonded Zone Development and Construction Co., Ltd, drawing on the advantages of Luohuang Industrial Park as a transportation hub and port, the Company aims to help the clients in the Comprehensive Bonded Zone to integrate their import and export businesses both online and offline via the Intelligent Logistics Park Platform, and provide them with storage, packaging, transportation, sales, financing, and other logistic services, building an intelligent logistics park management platform with integrated functions, shared facilities, energy conservation, and intelligent technologies.
- ◆ Yongchuan Logistics Park: the project is planned by the Yongchuan Government. The Company assisted in the planning and plan implementation of the Logistics Park, research of logistic planning, and strengthening the planning capacity of the Logistics Park to generate industrial ecology.

New business has provided new opportunities for the development of the automobile logistics industry. It helped not only in expanding the Company's business scope, but also in building a diverse industrial chain ecosystem.

## Supplier management

The Company's sustainable development is inseparable from the support of suppliers and its products and service quality is also closely related with suppliers. We are committed to establishing healthy and mutually beneficial long-term cooperation with suppliers and business partners.

### (1) Supplier management system

The Company has a complete set of polices regulating management of suppliers to control their products and service quality. The Company has formulated the *Supplier Access Management Process*, *Supplier Replacement Management Process*, *Supplier Annual Assessment Management Process*, *Procurement Management Method*, *Bidding Management Method*, and *Supplier Management Method* to improve the management system of supplier development, maintenance, service and elimination. In the selection of suppliers, we also set up a special team to investigate their service quality, financial statements, credit, security and environmental protection and other aspects, so as to ensure that they meet the requirements of the relevant national policies and the requirements of the Company.

### (2) Supplier management informatization

Informatization is an effective tool for supplier management and an important procedure in product and service quality control. In 2018, the Company launched the Procurement and Resources Management Platform, enabling the Company to manage investment, procurement, and assets online. The platform ensures smoother handling process of client demand by bringing them online, and achieves the transparency and efficiency of procurement by informatizing the management throughout the procurement process from investment management, procurement demands, sourcing, procurement contract management, purchase order, to goods acceptance.

### (3) Supplier communication

Good supplier communication improves the procurement quality and the supplier management level, and eventually improves the product and service quality of the Company. The Company actively communicates with its suppliers, and has established *Supplier Information Processing Management Procedure* to regulate the processing of supplier information, timely and effectively address supplier complaints, enhance cooperation and exchange, improve the service quality, and eventually improve the overall supplier satisfaction rate.

Apart from daily communications, the Company also holds annual supplier meetings to obtain better understanding of supplier assessment and expectation, so as to forge long-term cooperation with excellent suppliers.

#### Case: “Mutual Progress and Win-Win Future” – 2018 Supplier Meeting

On 3 April 2018, the Company held its second suppliers meeting, which was attended by around 160 excellent suppliers from all over the country. They gathered together to exchange ideas and achievements, seeking new ideas and development. The meeting also awarded suppliers with the titles of 2017 Excellent Suppliers, Operating Contribution, or Collaboration Contribution. With the supports from these business partners, the Company is able to overcome difficulties and strive to excel. With the collaborative effort to build an environment of clean practice, the Company has gained a full harvest from the event.



Location of the Suppliers	2017	2018
South China (Guangdong, Guangxi, Hainan)	17	19
East China (Shandong, Jiangsu, Anhui, Shanghai, Zhejiang, Jiangxi, Fujian)	282	312
Central China (Henan, Hubei, Hunan)	32	33
North China (Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia)	109	120
Northeast (Heilongjiang, Jilin, Liaoning)	73	82
Southwest (Sichuan, Guizhou, Yunnan, Chongqing, Tibet)	326	470
Northwest (Shanxi, Gansu, Ningxia, Qinghai, Xinjiang)	0	1
Hong Kong, Macao and Taiwan	7	7
Overseas	0	0
Total	846	1,044

## 5. Safety as the Foundation of Development

The Company is well aware of the importance of work safety to company sustainability. Work safety serves as the cornerstone of the Company's development and the foundation for production practice. In 2018, based on the previous safety works, the Company further improved its production safety management system, safe production and operation procedures, and employee health and safety education and trainings, fulfilling its social responsibilities to safeguard employee safety.

### 5.1 Safety Management

The Company strictly abides by the *Labor Law of the People's Republic of China*, *Law of the People's Republic of China on Work Safety*, *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, *Fire Law of the People's Republic of China* and other relevant national laws and regulations, and has established a series of rules and regulations on internal safety management accordingly, combining the Company's actual conditions. Guided by the principles of "safety first, precaution crucial, and comprehensive treatment", "shared responsibilities of the Party and the government, double responsibilities of one post, and integrated supervision", "the director assumes the liabilities", and "bottom line awareness", the Company strives to cultivate corporate safety culture and improve company safety management.

In 2017, the Company built and promoted lean management systems, integrating quality (GB/T9001), occupational health (GB/T28001), and environmental concerns (GB/T24001), and prepared the "Three into One" management manuals and process documents, establishing the QHSE (Quality, Health, Safety and Environment) lean management system. In 2018, based on the QHSE system and according to ISO 14000, OHSAS 18000, and GB/T 33000 requirements, we improved regulations related to occupational health, safety, and environmental protection by renewing over 50 regulatory articles, including the *Occupational Health, Safety, Environmental Protection, and Fire Protection Accountability System*, *Prevention Measures of Occupational Diseases*, *Work Injury Regulations* (trial version), *Labour Protection Articles Regulations*, *Change Safety Regulations* (trial version), *Fire Safety Regulations* (trial version), and *Warehouse Fire Protection Regulations* (trial version), improving their effectiveness as guiding documents, laying a solid foundation for safety management regulations.

In terms of production safety, the Company established a Production Safety Committee by principal accountability, with the company president as the director, the company general manager as the deputy director, and senior executives and directors of functional, business departments and subsidiaries as committee members. In 2018, the Company also released the *Occupational Health, Safety, Environmental Protection, and Fire Protection Accountability System*, defining safety responsibilities of organizations on each managerial level to ensure the effective implementation of the production safety accountability system.

The Company's investment in safety management in 2018 totalled over RMB10,300,000 approximately, 23% more than that in 2017. Such investment improved both the production safety management and the safety level of production facilities.

**Case: Recognized Safety Work**

In March 2018, the Company passed the safety service quality assessment and credit rating by the Transportation Management Center of Liangjiang New Area, Chongqing, and was awarded with the Excellent grade: AAA.



**Case: “Forklift LED Laser-marked Safety Zone” Project Won the Ford Asia “Safety Innovation Award”**



The “CAF# RDC forklift LED safety warning improvement” project initiated by the Company’s Changan Ford inbound project team and recommended by Changan Ford Manufacture Department and Logistics Department, won the regional “Safety Innovation Award of the Manufacturing Industry” in the contest of 2017 Ford Global Executive Award of Health and Safety.

“Forklift LED laser-marked safety zone” refers to the zone marked by the laser lights installed on the forklift on its left, right, and back beams. The laser lights together mark a red zone that moves with the forklift, reminding the operator or pedestrian of potential danger entering the zone, thus reduce safety accidents.

When rules are internalized, dangers are controlled. The award showcases the Company’s strong safety awareness. The Company has always abided by the principle of “bottom line awareness” during production, and will continue to do so.

## 5.2 Safe Operation

In 2018, the Company enhanced safe operation through the construction of the safety system and lean management system, focusing on the construction of safety culture, safe production standardization, and operation informatization.

### Safety culture building

In 2018, the Company organized the “Safety Month” events, promoting safety culture construction, improving employee compliance consciousness, and raising their safety and self-protection awareness through educational events in various forms.

#### Case: Safety Blackboard Newspaper Competition

During the “Safety Month”, the Company held a safety blackboard newspaper competition. The departments actively participated in the competition, reflecting the Company’s safety principles and visions in their blackboard newspapers, effectively promoted the safety culture.



### Safe production standardization

In 2018, the Company pushed forward the safe production standardization construction by setting up standards at post, operation team, and company level with detailed requirements on each level and conducting strict assessments, in order to strengthen employee awareness of production safety, and achieve a comprehensive coverage of the safe production standards.

### Company standard compliance

In 2018, according to industrial requirements and operation conditions, the Company organized a company compliance review. In June 2018, the Company obtained the GB/T 19001, GB/T 24001, and GB/T 28001 certifications. In July 2018, CCS assessed the Company in 13 aspects, such as organization structure, safety investment, education and training, operation safety, risk investigation, danger control, occupational health, and emergency plans. The Company received high recognition from the experts and successfully obtained the Grade II certification in production safety standardization.

### **Operation team standard compliance**

In 2018, the Company comprehensively promoted the safe production standardization and further revised the detailed provisions and assessment criteria for operation team compliance. It also strengthened the promotion and training effort, and conducted a phased compliance assessment, facilitating continual implementation.

In 2018, the Company assessed 160 operation teams, with 90 “excellent” ratings, accounting for 56.1%, 56 “passed”, accounting for 35%, and 14 “failed”, accounting for 8.7%. the “failed” teams took improving measures and passed in the second assessment.

### **Post standard compliance**

In 2018, the Company promoted safety culture at the operation team level to strengthen grass root level compliance of safe production standards. We also took measures to improve the safety management on the grass root level, such as safety management specialist and team leader ability certification, post training plans, ability standards and assessment rules, and others in the form of training, inspection, guidance, and assessment.

In 2018, the Company conducted 207 team leader certification assessments, with 40 “excellent”, 105 “good”, and 42 “qualified” ratings.



### **Safety informatization construction**

To systematically manage regular and key safety spots, the Company initiated the safety risk management system in 2018, employing “big data” technologies to assist the management in risk identification, tracking, and regular assessment, transferring the risk “gate” and strengthening the safety accountability structure. In 2018, the Company realized the online risk monitoring of key posts, key significant areas, and other risk points of projects in Chongqing.



The Company safety risk management system covers 9 items including goal, regulations, education and training, and 65 sub-items as required by *Basic Code for Company Safe Production Standardization* (GB/T33000-2016), strengthening the company safety risk prevention and control mechanism and its daily management, facilitating closed-cycle management and data analysis, and deepening corresponding supervision implementation.

### Fire safety

To enhance fire safety accountability at all levels, strengthen fire safety management, and prevent fire accidents, the Company improved and released *Fire Safety Regulations* (trial version) and *Warehouse Fire Prevention Regulations* in 2018 to set up fire safety management standards and tackle fire safety management risks, and established fire safety management ledger as per fire protection standardization requirements. The ledger will be further optimized.

In 2018, the Company collaborated with Cuiyun Fire Station and organized 4 professional fire trainings for employee volunteers, and participated in a fire rescue drill in June. Such activities successfully improved the fire rescue skills and knowledge of employees, thus effectively improving the Company's fire safety management.





### Case: Headquarter Fire Drill

On 27 June 2018, the Company organized a fire drill in the canteen involving all Headquarter employees. The event held during the “Safe Production Month” aimed to improve employee emergency reactions and fire safety awareness.

The fire drill consisted of three sessions: canteen evacuation, emergency rescue, and fire hydrant usage. Before the drill, Cuiyun Fire Station provided employees with professional trainings on basic fire protection knowledge, and safety tips during evacuation drill, improving employee awareness of self-protection during emergency evacuation. 276 employees participated in the evacuation drill, and 16 volunteer fire fighters participated in the other two sessions. The whole event went orderly and intensively, with active involvement of the employees, achieving the goal of the event. Besides, the Company also organized other drills, such as fire evacuation, traffic accident, high rack collapsing, and fire emergency, etc, in total 16 events with 1,158 participants.



### 5.3 Occupational Health and Safety

In 2018, guided by the principle of safe development, the Company implemented the annual safe production plan and strengthened employee safety education to sustainably improve employee safety awareness and safety management ability.

In 2018, we revised our *Regulations on Occupational Health and Safety Education and Training* according to the national *Production Safety Training Regulations*, optimizing such contents as management accountability, managing scopes, inspection and assessment, in order to regulate the occupational health and safety education and training of the Company, improve employee safe production ability, eliminate misconducts and rule-violations, prevent production safety accidents, and reduce occupational hazards.



Based on the regulations, we established a safety training plan covering relevant laws and regulations, accountability, safety management specialist certification training, volunteer fire fighter skill training, occupational diseases knowledge, confidentiality safety, etc, involving new employees, mid-level cadres, major directors, safety management specialists, operation team leaders, special staff, and stakeholders.

In 2018, the Company conducted safety management certification training of major directors and safety management specialists. Over 50 participants of the training all passed the assessment, realizing the 100% certified operation. The Company also conducted 94 grass root-level trainings, including 13 safety trainings, 12 operation team safety training, and 69 on-site one-on-one improvements, effectively strengthening the on-site safety management ability of the Company.

The Company also employs third-party company for occupational hazard (such as noise) assessment, and provides employees with protection articles for vulnerable body parts. For employees vulnerable to occupational diseases, the Company provides them with regular physical examination, with a coverage rate of 100%.

In 2018, the Company has 5 work-related injuries, 0 fatality and 176 work days were lost due to work-related injuries.

Safety accidents are one of the utmost concerns of the Company. We face the existing problems and have carried out systemic improvement in the aspects of safety regulations, prevention measures, management structure, and inspection and assessment.

In terms of regulations, the Company established and abided by the *Comprehensive Emergency Plan for Production Safety Accidents*. Such regulations, along with the *Special Emergency Plans* and the *Accident Scene Handling Plan*, have formed the emergency plan system, which further regulates the emergency management and improves the risk prevention and accident handling capabilities of the Company.

The Company formulated the *Work Injury Management Measures* to regulate work injury management, reduce work injury risks, and ensure due medical treatment and financial compensation of employees with work injuries or occupational diseases.

We require company subsidiaries to solve existing problems and establish investigation teams to research and analyse the causes, and propose solutions for safety accidents. To do so, the investigation teams should find the root cause, formulate preventive, rectifying, and improving measures such as safety risk investigations, promotion of safety awareness and typical cases, safety knowledge trainings, and strengthening inspection and appraisals of safety management work, so as to prevent the safety accidents from happening again.

Work Injuries	2017	2018
Work-related fatality (case)	0	0
Day lost due to work injury (day)	0	176
Work injury (case)	0	5

**Case: Nanjing CMSC Oil Spill Emergency Drill**

In 2018, to ensure employee health and production safety in summer seasons, Nanjing CMSC Logistics Co., Ltd. (“Nanjing CMSC”), subsidiary of the Company in Nanjing, held an oil spill drill. Changan Mazda Automobile Co., Ltd., carriers, and on-site management employees of the Company participated in the event.

Due to vehicle age, part abrasion, and hydraulic oil pipe aging of upward-opening trucks, oil spills at pipe breaks, gear box, and drive shaft joints are very likely to happen. Nanjing CMSC taught the participants measures to adopt when oil spill occurs with demonstration, so that they could learn timely and directly.

The event enabled employees to handle summer season safety risks correctly, laying a solid foundation for safe production work.



## 6. Green Logistics, Green Mission

The Company closely follows domestic and international environmental policies and trends, and practice environmental protection as main corporate social responsibility. We have been vigorously promoting the concepts of energy conservation and emission reductions, and have adopted corresponding measures to strengthen the emission and energy consumption management. We continue to develop environmental policies to reduce operational impacts and ensure green sustainable development of the Company.

### 6.1 Energy and Resources Management

The Company issued *Energy Control and Management Procedures, Resources Management Measures, and Environmental Protection Regulations* in response to the basic national policy of resources conservation, defining the responsibilities and strengthening headquarter supervisions in the energy conservation and emission reduction work, aiming to improve energy efficiency and reduce greenhouse gas emission by every possible detail of office operation and production.

The company's Quality and Safety and Lean Management Center manage the use of water, gasoline and diesel of the Company, and regularly analyses the use of energy and resources and the completion rate of planned goals.

The Company's main energy consumption includes electricity, gasoline and diesel. At the beginning of the year, the Company would make plans and set goals for energy efficiency in relation to energy procurement, measurement, statistics and consumption, and break down the plan into groups. The top-down supervision and bottom-up feedback enables timely task adjustment and helps to achieve the effective use of energy and energy conservation across the whole company. The Quality and Safety and Lean Management Center irregularly conduct inspections of energy use and submits energy utilization reports on a quarterly basis during the year. The Company also employs natural gas for the company canteen. In 2018, the Company adapted the canteen operation to the company business scale and strengthened energy control to reduce natural gas consumption.

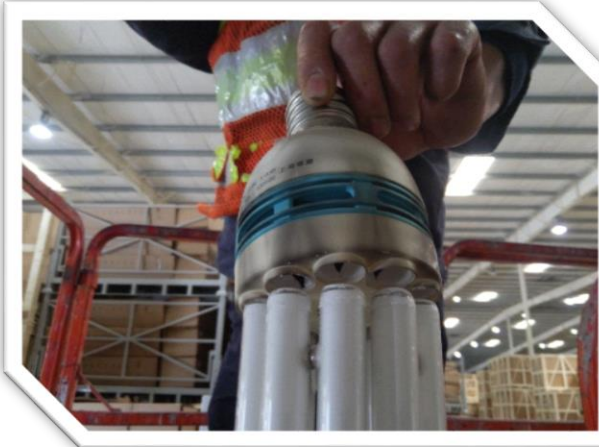
In terms of water consumption, the Company has limited water consumption, mainly in vehicle cleaning and household use. We will issue the Resources Budget Confirmation Letter for each operational department to assist their production planning, and require them to submit quarterly water consumption reports. In 2018, the Company continued to strengthen water consumption management through targeted optimization of water pipelines based on systematic investigation and leakage point repair, thereby water consumption is reduced.

In terms of packaging material recycling, to develop an environmentally friendly society and innovate the logistics services, Chongqing Changliang Logistics Technology Co., Ltd., a subsidiary of the Company, has been vigorously promoting its packaging recycling business, integrating the "green logistics" concept into the industrial chain, and the Company's nature as well.

### Case: Replacement of Warehouse Lighting Fixtures

The Warehouses B and C of the Supply Chain Business Department of the Company, after over 10 years of operation, are vulnerable to safety risks of lighting fixture dropping and fire hazard due to lighting fixtures and circuits ageing, screw loosening, and random connection, especially during hot seasons.

To eliminate the safety risks and reduce energy consumption, the Supply Chain Business Department conducted an inspection on the lighting fixtures of Warehouses B and C, and replaced 700 lighting fixtures. The measure successfully eliminated safety risks, improved energy efficiency, and ensured satisfactory lighting effect.



Aged lighting fixture



Lighting effect after the replacement

### Case: Energy Conservation and Cost Reduction –Li-Fe Battery for Lead-acid Battery

Most of the Company's forklifts and tractors are equipped with Lead-acid batteries, which are of high maintenance cost, short duration, and low working efficiency, failing to meet the utilization demands. The Company was in dire need to find a kind of battery with high energy concentration, good safety and operational performance, and long duration. As technologies develop, Li-Fe battery, a far more competitive kind in terms of operation voltage, energy concentration and duration, shows the possibility to replace Lead-acid battery.

In 2018, the Company conducted research on the application of Li-Fe battery, and tested the product in several projects. After the replacement, the operation cost on each forklift could be reduced by approximately RMB14,874. There are around 400 forklifts in the Company, 40% of which, that is 160 forklifts, are suitable for Li-Fe battery, which means a possible cost reduction of approximately RMB 2,400,000 each year.



Changing for Li-Fe battery

**Case: Warehouse Water Network Renovation**

In June 2018, the Supply Chain Business Department of the Company witnessed a 200% increase of water consumption from previous month in the PDC-B warehouse of the spare parts transportation project in Chongqing due to water leakage. The local team immediately conducted investigation on the water network with sound wave probing, and discovered 3 water-leaking points. A 24h urgent repair team was established to address the problem and ensure the regular operation of the water network. In the meantime, the Company also set up a daily patrol report mechanism and a risk elimination ledger to ensure timely treatment of similar problems.

In terms of electricity consumption, the Company strengthened the resources control and promoted the application of energy conservative lights and other facilities to conserve electricity resources. Besides, the Company has stipulated that the staff shall set the temperature of air-conditioning strictly in compliance with the relevant national room temperature control standards. Except for special purposes, the room temperature of the air-conditioning shall be no less than 26°C in summer and no higher than 20°C in winter. Air-conditioning must be turned off in empty rooms and once air-conditioning is on, doors and windows must be kept shut. Air-conditioning systems should be cleaned periodically to improve energy efficiency. In terms of power consumption, we use as much natural light as possible in offices and conference rooms. Lights must be off when the room is bright enough, and office staffs are required to turn off lights when leaving offices to put an end to “ever-burning lights” and “daytime lights”.

The Company also developed an energy consumption monitoring mechanism of the headquarter: the property management staff collects energy consumption data, the resources management specialists analyze the data and formulate data charts. If there were energy or resources waste in any of the departments, the resources management specialists will inform the department director, who will circulate such cases in the company Wechat group. Such monitoring measures effectively reduced energy and resources waste of the Company.

<b>Water consumption</b>	<b>2017</b>	<b>2018</b>
Water consumption (m <sup>3</sup> )	585,601	304,649
Water consumption intensity (m <sup>3</sup> /ten thousand revenue)	0.88	0.60

<b>Energy consumption</b>	<b>2017</b>	<b>2018</b>
Outsourced electricity (MWh)	11,417	10,573
Unleaded gasoline (L)	958,585	754,981
Diesel (L)	52,289,380	44,030,130
Natural gas (m <sup>3</sup> )	82,107	51,512
Total energy consumption (MWh)	541,300	451,159
Total energy consumption intensity (MWh/ten thousand revenue)	0.82	0.88

## 6.2 Emission and Waste Management

The Company strictly abides by all related regulations and laws such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution*, and the *List of National Hazardous Wastes*, and strives to reduce or eliminate negative environmental impacts.

In terms of internal regulations, the Company developed an environmental management system based on *Environmental Management Systems – Requirements with Guidance for Use (GB/T24001)*, with regulatory documents such as *Non-Fixed Assets Materials Treatment and Management Process*, *Fixed Assets Treatment and Management Process*, and *Environmental Protection Regulations* to regulate emissions and prevent environmental damage.

In terms of governance structure, the Quality, Safety and Lean Management Center of the Company is responsible for planning activities, formulating regulations and procedures, and supervising the implementations regarding environmental management. Each department is responsible for identifying environmental elements, formulating controlling measures, and ensuring compliant emissions.

The Quality, Safety and Lean Management Center issues annual goals and controlling indices for environmental management work based on the performance of last year, details the goals and controlling indices level by level to solidify the accountability mechanism, and supervise the completion of the goals. Each department makes and implements detailed plans accordingly.

### Wastewater management

The Company developed a strict environmental management system to control wastewater generation and consumption, and to conserve water resources. The Company generates limited volume of wastewater, mainly includes lightly pollutive vehicle wash water, which will be verified by the environmental authority and discharged to the municipal sewage network with household wastewater for unified treatment. The Company also put on posters in the office to remind employees of water conservation.

### Waste gas management

The waste gas of the Company comes from automobile transportation. Through integrated refueling measures, we directly control the source of oil consumption and ensures that motor vehicles use qualified and compliant gasoline to prevent and control harmful emissions from the source. In addition, we also employ new energy transportation vehicles and regulate driver operation habits.

### Solid waste management

The hazardous waste of the Company comprises office materials, such as the used fluorescent tubes, used printer cartridges, and used engine oil from vehicle maintenance. Specific procedures such as Resources Management Method, Fixed Assets Disposal Procedure, and Fixed Assets Disposal Review and Management Procedures were developed to strictly control the recycling and disposal procedures for solid waste. Currently the Company collects used fluorescent tubes, used printer cartridges, used engine oil, used tyres, used packing materials and stores them in a special area. The Company has entered into relevant contracts with qualified third parties to remove and dispose the solid waste periodically. The Company's waste disposal measures are mainly as follows:

- 1 Batteries are collected by qualified third parties for disposal;
- 2 Printer cartridges are changed and repaired by leasers;
- 3 Recyclable and non-recyclable rubbish bins are arranged on site for separated collection and disposal; and
- 4 Packing materials on site are recovered by product suppliers or relevant waste recyclers.

Figure: separated storage of hazardous wastes with “dangerous waste” sign



#### Case: Reduce Solid Waste – Re-utilization of Pallets

In 2018, the affiliated tyre sub-packaging company of the Company renovated the old wooden pallets with waste resources to reduce cost, enhance efficiency, and achieve waste re-utilization and environmental protection.

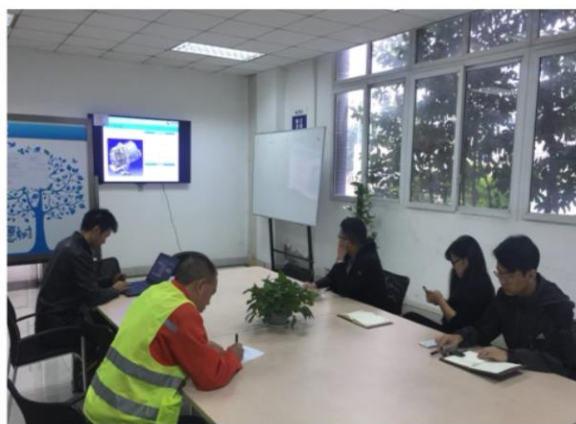




### Case: New Energy Vehicle Mass Application Feasibility Research

As China issued traffic restriction on diesel vehicles, the “last mile” transportation in the cities is significantly compromised. Meanwhile, the application of new energy vehicles can reduce logistic cost and improve company competitiveness and profit growth. Thus, in 2018, the Company conducted the new energy vehicle mass application feasibility research. We introduced new energy vehicles to Chongqing Ford PDC plant for cargo transfer, and collected relevant data for comparison analysis, laying a theoretical basis for the mass application of new energy vehicles in the automobile logistics industry.

According to operation data, the application of new energy vehicles conserves approximately RMB28,260.3 per vehicle each year, thus approximately RMB64,020.5 each year for Chongqing Ford PDC plant. The Company plans to gradually introduce new energy vehicles to the urban delivery of supply chain aftersales spare parts, the in-plant transfer of car parts, and other application scenes in 2019, in a total number of 40 vehicles.



Theoretical training



Practical training

Greenhouse gas emissions	2017	2018
Greenhouse gas emission (CO2 equivalent – T) (Category 1 only)	140,435	116,766
Greenhouse gas emission (CO2 equivalent – T) (Category 2 only)	7,480	6,410
Greenhouse gas emission intensity (CO2 equivalent – T) (Category 1 &2 only)	0.22	0.24

wastewater discharge	2017	2018
Wastewater discharge (m <sup>3</sup> )	526,555	274,184
Wastewater discharge intensity (m3/ten thousand revenue)	0.80	0.54

Hazardous waste disposal	2017	2018
Waste engine oil (kg)	5,215	2,616 <sup>4</sup>
Waste engine oil intensity (kg/ten thousand revenue)	0.0079	0.0051
Printer cartridge (piece)	1,669	560 <sup>5</sup>
Battery (piece)	213	194
Light tube (piece)	621	1,104 <sup>6</sup>
Hazardous waste intensity (piece/ten thousand revenue)	0.0038	0.0036

Hazardless waste disposal	2017	2018 年
Used tyre (piece)	1,135	517 <sup>7</sup>
Used tyre intensity (piece/ ten thousand revenue)	0.0017	0.0010
Used paper (T)	N/A	4.03 <sup>8</sup>
Used paper intensity by weight (T/ten thousand revenue)	0.0013	0.0000079

<sup>4</sup> The Company deploys operation mileage and maintenance based on the business volume. In the reporting period, the business volume of the Company dropped, the resources management was strengthened, therefore the volume of waste engine oil greatly dropped from the 2017 data.

<sup>5</sup> In the reporting period, the Company introduced the OA system and promoted paperless office, therefore the number of waste printer cartridges greatly dropped from the 2017 data.

<sup>6</sup> In the reporting period, the Company promoted energy conservative lightings, therefore the number of waste light tubes increased considerably from the 2017 data.

<sup>7</sup> In the reporting period, due to the dropped business volume of the Company, the optimization of transportation routes, and driving behaviour corrections to reduce tyre wear, the number of waste tyres dropped considerably from the 2017 data.

<sup>8</sup> The data scope covers the Company Headquarter only.

## 7. Joint Prosperity and Development with Employees

Employee centered and employee growth have always been the core values of the Company. Provision of reasonable rewards and promotion access can boost employees' sense of belonging, comprehensive training and development opportunities can help employee realize their career aspiration, and various activities and caring measures ensure a working environment of diversity and inclusiveness.

### 7.1 Employees Foremost

The Company operates strictly according to applicable labour laws and regulations such as the *Labour Law of the People's Republic of China*, *The Labour Contract Law of The People's Republic of China* as well as relevant internal regulations of the Company, and practice fair and rightful recruitment according to the Company's human resources demands. We respect employee diversity and ensure equal opportunity for people of different nationalities, ages, and gender, and avoid recruiting those under the age of 16. With the Company's enduring effort of practicing lawful employment, no complaint was filed against the Company on the grounds of child labour or forced labour in 2018.

#### (1) Internal management system

The Company carried out the "four can" reform in the aspects of recruitment, cadre system, remuneration system, and organization structure, and tried to find out more about the employees from different sources, levels and dimensions, creating a stringent selection process as part of a standard and professional human resources system. To better utilize talents with professional skills and management expertise, the Company has established a talent-post match optimization mechanism, regulated by *Measures of Talent-Post Match Optimization Management*, and implemented through collective promotion, constant review and inspection, policy supports, and regulations of the relevant staffing optimization work of each department. 780 employees were registered in the Talent-Post Match Optimization Center, and 530 internal optimizations were completed.

#### (2) Remuneration and welfare

The Company ensures reasonable remuneration and promotion mechanism for the employees, and fulfils its legal obligations to pay employee social insurance and protect their rights to vacations. The Company is steadily advancing its remuneration reform, renewing the remuneration packages of 15 units, including functional departments, the Southwest Branch, with employee satisfaction and no significant complaint; it is also promoting the "salary contractor" mechanism, aiming to control the total salary expenditure within the budget. The Company has completed the total salary expenditure settlement of each department and signed human resources management index liability statements, specifying related awards and punishments. With the social insurance base number adjustment, the employees can choose the base number for their own payment, saving approximately RMB10,440,000 of human resources cost for the Company and increasing the final salary of employees which improves employees' satisfaction.

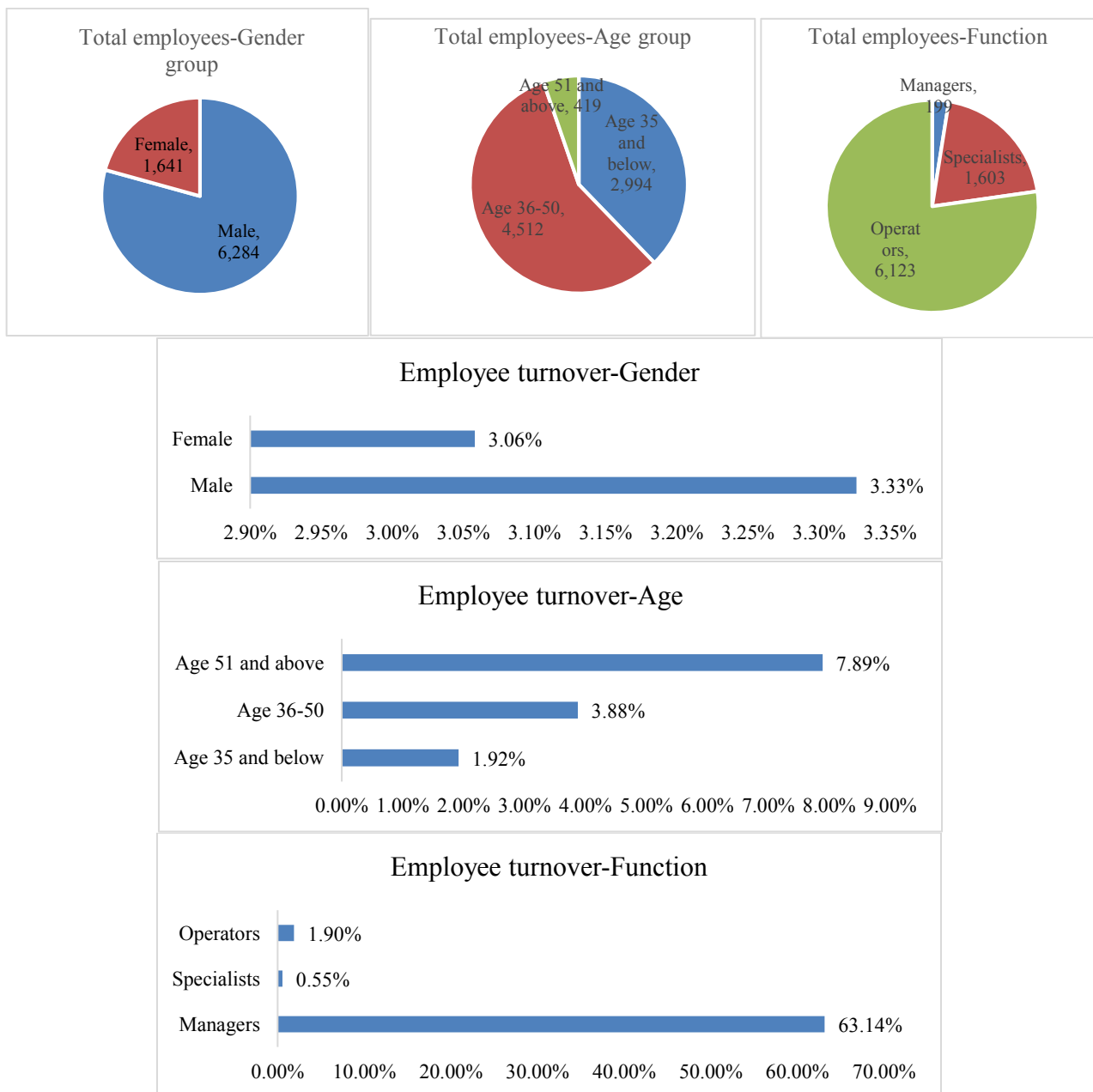
#### (3) Human resources configuration

In order to enhance internal talent circulation to meet the demands of new businesses and remote operations, the Company built a "lively water" plan to optimize talent structure and nurture multi-talent talents, realizing a balanced configuration of human resources. Through internal shift, recruitment, and borrowing, the internal circulation reached 324 person times, an internal circulation rate of 4.6%, with 101 cross-department, 306 cross-project, and 63 company wide movements, saving approximately RMB6,642,000 in human resources, and improving labor efficiency, realizing a balanced adjustment of production staff.

**(4) Recruitment**

The Company abides by the principle of “employ for talent and ability”, and always prioritizes post-ability match in its recruitment process. The Company recruits its employees mainly from schools and the general society. The Company actively absorbs local talents to support local development. In 2018, the Company recruited 154 mature talents in the posts of packaging, inbound logistics planning, warehouse planning, transportation planning, logistic operation, information system, and simulation, elevating the professional abilities of the Company. In the meantime, the Company visited over a hundred universities and colleges in 9 cities, recruiting 32 university graduates and 28 vocational graduates for the Company’s development strategies in digitalization, automation, and intelligentization.

As at 31 December 2018, there were 7,925 employees in the Company, reducing by 605 people, reflecting the timely appointment and dismissal guided by the “four can” reform. The Company will continue to improve working environment and help employees to excel and realize their values.



## **7.2 Training and Development**

The Company attaches great importance to employee development and provides them with good career paths. The Company has set different promotion and development approaches for different staff, in accordance with the respective employee's capability, background, hobbies, and other factors, so that the employees can truly feel a sense of belonging and trust.

In 2018, with the Talent Development Project, the Company established a complete professional training system, including occupational certification programs and skill competition, and designed a training system with three focuses: leadership, professionalism, and skills. Such powerful talent nurture and support system has motivated the employees to develop themselves and contribute to the sustainability of the Company's talent pool.

### **(1) Talent Development Project**

In 2018, the Company organized a series of training and certification programs, and linked the scores to employee promotion. In terms of professionalism training, the Company gave lessons on the Company's businesses and regulations through themed lectures of lean management course, everyday night schools, and specialized open courses.

In 2018, the Company also held the first skill competition, involving over 2,000 employees of 18 subsidiaries, organizations and even joint ventures, across cities and in different time span. 265 contestants made it to the final round. Such competition creates an effective platform for employee exchange and mutual learning.

### **(2) Training system with three focuses**

The training system of the Company mainly covers three aspects:

- ◆ Leadership: improving management skills on all levels to form a strong management framework, including the Big Dipper Plan for directors, the Beacon Plan for mid-level cadres, the Torch Plan for reserve cadres, and the Spark Plan for grass root managers;
- ◆ Professionalism: nurturing professional skills to improve technical capacity and efficiency through special competency improvement and general skill development;
- ◆ Skills: development operational skills and improving operator abilities through multi-skilled posts, skill certification, and skill promotion.

**Case: The Power of Walk · Field Training**



From 15 to 16 in December 2018, the new cadre nurture project: Beacon + Torch Plan of the Company kicked off with the first activity of field training themed “rise to the challenges”. The training has helped the employees to breakthrough with team integration, and refined their management skills, serving the fast growth of the Company.

**Case: Keep Up with the Times · TTT Training**

From 24 to 25 in August 2018, the Company organized the first TTT internal training and micro-class course design training in 2018 for 63 mid-level and backbone cadres. The training covered basic teaching manners and skills, and made the conclusion in the form of micro-class, catering to the “learning organization” construction of the Company. Such courses solved the study-work conflict for many employees, enabling them to learn during trips and in a fragmented manner, guaranteeing their performance in both work and study.



In 2018, the total training participants reached 112,000 with 246,000 total training hours.

	2016		2017		2018	
	Participants	Training Hours	Participants	Training Hours	Participants	Training Hours
Total	75,747	261,051.5	122,381	323,046	111,892	245,713
Deputy General Managers, General Managers, Chairman	19	126.5	46	227	65	556
Directors	1,081	4,089.5	1,855	7,549	631	1,262
Managers	1,575	5,166	6,061	12,091	3,905	5,578
Specialists	9,840	41,500	36,188	90,270	42,418	78,159
Operators	63,232	210,169.5	78,231	212,909	64,873	160,158

### 7.3 Employee Caring

The Company treats employees with kind heart, values communication with employees, and advocates harmonious labour relations through activities in various forms. We have a series of effective and two-way communication channels, offering the employees chances to talk directly with the Company and to ensure that the Company promptly understands and responds to employees. In the meantime, The Company organized rich employee activities in 2018 to care for e employee, involving nearly 1,000 employees. These activities have made the employees feel cared for, and enabled the Company to understand their legitimate demands, solve their problems in work and life, and made the Company every employee feel like home.

#### Case: The Tug-of-war Competition

In the beginning of the new year, the Company organized a tug-of-war competition with the theme of “concerted effort, coordination spirit, and determination to excel”, aiming to enhance collective spirit and reinforce competitiveness of the employees. 16 teams from the Company headquarters, operation center, first-tier business companies, subsidiaries, joint ventures and representatives of Liangjiang New Area participated in the competition. The athletes showed their perseverance and unyielding spirits during the competition, which continued to encourage the employees to overcome difficulties in their daily work.



**Case: Celebrating Birthdays Together**



On 12 February 2018, Hefei Branch of the Company hosted a birthday party for employees born in February. Party branch secretary Liu Min and Labor Union Chairman Wang Li planned the event in details, hoping to thank employees for their dedication to the Company, showing the love for the employees.

The Company practices the employee-caring and employee-oriented corporate culture to details through female worker caring, employee visiting, “one yuan” donation, “eight sends” activity, and psychological consultation. In addition, in order to help employees in distress, the Company established mutual-aid foundation and beneficent funds to provide financial assistance to employees in cases of emergency, serious or critical illness or problems such as struggling with children’s schooling, etc. through concerted efforts of the Company under the heritage of “unity and fraternity”. These measures enhanced the cohesion of the Company, demonstrated the Company’s humanism-based caring culture, effectively promoted the spirit of solidarity and promoted a sense of belonging and a collective sense of honor.

**Case: Caring for Female Workers**

In 2018, the Company organized one “four phases protection” health training and one worker rights protection knowledge training for female workers to enhance their health knowledge and improve their abilities to counter risks. We also organized a series of Women’s Day activities such as flower-arranging and fruit-arranging competitions, with over 50 participants. These activities lit up female workers’ cultural life and interests, and created happiness and harmony in the Company.





**Case: Visiting Employees in Difficulties**

On 8 February 2018, leaders of the Company visited employees in difficulties and sent them cash and gifts for the festivals, ensuring them a peaceful and happy Spring Festival. We practice the caring culture to details and try to solve problems for employees in difficulties, helping them to regain confidence and overcome hardships.

**Case: Refreshing Summer**

On 12 August 2018, Xie Shikang, Party Secretary and Chairman of the Company, joined with his colleagues, visited the Parts Operation Center inbound base in Yuzui Town, and sent each employee a bottle of herb tea in the summer heat. The visiting group thanked the employees for their dedication, and asked about their health conditions. Mr. Xie also urged the grass root cadres to implement heating reduction measures. The employees felt cared by the Company, and increased confidence and determination in their jobs.

As an important carrier of the Company’s “caring culture”, the Company Labor Union has been abiding by the principles of “serving production, business, and employees” and carrying out the “eight sends” activities – “warm winter, refreshing summer events, birthday greetings, festival greetings, hospital visits and hardship alleviation”, cultivating the caring culture of the Labor Union of the Company.



**Case: Caring Employees from the Heart**



On 8 September 2018, the Company’s Labor Union opened an employee online psychological consultation platform in the Corporate Wechat group with the joint effort of the Management Innovation and IT Center, and set an employee psychological and health consultation room in Room 901 of the Information Building, with psychological consultants visiting every month. To further facilitate grass root consultation, the Company dispatches psychological consultants to each ongoing project in Sichuan. The service has been highly appreciated by employees since its beginning one month ago for it effectively alleviates the employees’ life, emotional, and working pressures.

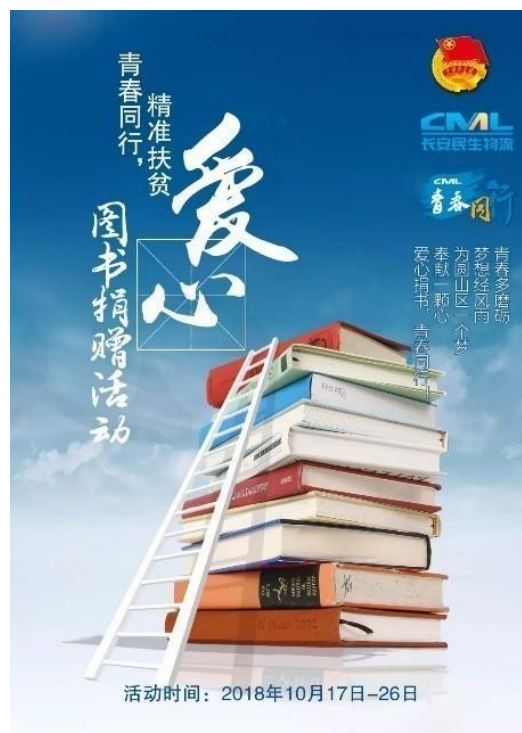
## 8. Good Deed for Society

Since the establishment of the Company, the Company has been holding on to its original aspiration of public services, and work to integrate it with company development, fulfilling the corporate social responsibilities. The Company organizes public service activities based on its own conditions. In 2018, the Company actively participated in book donation with active response to national calls on poverty elimination. It also participated in rescue work and environmental protection work, with sustainable contribution to communities. We will continue to build an eco-system for public welfare, connect practitioners, and push forward the cause.

### 8.1 Targeted Poverty Alleviation

To actively respond to the national call on poverty elimination and to live up to its original aspiration, the Company concert collective efforts and mobilizes corporate resources in targeted poverty alleviation activities such as book donation to contribute to poverty elimination and common well-being of the society.

#### Case: Targeted Poverty Alleviation



From 17 to 26 in October 2018, the Company organized a book donation for targeted poverty alleviation. The employees actively participated in the event, not only donating books but also sending their sincere wishes to children in the poverty-stricken area of Yanshan County, Yunnan Province.

## 8.2 Contributions to the Community

The Company improves the local well-beings wherever it goes. We will not forget our obligations to the society and shoulder our social responsibilities. In 2018, we fulfilled our environmental protection responsibilities by tree planting, and community responsibilities by cleaning snow and ensuring electricity supply. We are dedicated to the harmonious development of the Company, the community, and the community public welfare.

### Case: Tree Plantation

On 12 March 2018, the Arbor Day, Ford Inbound Project of the Company organized tree plantation with the theme of “green responsibility, green environment, green concept, green civilization”. Ren Honglian, the Vice Party Secretary, Disciplinary Inspection Committee Secretary, and Labor Union President of the Company, Ye Xinru, Senior Director of the Company, and other leaders were invited to the event. Together we planted the seed of hope, contributing to the sustainability of the green environment.



### Case: Fight against Snow Disaster

In the winter of 2018, heavy snow struck the cities of Hangzhou, Nanjing, and Harbin. The subsidiaries in these cities quickly responded to the situation, and mobilized employees to clean up the snows at unloading areas, vehicle storage areas, walking paths, and around the offices. The actions ensured the functioning of roads, and improved employee wills and persistence.



## 9. Summary of Sustainability Performance

In 2018, we practiced sustainable development, and responded to requests from regulators, investors and society with practical, quantifiable measures and sound corporate management. We optimized information management on environmental and social level, and conducted the summarization and comparison analysis, so to provide factual basis for upgrading enterprise management and sustainable development.

### Environmental indicators

#### *Water consumption & intensity*

Water Consumption Statistics	2017	2018
Water consumption (m <sup>3</sup> )	585,601	304,649
Water consumption intensity (m <sup>3</sup> /ten thousand revenue)	0.88	0.60

#### *Energy consumption & density*

Energy Consumption Statistics	2017	2018
Outsourced electricity (MWh)	11,417	10,573
Unleaded gasoline (L)	958,585	754,981
Diesel (L)	52,289,380	44,030,130
Natural gas (m <sup>3</sup> )	82,107	51,512
Total energy consumption (MWh)	541,300	451,159
Total energy consumption intensity (MWh/ten thousand revenue)	0.82	0.88

#### *Greenhouse gas emission & density*

Greenhouse Gas Emissions	2017	2018
Greenhouse gas emissions (CO <sub>2</sub> equivalent - T) (Category 1 only)	140,435	116,766
Greenhouse gas emissions (CO <sub>2</sub> equivalent - T) (Category 2 only)	7,480	6,410
Greenhouse gas emission intensity (CO <sub>2</sub> equivalent -T / ten thousand revenue) (Category 1 & 2 only)	0.22	0.24

#### *Waste water discharge & intensity*

Waste Water Discharge	2017	2018
Waste water discharge (m <sup>3</sup> )	526,555	274,184
Waste water discharge intensity (m <sup>3</sup> / ten thousand revenue)	0.80	0.54

Hazardous wastes & intensity

Hazardous Wastes Disposal	2017	2018
Waste engine oil (kg)	5,215	2,616
Waste engine oil intensity (kg / ten thousand revenue)	0.0079	0.0051
Printer cartridges (piece)	1,669	560
Batteries (piece)	213	194
Fluorescent tubes (piece)	621	1,104
Hazardous wastes intensity ((piece / ten thousand revenue)	0.0038	0.0036

Harmless wastes & density

Hazardless wastes disposal	2017	2018
Used tyres (piece)	1,135	517
Used tyres intensity (piece / ten thousand revenue)	0.0017	0.0010
Used paper (T)	N/A	4.03
Used paper intensity (T / ten thousand revenue)	0.0013	0.000079

**Social indicators**Total employees

	2017	2018
Total employees	8,530	7,925
Female	2,508	1,641
Male	6,022	6,284
Managers	198	199
Specialists	1,702	1,603
Operators	6,630	6,123
Age 35 and below	3,976	2,994
Age 36-50	3,860	4,512
Age 51 and above	694	419

Employee turnover

	2017	2018
Female	8.40%	3.06%
Male	17.60%	3.33%
Managers	0.03%	63.14%
Specialists	1.59%	0.55%
Operators	19.00%	1.90%
Age 35 and below	10.69%	1.92%
Age 36-50	8.52%	3.88%
Age 51 and above	1.41%	7.89%

Employee health and safety

供應商總數	2017	2018
Work fatalities (case)	0	0
Lost day due to general work injury (day)	0	176
Number of work injuries (time)	0	5

Employee training

	2016		2017		2018	
	Participants	Training Hours	Participants	Training Hours	Participants	Training Hours
Total	75,747	261,051.5	122,381	323,046	111,892	245,713
Deputy General Managers, General Managers, Chairman	19	126.5	46	227	65	556
Directors	1,081	4,089.5	1,855	7,549	631	1,262
Managers	1,575	5,166	6,061	12,091	3,905	5,578
Specialists	9,840	41,500	36,188	90,270	42,418	78,159
Operators	63,232	210,169.5	78,231	212,909	64,873	160,158

Number of suppliers

Total Suppliers	2016	2017	2018
Total suppliers (companies)	431	846	1,044

Client satisfaction

Customer Satisfaction	2016	2017	2018
Client satisfaction survey result (%)	93.20	93.32	95.38

## 10. Index of Environmental, Social and Governance Reporting Guide

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