

BEST Inc.

2019 ESG Report II



ABOUT THIS REPORT

1. Introduction

This is the second Environmental, Social and Governance (ESG) report released by BEST Inc.

2. Focus

The report covers BEST Inc. and its subsidiaries and consolidated affiliated entities. For readers' convenience, "Company", "we," "us", "our" and "BEST" refers to BEST Inc. and its subsidiaries and consolidated affiliated entities.

3. Time frame

The report captures the Company's ESG initiatives in 2019, as well as the Company's recent relief efforts during the outbreak of COVID-19.

4. Reporting Guidelines and References

The information contained in this report is provided in accordance with one or more of the established ESG reporting guidelines below:

- Sustainability Reporting Guidelines (G4) by the Global Reporting Initiative
- China Corporate Social Responsibility Reporting Guidelines (CASS-CSR4.0) by the Chinese Academy of Social Sciences
- Guidance on Social Responsibility Reporting (GB/T36001-2015)
- Guidance on Classification of Social Responsibility Performance (GB/T36002-2015)

5. Data

All data in the report comes from BEST's public filings, internal statistical reports, administrative documents and reports, and third-party evaluation interviews. All financial numbers in the report are in Renminbi (RMB), the legal currency of the People's Republic of China, unless otherwise indicated.

6. Company Information

Website: www.best-inc.com

Headquarters Address: 2nd Floor, Block A, Huaxing Modern Industry Park, No. 18 Tangmiao Road, Xihu District, Hangzhou, Zhejiang Province 310013, People's Republic of China

Telephone: (86) 571-88995656

Email: ir@best-inc.com

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INTRODUCTION

In 2019, BEST continued its commitment to transform the traditional logistics industry by carrying out its mission to “Empower Business, Enrich Life” through technology and business innovation. While focusing on providing smarter and safer services to our customers in China and beyond, we continued to allocate resources and investments across our environmental, social and governance initiatives that are designed to respond to important changes in our industry.

Technology and talent are two core areas of growth for our business that we continued to invest in. BEST helped provide job opportunities to about 700,000 people, who work as employees, franchisees, business partners, and frontline staff across its platform. To revitalize regional and local economies, we built over 20,000 rural delivery service stations called “Neighborhood” and launched the “Agricultural Excellence” project to help farmers expand their sales channels for agricultural products. BEST also participated in multiple public welfare projects such as supporting the local education sector, helping underprivileged and disabled populations, delivering winter clothes to residents in Tibet, and participating in deliverymen-care activities.

In addition, we continued to explore sustainable ways to drive growth for the entire supply chain through the promotion of green express packaging and low-carbon delivery. BEST strives to contribute to environmental protection by building and enabling a more comprehensive green supply chain and logistics system by engaging with participants in the ecosystem.

The novel coronavirus (COVID-19) outbreak has disrupted the life of millions of people around the world. In the face of this outbreak in early 2020, BEST took immediate actions to support global relief efforts to combat the spread of the virus. In China, BEST contributed its logistics networks to provide free shipping of medical supplies and other donations to local communities while many cities were under lockdown. We also set up an internal response team and a “green channel” to sponsor the shipping of medical and relief supplies such as masks and disinfectants in China and around the world. To protect the safety and health of our employees, customers and business partners, we have implemented strict preventative measures across all hubs and service stations.

Looking forward, we will continue to identify and invest in more sustainable growth channels and develop a smarter, greener supply chain and logistics platform in China and beyond.

Emergency Response in China

On January 24, BEST established a “green channel” to provide free transportation of medical supplies to Hubei Province and other areas in China impacted by the COVID-19 outbreak. BEST Express, BEST Freight, BEST Supply Chain and BEST Store+ have all played a part in the shipping of medical and relief supplies.



83 Vehicles dispatched	170,000 ITEMS 1,000 TONS	Between January 24 and March 11, BEST arranged for and paid for 83 vehicles delivering more than 170,000 items (approximately 1,000 tons) of medical and relief supplies. The donations, including medical masks, goggles, gloves, bedsheets, medical equipment, medicine and food, were worth more than RMB50 million. These items were shipped to designated hospitals and charitable organizations in Hubei Province and other heavily impacted areas in China, including Wuhan University South Central Hospital, Wuhan No.6 Hospital, Wuhan Charity Federation and Hubei Red Cross.
Total shipment worth 50M RMB	Medical and relief supplies delivered for free	

Cross-Border Relief

As China saw a huge rise in demand for medical-aid materials at the beginning of the COVID-19 crisis, BEST leveraged its expertise in cross-border logistics. With BEST's assistance in transportation, transits, and customs clearance, medical supplies including protective clothing, goggles and masks, were sent to China from the United States, Brazil, South Korea, Malaysia, Thailand, Vietnam and Japan.



Since March, as the threat of COVID-19 tapered off in China due to effective control measures, BEST began to switch the focus of its relief efforts to other regions around the world. We sponsored shipment of epidemic relief materials abroad to countries including France, Vietnam and Malaysia.

Concurrently, we also took further steps to protect the safety of our frontline staff and customers overseas. About 400,000 masks have been distributed to our subsidiaries in Malaysia, Thailand, the United States and Vietnam.

Supporting Business Recovery

Logistics plays a critical role in supporting economic growth and improving quality of life for customers and merchants. As China begins to return to work, logistics providers have held the front line for social and economic recovery. In addition to facilitating virus relief efforts, our BEST Express and BEST Freight businesses have implemented several initiatives to enable employees to return to work safely, and support the recovery of the whole industry.

To facilitate a safe and smooth process for our employees returning to work, we have chartered buses to help non-local employees commute to work in Shanghai and Hubei Province. BEST has also taken strict measures to protect the safety and well-being of its employees and customers. BEST Express, for example, provided surgical masks, hand sanitizers and other disinfectants materials for 5,000 service stations. BEST Freight, on the other hand, has established a RMB1 billion subsidy scheme to support franchisee partners in resuming business operations.

In addition to taking a range of precautions to ensure the health of workers, BEST Supply Chain has also adjusted its warehousing and transportation resources allocation to meet clients' changing demands for offline and online orders. In response to the effective arrangement, many Chinese and global companies including Angel Yeast, Baosheng, Bestseller, Engnice, Johnson & Johnson, NetEase Yeation and Wm Wrigley Jr. have significantly benefited from this.

"During the outbreak, BEST Supply Chain not only sorted out reference documents for our work resumption, but also provided epidemic relief materials. We're deeply impressed by BEST's strong coordinative ability and cohesive force. We are grateful for having such a great business partner that helped us tide over the difficulties."

Bestseller, a Danish clothing group

During COVID-19, BEST Store+ continued to provide online merchandise sourcing and store management services. Many BEST-Nighbor stores and WOWO convenience stores also remained open for business, ensuring a supply of daily necessities for people with minimal disruption. In Wuhan, for example, many BEST-Nighbor stores volunteered to deliver food and supplies to disease prevention workers and residents.

Green Packaging

BEST is committed to fostering a more sustainable express delivery industry. The Company has implemented a variety of initiatives including digital waybills, eco-friendly polyethylene express satchels, reusable sorting bags and parcel recycling boxes. BEST has also increased its utilization of clean energy vehicles and optimized its transportation networks to offer greener transportation services.


 **3,390+** TONS
Less paper

25%
YoY reduction

Digital waybills

Last year, BEST Express digitalized its waybills, saving printing materials and labor input by over 50%. In June 2019, BEST began upgrading digital waybills from two copies to one, further reducing the use of paper. As of December 2019, the overall digital waybill adoption rate for BEST Express was 100%, with the one-copy adoption rate standing at 88%. The initiative has resulted in an estimated reduction of 24.8%, or 3,397 tons of paper in 2019 (compared to the usage in 2018), while BEST Express annual parcel volume increased by 38.5%.




 **35M** Satchels
105 TONS
Less CO₂

PERIOD: APR 2019 – DEC 2019

Eco-friendly satchels

In April 2019, BEST partnered with Beijing Yiside Logistics Technology to introduce a new eco-friendly express satchel and establish a research & development lab focused on sustainable packaging materials. The new satchel utilizes plant-based starch as its raw material as opposed to petroleum-based plastic, thus reducing the use of plastics by 30%. In 2019, BEST utilized more than 35 million eco-friendly express satchels, reducing plastic by approximately 105 tons.



 **5M** Sorting bags
160+
Sortation centers
1,230+
Collection stations

PERIOD: APR 2019 – DEC 2019

Reusable sorting bags

In April 2019, BEST began using RFID-equipped sorting bags across hubs and sortation centers. The RFID-equipped bags help track information of express parcels and can be reused over 35 times while traditional woven sorting bags can be reused twice at most. In 2019, BEST utilized over 5 million eco-friendly sorting bags, covering more than 160 operation centers and 1,200 package collection stations across China.



Boxes Returning Plan

In August 2019, BEST partnered with Cainiao Network to improve recycling efforts and promote green logistics via a box recycling campaign. The campaign encourages consumers to return parcel boxes for reuse at recycling outlets so other consumers can also pick up free boxes whenever they need to send parcels. As of December 2019, BEST has set up 6,000 recycling points for the "Boxes Returning Plan" at its express stations and BEST-Neighbor convenience stores throughout China.



 **6,000+**
Recycling points

Low-Carbon Transportation

BEST helps its partners improve efficiency and reduce costs to achieve greater energy conservation and emissions reduction. By leveraging high-capacity transportation solutions for our long-haul routes, BEST increases energy efficiency and decrease overall fuel consumption. As of December 2019, we had more than 5,560 high-capacity trailers, each consuming 55% less fuel and producing 70% less pollution than a conventional 9.6-meter vehicle. This alone has reduced carbon dioxide emissions by roughly 85,000 tons.

5,560
High-capacity trailers
85,000 TONS
Less CO₂

BEST also encouraged the use of clean energy vehicles and introduced electric vehicles powered by lithium batteries. Furthermore, by pushing for the integration of express and freight logistics networks, BEST has been able to reduce energy waste and carbon emissions. At the peak of operation, the network-integration initiative optimized 234 routes. In 2019, this initiative has saved 4.3 million liters of fuel and reduced almost 15,000 tons of carbon dioxide emissions, equivalent to the amount of carbon dioxide absorbed by 800,000 trees in one year.

4M LITERS Less fuel
15,000 TONS Less CO₂
Equivalent to CO₂ absorbed by
800,000 Trees

PART 3 COMMUNITY

Since its establishment in 2014, the BEST Charitable Foundation has organized over 50 philanthropic activities with more than 30 charitable organizations. In 2019, upholding the model of "logistics + public welfare", we participated in 20 public welfare activities by leveraging our advantages in logistics.

BEST Inc. was recognized as a "2019 Social Responsible Brand" on the 9th China Charity Festival in Beijing on January 14, 2020.



Helping and Serving Rural Areas

BEST Express owns an extensive national distribution network, covering 100% of cities and counties as well as 93% of towns and villages with more than 42,400 last-mile service stations. As we increase the penetration of our rural distribution network, we are exploring the combination of "express delivery + rural e-commerce + rural agricultural specialties", connecting agricultural products to urban households while bringing industrial products to rural areas.



Rural Network Development

With a sparse population and complex road traffic, it is difficult for deliverymen to dispatch parcels door-to-door in rural areas. However, as rural areas become the main driving force behind e-commerce growth, new methods of last-mile delivery need to be explored to provide rural residents with a more convenient way of participating in the growing e-commerce market. BEST Express set up "Neighborhood" rural service stations to meet this rural demand. "Neighborhood" outlets serve as last-mile service points that provide not only parcel dispatch and pickup services but also value-added services. BEST Express has built more than 20,000 "Neighborhood" service stations across rural areas in the country.

In order to support the economic growth of China's rural areas, BEST has spent tens of millions of Renminbi subsidizing last-mile service stations in these regions, as well as investing in automation, vehicles and equipment. For remote areas such as Yunnan and Xinjiang, transportation subsidies helped to increase the frequency of truck deliveries and facilitated the improvement of the local express network.

"Agricultural Excellence" Project

In 2018, BEST launched the "Agricultural Excellence" project to provide one-stop supply chain and logistics solutions for Chinese farmers to facilitate the sale of their unique agricultural products. By offering packaging, warehousing, distribution, transportation and delivery services, BEST is committed to helping farmers optimize their harvest seasons and deliver fresh agricultural products directly to consumers. Meanwhile, BEST subsidized farmers' express fees and rural delivery outlets to further reduce logistics costs.

In 2019, the project established strategic cooperation with local governments from the Gansu, Hunan and Yunnan provinces, promoting over 40 agricultural products from more than 30 impoverished counties. The project has helped local farmers sell more than 4.3 million kilograms of fresh produce, generating over RMB35 million of revenue.

Customized Integrated Solution for "Duck Eggs"

Most recently, BEST supported the sale of sea duck eggs, a specialty from Beihai, Guangxi, which have become increasingly popular in China. Farmers in Beihai had begun to switch to online sales channels, but high distribution costs remained an obstacle for them.

In early 2019, a franchisee team of BEST Express transformed a sea duck egg farm by introducing automation equipment and modernizing egg farming production and processing practices. Meanwhile, BEST assisted the farm in reconstructing the 10,000-square-meter site to streamline the process of selecting, packing, storage and delivery, and promoted the sea duck eggs on its e-commerce portal during the Dragon's Boat Festival. These efforts yielded results when more than 80,000 roasted sea duck eggs were sold within one day after they became available on our portal.



Supporting the Community

Apart from our ongoing partnerships and initiatives, BEST has also participated in a number of special community activities in 2019 that are highlighted below.

June 17, 2019

Sichuan Government and Sichuan Postal Administration

After a 6.0-magnitude earthquake struck Yibin in Sichuan Province, a local volunteer team from BEST Express participated in the relief work and shipped donations to the affected area.



September 7, 2019

Sina.com

BEST Freight assisted charitable organizations in delivering nutritional meals and snacks to pupils in impoverished regions in Guizhou, Hubei and Zhejiang provinces. The supplies were sufficient to provide nutritional snacks to the students for three months.



October 10, 2019

Shaoxing City Charity Federation

BEST Freight shipped nearly 12 tons, or 10,000 items of donated winter clothes to the Tibet Autonomous Region.



November 2019

Hangzhou Wahaha Group

As parcel volume surged during the Single's Day period, front-line deliverymen were facing an extremely high-intensity of work. Together with Wahaha Group, BEST donated 1.4 million bottles of soda water and quinoa milk porridge to deliverymen and outdoor workers in 41 cities. Together with Sichuan University of Media and Communications, Southwest University and Communication University of Zhejiang, we also organized a charitable Night Run for water donation.



December 6, 2019

Operation Smile China

Provided free shipping of a ton of medical equipment and consumables from Hangzhou, Zhejiang to Nanning, Guangxi. BEST volunteers assisted in physical examinations and screenings for 164 children.



BEST believes in the importance of investing in technology and talent, devoting significant time and resources toward the selection, development and retention of its valuable workforce. We create value for employees by offering in-house training programs that help them achieve their career goals. In 2019, we continued to develop our teambuilding activities and are committed to providing attractive benefits packages to our employees. BEST also believes in investing for the future and has strengthened its collaboration with colleges in China to cultivate the next generation of talent for the industry.



Developing and Retaining Talent

As of December 2019, we had a total of 8,423 full-time employees across 20 countries, including nearly 1,000 located overseas.

In China, our employees come from a diverse range of backgrounds:



Female
40.7%



Ethnic minorities
3.3%



Rural households registration
56%

“BEST University”

“BEST University” is an internal training initiative that covers induction, integration, promotion and cultural practices, and supports our employees as they seek professional development. In 2019, “BEST University” provided 10,496 training sessions. Among them, 442 were online, 8,049 were face-to-face and 2,005 combined both online and in-person training sessions. These classes, which are held on a regular basis or are archived online, were accessed by our staff over 241,000 times, representing a total of over 25,500 hours of learning.

Additional Training Support

In order to better support our talented and committed team members, BEST carries out an annual organization and talent review (OTR) in combination with the application of big data to provide additional targeted training to help our employees accelerate their growth in the Company. In 2019, we provided tailored training for over 2,300 key talents with high potential. We are proud of our dedicated teams and look forward to supporting more and more colleagues in the near future.

Cooperation with Colleges

BEST places great importance to recruiting talent and collaborates extensively with universities through internship and recruiting programs. This provides employment opportunities for their graduates, while giving us access to high-quality talent.

As of December 2019, BEST had established long-term strategic cooperation partnerships with more than 150 colleges and universities such as Chongqing Second Normal University, Tianjin Coastal Polytechnic and Yantai Vocational College to carry out placement programs for university students to take part in during their studies, and graduate programs for graduates to work at different functional groups.

Most recently, on September 16, 2019, BEST Inc. and the China Federation of Logistics & Purchasing (CFLP) signed a strategic cooperation agreement. Together we pledged to strengthen cooperation between colleges and logistics companies, elevate the training quality for talent and support logistics development.

Employee Well-Being

In addition to the regular employee welfare and social security benefits, BEST also provides additional support such as employer's liability insurance, travel incentives for excellent front-line employees, and both monetary and non-monetary bonuses on Chinese traditional holidays. For Chinese nationals working overseas, BEST grants family visits and allowances in addition to basic benefits and holidays.



PART 5

CUSTOMERS & CLIENTS

Safety Management

In order to best protect the interest of our customers, clients and employees, BEST takes active steps to promote safety in operations and has developed three systems for safety management – Accountability System for Safety in Production, Management System for Safety in Production and Safety Regulation for Operation.

In 2019, the Company established a dedicated team of 433 safety personnel carrying out 360-degree safety reviews across operation centers and delivered approximately 12,900 safety training sessions, with our staff participating more than 782,000 times in total.

433
Safety inspectors

12,900+
Safety training activities

18,300+
Workplace safety posters

782,000+
Times of participation

Data protection and data security are crucial to not only our own business, but also to the safety and privacy of our customers and clients. With the rise in e-commerce transaction volume, logistics data is becoming increasingly important. In 2019, we upgraded our information security management system, implementing more rigorous privacy and security processes to safeguard customers' data. On October 31, BEST was granted ISO 27001 (Information Security Management System Certificate) by DNV GL, the world's leading classification society and independent expert in risk management and quality assurance, demonstrating the world-class standards that BEST's information security management upholds.

"While improving its own information security, BEST Inc. provides users with credible and reliable services. The ISO Certification can improve employees' awareness of information security and improve the level of security management. In addition, the system can effectively improve the risk management of information security. Receiving the ISO 27001 Certification signifies that BEST has improved capabilities in information security protection. DNV will also support BEST to continue consolidating its information security management system."

Chen, Li, Vice President of Greater China, DNV GL

Customer Satisfaction

As our business continues to grow, we continued to improve the quality of all of our services. Under the supervision of our Quality Management Department and Service Improvement Committees, we implemented the ISO 9001 quality management system to ensure our customers get consistent good-quality services. In December 2019, BEST Express received the ISO 9001:2015 quality management system issued by DNV GL.



To further our efforts to systematically improve service quality, BEST's regional offices completed 175 Quality Control Circle projects to improve productivity and enhance organizational performance. In addition, our Express, Freight, Supply Chain and Store+ completed 17 Lean Six Sigma projects this year – a process improvement methodology designed to eliminate inefficiency and better meet customer needs. As a result:

BEST EXPRESS

Decreased breakage rates and reduced loss rates from 5 in 100,000 to 3 in 100,000

BEST FREIGHT

Greatly improved customer experience through its tailor designed customer service robot

BEST SUPPLY CHAIN

Improved the visualization of orders through a project that tracks transportation details for corporate customers

BEST STORE+

Optimized marketing costs and increased efficiency

In 2019, BEST established a complete customer satisfaction management system to provide integrated pre-sale and after-sale services. According to the complaint and satisfaction rate published by the State Post Bureau in 2019, BEST Express was among the top performers in the industry in China. A survey conducted by Dataway also shows the overall service satisfaction rate of BEST Express improved in the second half of 2019 compared to the first half, with enhanced customer experience in order placement, parcel collection, parcel dispatches and after-sales.

According to data from China's State Post Bureau, BEST Express gained 76.1 points in terms of overall service satisfaction in 2019, achieving the second biggest improvement among leading express delivery peers with an annual improvement of 1.9 points.

Customer satisfaction rate
82.6 ↑ 2.2 Points YoY

On-time delivery rate
69.6 ↑ 1.6 Points YoY

*SOURCE: STATE POST BUREAU



Website <http://www.best-inc.com> **Telephone** (86) 571-88995656 **Email** ir@best-inc.com

Headquarters Address 2nd Floor, Block A, Huaxing Modern Industry Park, No. 18 Tangmiao Road,
Xihu District, Hangzhou, Zhejiang Province 310013, People's Republic of China