



ZTO Express (Cayman) Inc.

# ZTO Express (Cayman) Inc. ESG Report 2019



2019 ESG Report



*Bringing Happiness  
to More People  
through Our Services*



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# About the Report

## ○ Introduction

This annual ESG report is the second public release by ZTO Express (Cayman) Inc., and the one for the previous year was published on May 20, 2019

## ○ Coverage

The report covers ZTO Express (Cayman) Inc. and its subsidiaries. For reader's convenience, "ZTO Express", "ZTO", "the Company", and "We" are also used to address the Group

## ○ Time frame

The report covers the period from January 1, 2019 to December 31, 2019 (Please note that part of the content may be out of this time frame)

## ○ References

*Sustainability Reporting Guidelines (GRI Standards)* by the Global Reporting Initiative  
*China Corporate Social Responsibility Reporting Guidelines (CASS-CSR4.0)* by the Chinese Academy of Social Sciences  
*GB/T36001-2015, Guidance on Social Responsibility Reporting*

## ○ Data

All the data in the report come from ZTO Express (Cayman) Inc.'s public files and statistical reports, which have been reviewed by relevant departments. Unless otherwise stated, the financial data in the report are based on RMB. To the best of our knowledge, the report does not contain any false records, misleading statements or material omissions

## ○ Preparation process

Early stage preparations, drafting, review, design & release, and feedback

## ○ Information

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# Bringing Happiness to More People through Our Services



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**MOVING DOWN TO THE GRASSROOTS AND MAKING  
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# Chairman's Letter

## Getting Ready to Set off Again on a New Starting Point of 10 Billion Parcels

On the single day of November 11, 2019, ZTO Express achieved good results as it received over 200 million orders and picked up over 100 million parcels through its whole network. On the next day (November 12), the annual parcel volume of the Company had exceeded 10 billion. This is another new milestone in the history of ZTO.

The new milestone is a result of the hard work of every ordinary employee of ZTO in the past 17 years. It is not only an affirmation of our past efforts, but also a spur to the future. The express delivery industry has broad prospects and huge potential. The ambitious ZTOers, with a dream of building an enterprise of 100-year history, keep climbing and striving to create a new tomorrow.

Standing on a starting point of 10 billion, we must stay vigilant. Standing on a new starting point and embarking on a new journey means that ZTO will gather more resources and shoulder greater responsibilities. Express delivery is a link between goods and users, and a bridge between production and consumption. In the future, we will link more users and goods, improve our service capabilities and quality, help more people start businesses and find jobs to achieve a new better life, and better meet market demands and expectations. We will better help users improve quality and efficiency, and reduce the logistics cost of the whole society. We will stick to high-quality development, adhere to green development, assist targeted poverty alleviation and rural revitalization, and live up to higher requirements and expectations of our society.

Standing on a starting point of 10 billion, we should have more confidence and trust! Looking back on the past 17 years, the development of ZTO relies on the trust of every member of the big ZTO family. Along the way, the reason why we have been able to develop from catching up to leading the industry is that our pragmatic and dedicated ZTOers trust the platform of ZTO. We believe that this industry will prosper, and we also have more confidence that ZTO will prosper, as our platform is fair, just, transparent and willing to share. For this trust, ZTO will continue to handle and balance the relationship between short-term and long-term development, the relationship between partial and whole, and the relationship between the interests of the platform and the outlets. The development speed depends on the level of trust. Only with trust, can we unite like a fortress, be practical and realistic. Only with more trust, can we gather more strength and become stronger.

Standing on a starting point of 10 billion, we should work harder! Fortune rewards the diligent, and no pains no gains. Happiness is achieved through hard work. Happiness is created with our down-to-earth attitude, step by step through 17 years of trials and hardships. In the face of a Chinese express delivery market with infinite possibilities, potentials and prospects, ZTO, which is already in the forefront, will face a new situation - co-existence of challenges and opportunities. But we have the confidence that, we can and we will create a more brilliant future through unremitting efforts and hard work!





# ABOUT ZTO

## Introduction to the Company

Founded on May 8, 2002, ZTO Express (Cayman) Inc. is a logistics conglomerate integrating multiple services including domestic and international express delivery, express freight, commerce, warehousing, finance, aviation, media and intelligent technologies. In October 2016, ZTO was listed on the New York Stock Exchange, and was the largest IPO in the U.S. capital markets that year. As the first Chinese express delivery company listed in America, ZTO Express has created unprecedented global visibility for the Chinese express delivery industry.

Adhering to the mission of "Bringing happiness to more people through our services", ZTO has grown into the largest express delivery enterprise in terms of volume, with the most stable development in China. In 2019, market share of ZTO reached 19.1% with 12.1 billion parcels, for the fourth consecutive year. The service quality has topped the industry for many consecutive years, and ranked No.1 among "Tongda" operators (referring to ZTO Express, YTO Express, STO Express, Yunda Express and Best Express). By the end of 2019, ZTO Express had nearly 30,000 service outlets and more than 4,800 direct network partners, covered over 98% of cities and counties, and over 90% of towns, becoming the largest network with the most extensive, the most intensive and the deepest coverage among the private operators in China. ZTO Express has a strong operation capacity, having more than 7,350 line-haul vehicles, of which more than 4,650 are 15 to 17-meter long high-capacity vehicles, more than 2,600 line-haul routes, 91 sorting hubs and 265 sets of automated sorting equipment. On the Nov.11 shopping festival of 2019, ZTO express received more than 200 million orders and delivered over 100 million packages.



## Core Philosophy

### ZTO Express 2019

market share of ZTO reached <b>19.1%</b>	with <b>12.1</b> billion parcels
nearly <b>30,000</b> service outlets	more than <b>4,800</b> direct network partners

**Vision**

Becoming a respected enterprise with dignity, sustainability and longevity for centuries to come

**Mission**

Bringing happiness to more people through our services

**Core values**

Shared success, trust and accountability, innovation and entrepreneurship

**Development philosophy**

Stable, strong, ambitious and change-seeking

**Corporate spirit**

Persistence, focus, and perseverance

**Talent philosophy**

Talents are the hard power

**Management philosophy**

Fair, efficient, and result-oriented

**Service philosophy**

All for outlets, and all for customers

**Operation philosophy**

Integrity, transparency and win-win results

**Safety philosophy**

Safety is benefit

## Honors & Awards





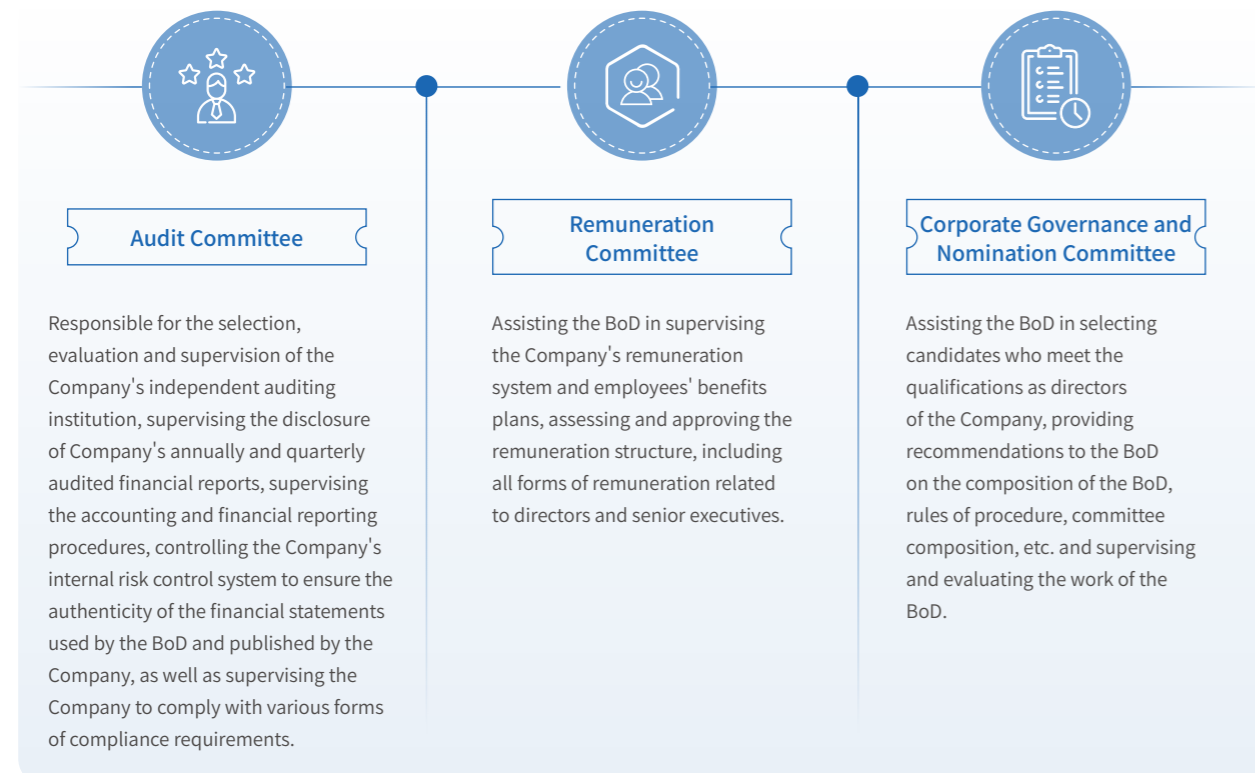
## Corporate Governance

As a company listed on the New York Stock Exchange and registered in the Cayman Islands, ZTO Express is subject to relevant laws, regulations and rules, such as the U.S. *Securities Exchange Act of 1934*, the *NYSE Listing Requirements*, the *Cayman Islands Company Law* and the *Articles of Association of ZTO Express*. In order to further standardize the operation of the Company, improve its governance level as a listed company and ensure the realization of the Company's overall strategic goals, the Company has built up a legal, compliant, complete and sound corporate governance structure to strengthen the balance between internal and external supervision, protect the legitimate rights of shareholders, actively resolve various risk issues, effectively prevent and control major and serious incidents, improve the overall value of the enterprise, and contribute to the stable and healthy development of China's capital market.



### Governance Structure

In order to improve the corporate governance structure, complete the operating system of the Group's board of directors (BoD), strengthen the functions and responsibilities of directors, and improve the working efficiency of the BoD, ZTO Express has set up three committees under the BoD: the Audit Committee, the Remuneration Committee, and the Corporate Governance and Nomination Committee, which are responsible for regularly formulating and reviewing the corporate governance principles adopted by the BoD, as well as advising the BoD on all matters related to corporate governance and the corrective measures to be taken, to ensure that the enterprise's management and operation have met the compliance requirements and the Company's development plan. The BoD also includes foreigners and experts in finance, technology and logistics to support the Company to make comprehensive, integrated and professional strategic decisions and judgments.



## Safeguarding Shareholders' Rights and Interests

Timely and accurate disclosure of corporate information and maintenance of investor relations are indispensable links in performing shareholders' responsibilities. ZTO Express pays high attention to the maintenance and management of investor relations, and strictly abides by the information disclosure obligations under the U.S. securities and exchange rules, the NYSE Listing Requirements and other applicable laws and regulations. The company has set up a specific investor relations department, to regularly hold roadshows and reverse roadshows, arrange investors' visits, as well as respond to investors' concerns. At the same time, the Company discloses its major events, developments and operations, and other information to the public through the Company's investor relations (IR) website, press conference, and the websites designated by the U.S. Securities and Exchange Commission in a timely, complete and accurate manner, to strengthen communication with investors and effectively protect their legitimate rights and interests. In 2019, the Company published more than 50 press releases, announcements and related documents, hosted meetings with more than 900 institutional investors, and participated in more than 20 roadshows, ZTO express were covered by more than 30 major Chinese and foreign securities companies and investment banks. ZTO Express also won the award of 2019 All-Asia Best Investor Relations Program by Institutional Investor.

**Case Study** Breakthrough and Transform – ZTO Express inaugural Investor Day

On November 25, 2019, ZTO Express Investor Day was held at the Group's headquarters, attracting more than 100 investors from domestic and abroad to participate. Through on-site interaction, visit and online live broadcast, the event deepened investors' and the capital market's understanding of ZTO, and enhanced their confidence.

## Improving Risk Control

Strengthening corporate internal control and risk management is an important measure to defuse risks and realize the Company's operational goals. ZTO Express has established a comprehensive internal control procedure and division of responsibilities, to assess risk levels in time, update the internal control procedure and activities and reduce the risks to an acceptable level. The Company has set up an internal audit and compliance department and employed professional qualified consultants to form a project team to conduct continuous and independent assessment of the Company's risks and internal control, and summarize and rectify problems identified. The BoD and the Audit Committee conduct internal control supervision on the Company's operational status and financial statement in the current quarter, future business forecast and internal control. In addition, ZTO also employs professional legal advisers on U.S. securities to provide services related to domestic and foreign laws for the Company, provide information on the latest laws and regulations in time and review the Company's public announcements issued quarterly to ensure that relevant information is accurate and in line with relevant laws and regulations.

## Complying with Business Ethics

ZTO Express operates with integrity, abides by business ethics, and has formulated and published *the Code of Business Conduct and Ethics*. We strictly carry out supervision and discipline enforcement and accountability, intensify warning and education, and take the initiative to maintain a fair, just and orderly market environment, so as to provide strong support for the enterprise to embark on transformation and innovation, achieve quality development and create a new situation. The Company has set up a discipline supervision committee, and developed and issued *the Code of Conduct for Honest Practice*, which is available on the OA platform. *The Code of Conduct for Honest Practice* specifies relevant provisions on supervision, reporting and punishment for violations, and defines the basic code of conduct on the basis of "10 Prohibitions". New recruits should sign a "Letter of Commitment to Honest Practice" when signing their labor contracts with the Company.





Every company should pay close attention to every policy and legislation of the country as well as its impact on marketing, and formulate strategies for marketing campaigns in accordance with the political and legal environment to safeguard its legal interests. ZTO Express prohibits political involvement of any kind on the Company's behalf, bribery, or exchanging political donations for interests.

The Company has set up the Discipline Supervision Committee (DSC), which is the supreme body for the supervision of honest practice, and responsible for publicizing and implementing the Code of Conduct for Honest Practice, so as to build a fair and just environment. The Chairman of the Company acts as the director member of the committee.



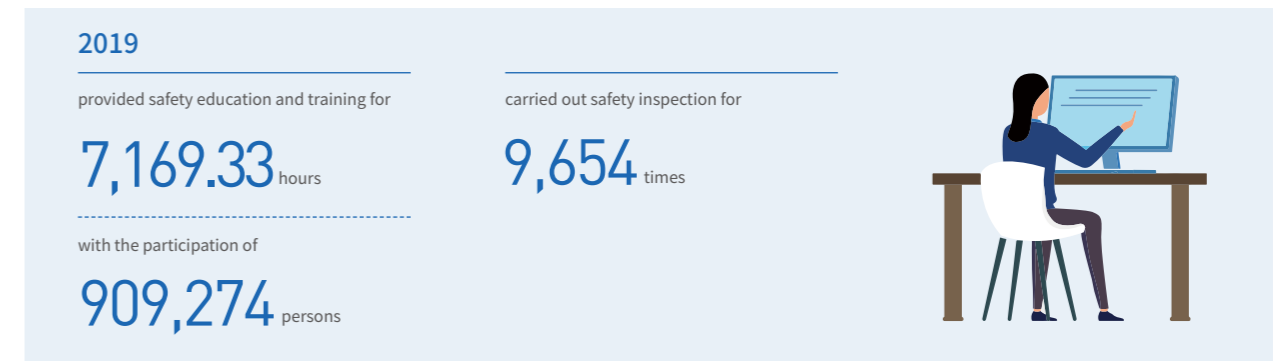




ZTO Express has a diversified supervision and reporting channels, including whistleblowing letter box, President mailbox and 24/7 complaint hotlines (including hotlines for service complaints, safety supervision, logistical support, etc.). For real-name reporting, the Company will reply within 30 days and treat whistleblower's information confidentially. The supervision department is in charge of the whistleblowing letter box and examines corresponding records every week. The DSC is responsible for making preliminary investigation of the reported matter to determine whether it is false or insignificant. If it is not false or insignificant, the discipline inspection personnel will investigate the matter, produce a report based on the investigation result and propose handling recommendations. The DSC is responsible for recording the reported matter and filing all process-related documents. Relevant reports, investigation and handling results will be reported to the CEO at least once per quarter. The internal audit and compliance department will communicate with the supervision department quarterly to confirm if there is any major reported matter; otherwise, the major matter will be reported to the Audit Committee.

## Enhancing Safety Management

Delivery safety of the postal industry is a matter involving national security, public safety as well as the information and property safety of the people. ZTO Express actively implements the decisions and arrangements of the CPC Central Committee, the State Council and the State Post Bureau regarding the prevention and elimination of major risks. ZTO Express proactively implements work safety policies that emphasize "safety first, focus on prevention, and treat accidents comprehensively". ZTO has established a sound work safety management system, and it continuously enhances every outlet's safety awareness and skills, thus promoting a safe working environment. The Company has strictly implemented the "People's Republic of China Postal Law", "Postal Industry Safety Supervision and Management Measures", "Express Delivery Safety Operational Regulations" and other laws and regulations. It also ensured that the three systems (Real-name System, Open-box Inspection System, and Machine Inspection System) are in place to further assure delivery safety and the safety of employees, users and property, and promote the sustainable and healthy development of the postal industry. In 2019, ZTO Express provided safety education and training for 7,169.33 hours, with the participation of 909,274 person, and the company carried out safety inspection for 9,654 times with a 97.6% rectification rate of potential safety hazards.



ZTO Express organized training on emergency rescue – "Couriers, a new first-aid force at your side".



ZTO Express organized operators to participate in an oath-taking and signing activity on delivery safety to celebrate the 70th anniversary of the founding of the P.R.C..



The SSC of ZTO Express carried out a fire drill.



ZTO Express held the 2019 Company-wide Safety Supervision Meeting.



# Care from Leaders

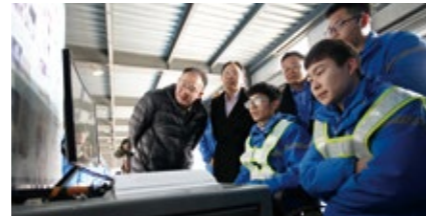


**On January 8**

Mr. Wu Xiaojun, Vice Governor of Jiangxi Province made an inspection visit to the Provincial Center of ZTO Express in Jiangxi.

**On February 1**

President Xi Jinping walked into an express delivery service outlet at Shitou Hutong in Qianmen, Beijing, to visit and express solicitude to the couriers, learn about their work and life situations. "You are the most diligent workers, running like industrious little bees, and exposed to the sun and rain. It is not easy", he also expressed Spring-Festival greetings to all workers in the industry nationwide.



**On February 21**

Mr. Ma Junsheng, Director-General of the SPB, and Ms. Wang Hongyan, Executive Secretary of the Secretariat of the Central Committee of the Communist Youth League, inspected ZTO Express Beijing sorting hub, expressed gratitude to the front line young workers, and communicated face to face with ZTO employees and youth representatives.



**On April 20**

Mr. Wang Jiarui, Vice Chairman of the 12th CPPCC National Committee, accompanied by Mr. Ma Junsheng, Director-General of the SPB, visited ZTO Express provincial Center in Yunnan.



**On September 6**

Mr. Li Qiang, Secretary of CPC Shanghai Municipal Committee, presided over a symposium of entrepreneurs, at which Chairman Lai introduced the integrated development history of ZTO and the Yangtze River Delta, and made suggestions for accelerating the development of Lin-gang Special Area of the Shanghai Pilot FTZ and the demonstration zone for integrated ecological and green development in the Yangtze River Delta region.



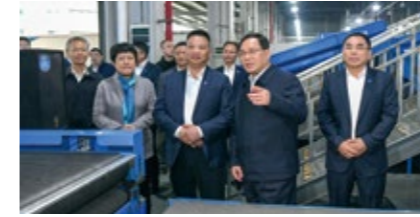
**On January 16**

Mr. Xu Kunlin, Vice Mayor of Shanghai, made an inspection visit to the headquarters of ZTO Express and held a symposium with express and logistics enterprises.



**On February 12**

Mr. Cai Qi, Secretary, CPC Beijing Municipal Committee expressed regards to ZTO couriers, "Thank you for your hard work."



**On March 28**

Mr. Li Qiang, member of the Political Bureau of the CPC Central Committee and Secretary of CPC Shanghai Municipal Committee inspected the HQ of ZTO Express.



**On May 10**

Premier Li Keqiang chaired a symposium to listen to the opinions and suggestions of the heads of businesses on the implementation of the tax and fee reduction policy. Chairman Lai was invited to attend and spoke at the meeting.



I am very happy to see the development of ZTO in the past years. You work on the right path, with devotion and perseverance. Your strategy is in line with the reality. Stick to it, and you will have a great future.

- Ma Junsheng, Director General of the SPB



**On December 30**

Mr. Ma Junsheng, Director-General of the SPB visited the HQ of ZTO Express to learn about the overall development of the enterprise.

**On November 11**

When ZTO's annual parcel volume exceeded 10 billion, Director-General Ma Junsheng of the SPB sent a congratulatory message: "Warmly congratulate ZTO Express on breaking through the annual parcel volume of 10 billion. I hope the ZTOers will remain true to your original aspiration, keep your mission firmly in mind, forge ahead with determination, strive to be the top, pass on value with perseverance and ingenuity, and achieve excellence through co-construction and sharing. I hope that you will vigorously carry forward the spirit of 'little bees' and work tirelessly to become a creator and guardian of a beautiful life with high-quality express service! Be a dreamer in a new era!"



**On October 1**

A grand gathering celebrating the 70th anniversary of the founding of the P.R.C. was held at Tian'anmen Square in Beijing. In the mass pageantry, 1,000 couriers, including 91 ZTO Express employees, representing 4 million workers in the postal industry, formed a "Beautiful Life" square with square dancing aunties and sanitation workers, and walked through Tian'anmen Square with their heads held high. Chairman Lai and others were invited to the scene.



# FEATURE

## FIGHTING AGAINST COVID-19 WITH CONCERTED EFFORTS

The COVID-19 is merciless but love does exist among people. In early 2020, the COVID-19 pandemic broke out. ZTO Express proactively shouldered responsibilities and fulfilled its original aspiration and mission of "Bring happiness to more people through our services" with practical actions. Working with government departments at all levels, caring enterprises, charitable organizations and other communities, we provided transportation and distribution services for relief supplies. The members of the big ZTO family donated money and goods for pandemic prevention and control and joined hands to combat COVID-19.

### Gathering strength of all the service outlets to support transportation of response supplies

At the beginning of the outbreak, ZTO Express set up an emergency response leading group and a front line command and control group immediately to fully coordinate land and air transportation resources and provide enabling service support for epidemic prevention and control in the country. On January 25, 2020, ZTO Express opened free green channels for supplies related to epidemic prevention and control from the whole country to key epidemic-affected areas in Hubei Province to guarantee their transportation. By the end of March 2020, ZTO had delivered more-than-700-ton medical and rescue supplies to Hubei Province, including masks, protective clothing, disinfectants, medical gloves, livelihood support materials, etc.



After the outbreak of the epidemic, the Hubei Provincial Center of ZTO Express participated in the epidemic prevention & control efforts and the transportation of supplies right away, converted its sorting hub into a warehouse, cooperated with third-party charity organizations to manage and distribute rescue supplies and coordinated and scheduled its transportation capacity and personnel in the whole province for rescue transportation.



Around February 1, the medical masks, gloves and other materials coordinated and raised by the National Health Commission for epidemic prevention were needed to be transported to Wuhan urgently. In order to support the epidemic prevention & control efforts in Wuhan, the headquarters of ZTO Express made a quick response and set up a special coordination team to undertake the transportation task. Jiangxi Provincial Center dispatched vehicles imminently, and designated Yu Lianhua, a driver with rich driving experience, to send those relief materials to Wuhan.

Scan the QR code to watch ZTO's theme MV on fighting against COVID-19

ZTO Express (Cayman) Inc., together with its eco-system affiliates, such as ZTO International, ZTO Freight, and ZTO Cloud Warehouse, leveraged their advantageous resources and worked with different communities to "fight against the epidemic".

### ZTO International

Since the outbreak of COVID-19, overseas Chinese associations, overseas Chinese and international friends in Japan, Indonesia, the United Arab Emirates (UAE), Cambodia and other countries and regions had contacted ZTO International and entrusted us to deliver the epidemic prevention supplies they raised to China. The HQ of ZTO International and its overseas teams coordinated relevant transportation capacities urgently, promoted cross-border transportation of such supplies, and seized every second to transport urgently-needed supplies to China. By the end of March 2020, ZTO had coordinated its teams around the world to transport the medical supplies raised by overseas Chinese from Japan, Indonesia, the UAE, Cambodia, Russia, Germany and other countries to China, and directly to the front line. A total of more than 2,000 boxes of rescue materials, including more than 1.5 million masks, were transported.



On February 16, ZTO International, in collaboration with domestic and foreign resources, chartered an airliner as a cargo plane, transporting 1.14 million masks and other medical and epidemic prevention supplies raised by overseas Chinese in Cambodia to Changshui Airport in Kunming. After the arrival and clearance of the goods, the Yunnan Provincial Center of ZTO Express acted quickly and shipped those materials to Kunming Sorting hub for sorting. After that, vehicles were dispatched to transport them directly to the front line for domestic epidemic prevention and control.



ZTO Freight

On January 29, ZTO Freight urgently coordinated vehicles to offer public-good transportation services for supporting materials to Hubei and transported 1,000 boxes of protective supplies donated by caring enterprises to Zhongnan Hospital of Wuhan University.



On March 5, the 200 tons rice donated by the Myanmar government to Hubei arrived at Ruili port in Yunnan. ZTO Express and ZTO Freight collaborated to arrange seven high capacity trailer trucks and 14 drivers to transport such charity materials to Wuhan in 40+ hours across 2,300 kilometers.



ZTO Cloud Warehouse

On January 27, ZTO Cloud Warehousing Technology Co., Ltd., in collaboration with the customers, transported 13,600 boxes of self-heating rice worth more than RMB200,000 to two hospitals in Wuhan from Wuhu of Anhui, providing steaming rice for medical staff fighting on the front line.



On February 11, ZTO Cloud Warehouse Technology opened 80 warehouses to hospitals, local governments, enterprises, institutions and charities, providing free services such as receiving site, storage, distribution and delivery for anti-epidemic materials.



## Caring about communities and trying to guarantee citizens' daily necessities

During the epidemic, ZTO Express, while fully supporting the front line and transporting anti-epidemic materials for medical staff, also cared about communities. It delivered daily necessities to residents voluntarily to meet daily needs of citizens and sent study materials to students to support the orderly restoration of education.

Since February 17, Chengdong Outlet in Yichang, Hubei, as one of the first express delivery companies to resume work in Yichang, served as a "little bee" transporting materials during the epidemic period, providing transportation services of grain, oil, vegetables, eggs, disinfectants and other living materials to Hubei Yichang municipal government agencies, medical institutions and residents.



On February 28, ZTO Express Shanxi Provincial Center undertook the teaching materials distribution project, sorted, packaged, and delivered more than 300,000 sets of textbooks to the primary schools, junior high and senior high schools in Taiyuan within 15 days.



## Enhancing prevention & control to comprehensively protect employees' health

In face of the COVID-19 pandemic, ZTO Express responded quickly and took measures to enhance safety protection in all areas, did a good job in pandemic prevention and control across the whole network and safeguarded employees' health.



Temperature measurement every day



Thorough disinfection of vehicles before entering the production site

### Thorough and strict disinfection

ZTO Express actively responded to and implemented the epidemic prevention and control requirements of the country and governments at all levels. Every provincial center and outlet in every city and province disinfected the production sites, facilities and equipment thoroughly;

### Setting up a special fund

A special fund of RMB100 million for COVID-19 epidemic prevention & control was set up as a safety guarantee to front line workers after re-opening;

### Equipping with protection tools

The Company made centralized procurement and distribution of all prevention materials, provided a full range of protective equipment for all front line couriers throughout the country and stipulated that during the outgoing delivery period, the courier must wear masks, gloves, goggles and other protective tools for their own safety and the safety of our customers.

### Keeping an eye on epidemic situation

The heads of outlets collected information about the epidemic situation in the neighborhoods, informed staff of the latest information and gave warnings every day at the beginning of the work;

### Strengthening publicity and education on epidemic prevention

Strengthened COVID-19 risk awareness and the education on protection knowledge, as well as relieved employees' mental stress through various forms such as posters, audio broadcasting, and video programs;

### Daily temperature measurement

The outlets were equipped with infrared thermometers which were used to measure the temperature of staff at the outlets and customers entering the outlets every day.



Scan the QR code to watch ZTO's efforts in effective prevention of the epidemic and to support orderly production resumption



## Salute to COVID-19 pioneer fighters

In face of the COVID-19, with simple but forceful petitions, they volunteered to shoulder responsibilities and delivered all kinds of prevention materials to the front line. When the pandemic strikes, help will come from all sides. Who are they? They are the most beautiful "ZTO Blue" on the front line against COVID-19.



January 25

was the first day on the lunar calendar of China. That evening, Wang Shencai and Xiong Chuying, drivers of ZTO, drove trucks carrying 100,000 medical masks from Ningguo, Anhui, across Anhui and Jiangxi, to Wuhan, Hubei, a heavily affected area by the COVID-19 epidemic. The goods and materials were successfully delivered, and they were isolated willingly after return.



On January 25

Huang Wei, head of Lichuan Outlet, ZTO Hubei, took the initiative to undertake all the medical supplies transportation tasks of Lichuan municipal government and also launched a raising campaign that raised 200,000 masks to local hospitals.



On January 26

Xiao You, an operator of Wuhan Sorting hub of ZTO Express, took over the relevant delivery work of "Han Hong Love Charity Foundation" and acted as the general dispatcher of love materials. He was on call 24 hours a day. Due to concerns on the possible delay of the transportation of materials, he turned up the volume of his cell phone to the maximum extent and didn't dare to fall into a deep sleep.



On January 26

Zheng Wei, head of ZTO Laohekou Outlet, Xiangyang, Hubei, and his friends set up a WeChat group called "Boundless Love" to raise epidemic prevention materials for the front line.

### Case Study Speed – A Courier Who Delivers COVID-19 Test Kits

On January 25, Yu Yangyang, an operator of Minhang Pujiang Outlet, ZTO Shanghai, received a call from Manager Chen of the Logistics Department of Shanghai ZJ Bio-Tech Co., Ltd., saying that the company had developed a batch of COVID-19 test kits, and hoped ZTO could help transport to hospitals and quarantine stations in Shanghai. Yu immediately reported to Wu Huijie, the head of the outlet. Hearing about that, Yu not only was willing to be the carrier of these test kits, but also offered to bear all the express delivery costs.

Different from general parcels, those test kits have high requirements for both the storage conditions (should be protected from light and stored at low temperature of  $-20\pm 5^{\circ}\text{C}$ ) and the delivery time. A little carelessness in the transportation process may affect the final test results. For this reason, Pujiang Outlet opened a green channel and designated Yu and his colleagues to deliver directly from the place of departure to the destination point to point, without the need to transit.

Entrusted with the mission, Yu escorted those test kits and other supporting medical devices to major hospitals and quarantine stations in Shanghai, Ningbo and Hangzhou. At the same time, he also witnessed the effort of everyone to race against the virus: more than 200 employees in the Bio-Tech company rushed to make test kits all night long, the traffic polices at the expressway toll station were on duty 24/7, and the medical staff in the infection department were well-armed regardless their clothes were soaked.





# The encouragement from the society supports ZTO to march ahead

From top to bottom, ZTO Express stayed united and shouldered our responsibilities. The Company carried out epidemic response efforts, transported supplies to the front line, supported the resumption of work and production, and guaranteed people's daily necessities. The Company was highly recognized by governments, media, businesses, and other entities. ZTO, with the support of all walks of life, will continue to march ahead and win the war against COVID-19 together with the people of the whole country.

## Comments from governments



Scan to watch the live video of the Press Conference

On March 9, the Joint Prevention and Control Mechanism of the State Council held a press conference. Li Jie, a courier from Beijing Changwa Road Outlet of ZTO Express, was invited, as a representative of couriers, to share with the public their services for epidemic prevention and control and for the resumption of work and production.



The Embassy of the People's Republic of China in Myanmar expressed its gratitude to ZTO International for free transportation of 200 tons of rice donated by the Myanmar government to Hubei Province.



Lichuan COVID-19 Epidemic Prevention and Control Command Center expressed its gratitude to ZTO Lichuan for providing timely and free storage and transportation of protective materials.



Hubei Provincial Postal Administration sent a thank-you letter to ZTO Hubei and its subordinate outlets for actively responding to the call of the SPB, CPC Hubei Provincial Committee and Hubei Provincial Government, and fully supporting the epidemic prevention and control work.

## Comments from media

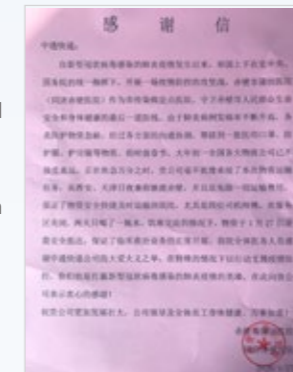
On February 7, 2020, ZTO announced the establishment of a special fund of RMB100 million, which is an assurance for all ZTO employees, and also signifies a critical action of ZTO in epidemic response. During this special period, "working together to overcome the difficulties" - this kind of confidence and belief of "leaving no one behind" is the most admirable aspect of ZTO's RMB100 million special fund, and what tens of thousands of outlets, franchisees and front line employees are aspiring for.

In addition to delivering relief materials to the epidemic area and taking social responsibilities, many practices of ZTO in promoting work and production resumption are worthy of recognition. Starting from mid-February, ZTO's production capacity has recovered at an amazing speed day by day. Through this period, ZTO's overall cooperation and coordination ability forged and strengthened in this anti-epidemic war has not only enhanced its brand, but also brought many intangible values that cannot be underestimated in a competitive market in the future.

-From a WeChat official account "Yi Zhan" (meaning courier station)

## Comments from schools

Chibi Pufang Hospital and Tongji Chibi Hospital expressed their gratitude to ZTO Express for free transportation of epidemic prevention materials to Chibi day and night.



## Comments from schools

Shenzhen Guangming Honghuashan Primary School expressed its appreciation to ZTO Express for delivering new textbooks to its students free of charge.



## Comments from industry KOL

The recovery of the express delivery and logistics industry is more than a matter related to the enterprises, it is a guarantee and support to the whole society. On February 7, ZTO Express was the first to announce the establishment of a special fund of RMB100 million for COVID-19 epidemic prevention & control, which may be the largest amount used to guarantee the operation of express front line after the outbreak of the epidemic. It has a strong reference value for express delivery companies to support effective prevention and control of the epidemic and scientific and orderly resumption of production. The amount of RMB100 million not only relieves the worries of front line employees such as couriers, drivers and sorting hub employees to the greatest extent, but also makes employees of the whole network feel more secure. This is a major arrangement made by ZTO as a benchmark company to guarantee work resumption.

-Huang Gang, Chairman of Headscom

# FEATURE

## MOVING DOWN TO THE GRASSROOTS AND MAKING UTMOST EFFORTS TO SUPPORT THE GOAL OF BUILDING A MODERATELY PROSPEROUS SOCIETY IN ALL ASPECTS

The express delivery industry is a modern leading industry, which can help the development of manufacturing, promote the transformation of circulation mode and drive the upgrading of consumption. It has a resource advantage in serving "agriculture, rural areas and rural residents" and plays an important role in rural revitalization. Standing ahead of the year of decisive victory for building a moderately prosperous society in all aspects and achieving the first centenary goal, in order to implement the decisions and arrangements of the CPC Central Committee and the State Council on winning the battle against poverty, ZTO Express has actively explored the rural market, and focused on the project of "bringing express delivery services into villages" by accelerating the construction of rural service outlets, improving the last-mile network of rural logistics infrastructure and promoting the coverage of logistics services in rural areas. ZTO Express has promoted a two-way circulation channel for agricultural products to the city and industrial products to the countryside, which stimulated consumption in rural areas, comprehensively promoted the high-quality development of rural logistics and provided a solid service guarantee for winning the battle against poverty and implementing the strategy of rural revitalization.



## Entering rural market

nearly  
**30,000** service outlets  
more than  
**4,800** direct network partners

When visiting Guangshan County of Henan, General Secretary Xi Jinping emphasized the need to actively develop rural e-commerce and express delivery businesses, to expand the sales channel of agricultural products and increase farmers' income. In 2019, 18 government agencies, including the Ministry of Transport and the SPB, jointly issued the *Implementation Opinions on Conscientiously Implementing the Important Instructions of General Secretary Xi Jinping to Promote the Quality Development of the Postal Industry*. It points out that by 2022, direct mail services should be available to every village, express delivery outlets should be available to every town, and administrative villages should be basically covered by e-commerce delivery service with the help of postal and express channels. ZTO Express has been actively exploring the rural market, accelerating the construction and improvement of the rural service network, promoting the standardized construction of service outlets in towns. ZTO continued to develop delivery services for "agriculture, rural areas and rural residents" in a bid to constantly meet the needs of the rural residents for delivery services in the new era. By the end of 2019, ZTO Express had nearly 30,000 service outlets and more than 4,800 direct network partners covering over 98% of cities and counties and over 90% of towns. ZTO Express has the largest network with the most extensive, the most intensive and the deepest coverage among the private operators in China.



Qinzhou District had successfully established

**184**  
village-level service outlets

Gansu Tianshui Outlet of ZTO Express cooperated with local e-commerce enterprises to empower the last-mile express delivery, created a new way of "rural express + e-commerce-based poverty alleviation" and further improved the construction of rural logistics and distribution system in Qinzhou District. By the end of 2019, Qinzhou District had successfully established 184 village-level service outlets, including 42 national poverty-stricken villages, to solve the last-mile delivery problem in the rural areas of Tianshui.



## Activating rural market

The model of "Internet + Express" has accelerated the integration of online and offline, driven the development of experience economy and sharing economy, promoted the in-depth integration of traditional retail business and e-commerce platforms and greatly released the potentials of rural market. In 2019, China carried out 163 "one place, one product" express delivery projects to serve modern agriculture, with each having an annual parcel volume of more than one million. The parcels collected from/delivered to rural areas totaled 15 billion, supporting more than RMB870 billion of industrial products to the countryside and agricultural products to cities. Express delivery has become an important driver to stimulate rural consumption and prosper rural economy. By leveraging its advantages, ZTO Express acts as a bridge and link for "agricultural products to the city and industrial products to the countryside", and accelerates the express business to penetrate to the grassroots, to better facilitate rural consumption, improve rural residents' consumption quality, reduce rural consumption cost, and enable more and better industrial products to reach the countryside. ZTO Express also actively pushed forward the linking between production and sales, promoted the interconnection between agriculture and businesses, unblocked the circulation channels of agricultural products with the help of e-commerce platforms and activated the rural market in two ways.

 Case Study

ZTO Express Assisting Sales of Zhouzhi Kiwi Fruit across the Country

Walking into the vast field of Zhouzhi County, which is located in the northern foot of Qinling Mountains, you will see a green ocean of kiwi fruit. Kiwi fruit has become a pillar industry for local farmers to increase their income. Every year, when the Mid-Autumn Festival is approaching, it is also a peak season for kiwi fruit picking and sales. Express delivery is the main channel for kiwi fruit to be sold across the whole country. Over the years, ZTO Express has helped Zhouzhi kiwi fruit to become famous,

and blazed a trail of wealth from "fresh fruit + express" by connecting outlets with fruit farmers. As it is easy for newly picked kiwi fruit to get rotten, in order to help fruit farmers deliver kiwi fruit successfully, in 2019, the Shaanxi Provincial Center of ZTO Express made arrangements in advance, increasing transportation vehicles and couriers to provide door-to-door service in the field, guide fruit farmers to cool kiwi fruit or place it in the warehouse for one night before packaging, so as to ensure fresh kiwi fruit to be delivered to the customers without any damage.





## Assisting poverty alleviation through industry development

In April 2019, the SPB and other departments jointly issued *the Opinions on Promoting the Postal Industry to Serve Rural Revitalization*, which points out to actively promote the model of e-commerce and express delivery-assisted poverty alleviation and accelerate poverty alleviation work through industry development. "Bringing express delivery services to the countryside" has been integrated into the national poverty alleviation plan. By continuously improving the distribution network layout in rural areas, and by means of technology enablement, express delivery can boost the development of rural e-commerce, help agricultural products be sold to all parts of the country at the lowest cost, and realize the full-link management from "farmlands to dining table". ZTO Express keeps exploring the industry-assisted poverty alleviation model of "express + rural e-commerce + agricultural products + farmers", and has fully integrated its business resources such as ZTO Business and Zhongkuai Media, to solve the problem of impeded sales channels for agricultural products, help poor areas develop modern pillar agriculture, drive local poor households to increase their income, sell more agricultural products at higher prices and further away, and contribute to the national rural revitalization strategy by relying on emerging business patterns such as e-commerce platform, group-buying and live streaming, and through model innovation, platform innovation and project innovation.



100,000+ online views in 5 hours, Zhongkuai Media's live short video business helped agricultural products go out of the mountains.



On June 16, 2019, "Pingquan Pavilion" jointly built by ZTO Business and Pingquan Municipal Government was officially launched on the platform of ZTBest, assisting local featured agricultural products to build their brands.



ZTO Liangli Outlet in Dangshan, Anhui helped local fruit farmers sell more than 12,500 kilograms of yellow peaches through the group buying platform Youmi of Zhongkuai Media, with a daily dispatched volume of more than 3,000 parcels.



At 18:32:25 on November 12, 2019, the bamboo fungus product of Mr. Yuan, a cooperative farmer of ZTO Sichuan Changning Outlet, luckily became the No. 10 billionth parcel of ZTO Express in 2019.





# CHAPTER 1: STRIVING FOR HIGH- QUALITY DEVELOPMENT

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At the 2019 national postal management work conference, it was proposed that the whole industry should follow the principle of "consolidation, enhancement, improvement and smoothness" and the guideline of "connecting and integrating upstream and downstream, expanding the industrial chain, expanding the convergence of interests and building an ecosystem", so as to better satisfy people's demand for a better life and support the high-quality development of economy. ZTO Express adheres to a customer-centric concept, strives to comprehensively deepen supply-side structural reform, and pursues innovation-driven development, transformation and efficiency improvement. The Company strives to enhance service capabilities, extend service scope and improve service quality with the aim to promote the shift from leading advantage to absolute and ecological advantage, and fully embark on a new chapter of sustainable and high-quality development.



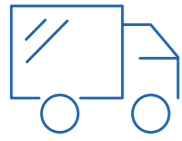


# Upgrading Expanding to Multi-mode Operations

With the further development of China's market economy, the modern express delivery industry serves a wide array of social and economic sectors, its service objects are also diversified. In order to meet the increasing needs of commerce, trade and people's life, express delivery companies keep expanding and transforming their business sectors, pursue joint development, technological modernization and service diversification, and strive to accelerate the transformation to comprehensive logistics providers. Following the corporate mission of "Bringing happiness to more people through our services", ZTO Express focuses on its main business of express delivery, and takes the express service network as the core to rapidly expand an ecosystem of "one body and eight wings", integrating express delivery, international business, freight, commerce, cloud warehouse, aviation, finance, intelligent technology and media. We are committed to providing high-quality services and products to meet the needs of customers, and help customers reduce costs, improve efficiency and create value.







## Breakthrough

### Improving Transportation Efficiency

Enhanced transportation capacity is the key to efficient delivery service for customers. The express industry keeps improving its own transportation capacity, and actively promote the project of "transporting express items by rail, ship and airplane". The industry deeply integrate with the transportation industry so as to meet the higher demand for timeliness under the circumstances of market development and consumption upgrading. ZTO Express has increased investment in core resources, continuously improving the adoption rate of self-owned line-haul vehicles and connecting with various advantageous transportation resources such as air transportation and railway transportation, to optimize the structure of transportation capacity, accelerate the formation of an all-round multimodal transportation system covering road, air and rail, and further improve the Company's transportation efficiency through a wide and deep network of service outlets for the "last-mile" pick-up and delivery. By the end of 2019, ZTO Express had more than 2,600 line-haul routes, more than 7,350 line-haul trucks which included more than 6,450 self-operated trucks. Among the self-owned trucks, over 4,650 were high-capacity trucks, guaranteeing the transportation of more than 40 million parcels per day.



#### Case Study Maiden Flight of ZTO Express First All-Cargo Aircraft Succeeded

On the morning of October 22, 2019, a Boeing 737-800 all-cargo aircraft painted with the logo of ZTO Express took off from Nanchang and landed at Tianjin Binhai International Airport after about 2 hours, marking a new breakthrough of ZTO Express in air freight.

The all-cargo plane is operated by ZTO Express and Tianjin Air Cargo. It flies a round trip between Tianjin and Nanchang every Saturday. The opening of this route enables ZTO to leverage the transportation capacity resource, including the bellyhold capacity resource, of the all-cargo plane, which reduces the time spent in the middle link, and makes the transit of the express items in the whole process more stable and more efficient. By integrating upstream and downstream resources, optimizing cargo air transportation, and expanding ground extension services, ZTO has realized the "integration of air and land transportation", which provides new business scenarios for its network, further shortens the service time and improves customer experience.



**Case Study** Cold Chain + Aviation + High-Speed Train, ZTO "Escorting" Fresh Cherries to the Whole Country

In May 2019, the cherry producing areas across the country entered the peak days of shipping. Several centers and outlets of ZTO used multiple channels including cold chain, aviation and high-speed train to ensure fresh cherries to be sent to the whole country.



**Yuncheng of Shanxi**

A special fruit line opened for "half-day delivery"

Benefitting from its unique geographical location and climatic environment, Jiang County in Yuncheng of Shanxi Province, enjoys a reputation as the "hometown of cherry". In order to better help the sales of the cherries from Jiang County, ZTO Express Shanxi Provincial Center, on the basis of the original scheduled land and air transport lines and in collaboration with China Railway Express, established a cooperation team to assist the transportation of cherries to Taiyuan City, and successfully opened some "special fruit lines", such as Houma-Taiyuan, Taiyuan-Xi'an, and Taiyuan-Wuhan. In this way, cherries picked in the early morning could be placed at the consumers' dining tables in the afternoon, saving 18 hours compared with traditional freight transportation.



**Yantai of Shandong**

Maturity-based customized shipment

Since late May, Yantai of Shandong Province had entered a cherry month. In order to deliver Yantai's cherries, fresh and intact, to all parts of the country, ZTO Express Shandong Provincial Center and ZTO Yantai provided prioritized service for fresh delivery, required the cold chain vehicles loaded with cherries to transit on a priority basis and the cherries not to be kept in the warehouse overnight, and streamlining the sorting and packaging process as much as possible. In the delivery stage, the couriers were required to notify the recipients by phone and complete the delivery and signing for acceptance on the same day. In addition, ZTO Yantai selected cherries of different maturity grades for delivery based on the distance to the destination to reduce the loss of cherries. These practices were widely recognized by customers.



**Tianshui of Gansu**

Cold chain + aviation = Same day delivery to Shenzhen

In 2019, ZTO Express Gansu Provincial Center and Longnan Airport worked together and opened a special air freight line for cherries, with daily air transportation of about 2 tons and 4 tons at the peak. On May 28, a ZTO van loaded with "Qinzhou Cherries" picked in the morning from Tianshui set out from Tianjiashuang E-commerce Cold Chain Center in Taijing Town, Qinzhou District, Tianshui City, and drove into the freight center of Longnan Airport. Then the cherries took the flight CZ8434 of China Southern Airlines, two and a half hours later, they were delivered fresh from the field to the hands of consumers in Shenzhen.



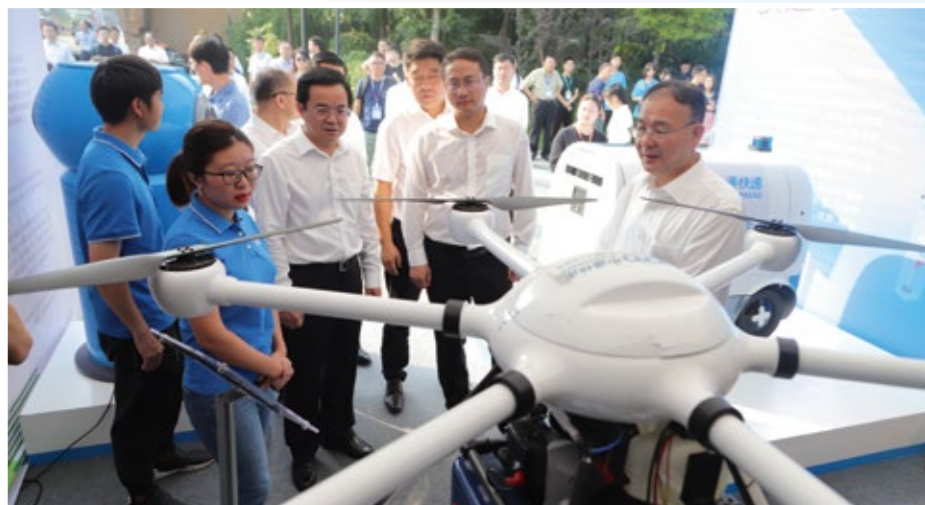




## Driving Force Intelligent and Innovative Technologies

Sci-tech innovation is the backbone for the express delivery industry to deepen the supply-side structural reform. Mr. Ma Junsheng, Director-General of the SPB, pointed out that the industry should focus on "intelligence +", vigorously implement sci-tech innovations, seize the important opportunity of accelerated development of AI, 5G communications and Internet of Things, and upgrade from "Internet +" to "intelligence +".

ZTO Express has always closely linked sci-tech innovations with the Company's strategy and business, established a sound Internet product R&D system, and promoted the landing of many advanced technologies. The Company keeps upgrading its strategic planning of "small front end and large middle end", and has built a business middle end that covers the whole ecosystem and multiple scenarios, to gather a variety of data flows, such as "transaction flow", "logistics flow", "capital flow" and "information flow", and realize online and standardized operations. At the same time, ZTO keeps strengthening the development and cultivation of sci-tech talents by establishing a R&D team for application and technology platform, which is responsible for the R&D of micro-service application architecture, AI, big data and DevOps automatic operation and maintenance. The Company has successively established professional quality teams - a big data, intelligence and advanced algorithm team and an intelligent hardware team, and built up a sound quality improvement system to guarantee the normal operation of products. In 2019, ZTO Express continued to increase investment in R&D in intelligent technology to build an all-scenario, full-link digital, interconnected and intelligent business map, to develop digital smart logistics covering the whole links from order placing to delivery, and realize the Internet of Everything within reach.



As in remote mountainous areas, the population density is low, the geographical space is wide, the total volume of logistics is small, and the area is not fully covered by the express network. It is not easy to deliver express parcels to these areas and the distribution cost is high. ZTO Express uses gas-electric hybrid UAVs for those areas, which can improve the delivery efficiency by about 50% to 60%.



ZTO Express cooperated with MoonX in developing driverless logistics vehicles, which can intelligently cope with a variety of complex road conditions. On October 25, 2019, ZTO Express obtained the "Deqing Open Road Transportation Business License for Intelligent Connected Vehicles", becoming one of the first batch of express delivery enterprises that have obtained the commercial license of driverless logistics vehicles.



ZTO Express cooperated with AutoX in the development of an unmanned distribution vehicle. Its independently developed high-precision map and positioning system, which integrates cameras and laser radars, can achieve positioning with higher accuracy. The application of AI technology enables it to accurately identify and avoid obstacles such as pedestrians and vehicles. It can achieve intelligent pickup/delivery according to the sequence in which the user makes an appointment for pick-up, maximizing the application of intelligent technologies.



### ZTO Express Is Developing Full-link Digital Smart Logistics







# Whole-hearted Service

## Customer-oriented

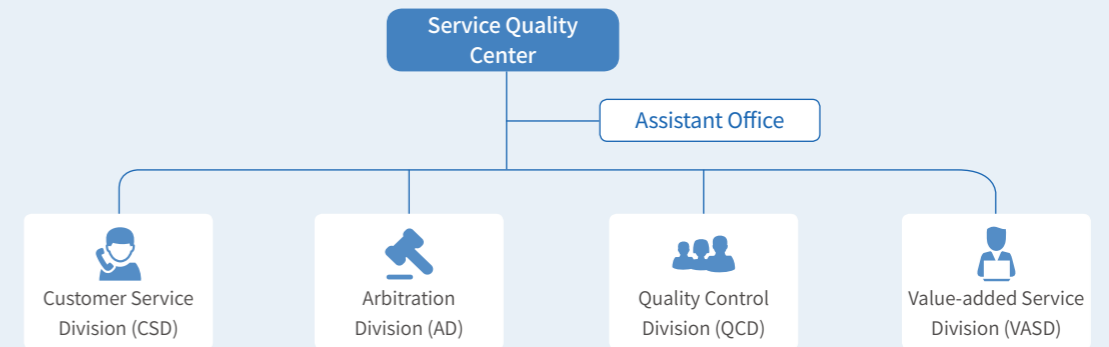
Currently, China's economy is shifting from high-speed growth to high-quality development, and is in a critical period of transforming the development mode, optimizing the economic structure and changing driving forces. Therefore, it is urgent for the express delivery industry to promote reforms in service quality, efficiency and driving forces to achieve high-quality development. Following the service philosophy of "all for outlets and all for customers", ZTO Express has always kept in mind providing timely, punctual, safe and convenient services. We have been improving the weak links, building a sound customer service system, exploring innovative intelligent service models surrounding customer experience, and improving after-sales services, so as to fully protect customers' rights and interests, continuously improve the service quality, and continue to meet consumers' needs that shift from basic services to high-end and premium services.

### Improving Service System

ZTO Express attaches great importance to enhancing the service quality system. The Company established a Service Quality Center (SQC) and makes constant efforts to optimize its organizational structure. SQC consists of Customer Service Division, Arbitration Division, Quality Control Division and Value-added Service Division, with the aim to fully protect the interests of customers. At the same time, in order to effectively implement various quality management work, ZTO Express strives to build a high-quality and high-level service team, by regularly training customer service agents throughout the network in terms of quality improvement, standardized service and attitude improvement, and promoting and popularizing various knowledge and service standards on customer service, to improve the service capabilities of its customer service agents. In 2019, such training covered 94% of the customer service representatives at ZTO Express.



### Organizational Structure of Service Quality Center



CSD

Mainly responsible for customer relationship management, analysis of customer information, optimization and improvement of the service mechanism, improvement and implementation of service measures



AD

Deal with problems relating to express items between the network's internal outlets, and maintain harmonious and healthy development of the network



QCD

Analyze problems existing in outlets based on the data of the AD and the CSD, and make special rectification; improve the service quality of the whole network to provide value-added benefits for the supply chain; carry out quality inspection of the phone calls answered at the HQ + provincial centers, to improve the general quality of calls answering



VASD

Integrate the value-added products with receiving end, processing end and internal cooperating, provide in-depth service, effectively realize early warning for the process and result guarantee, and build a differentiated full-link value-added after-sales service system with better services and better experience





On December 26, 2019, the 2019 grand ceremony of ZTO Express Service Quality Center was held at the Company's HQ



ZTO Express SQC 2019 Conference on Work Arrangement and New Regulations Publicity and Implementation Training

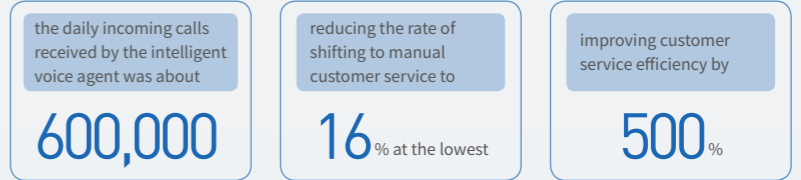
## Optimizing Customer Service

ZTO Express is committed to providing customers with quality and convenient whole-process services, and launched an innovative after-sales service system named "Aftersales Guarantee", and intelligent voice agent, to improve the comprehensive service efficiency and ability by digitization. The Company also established a sound customer complaint handling mechanism to ensure that customers' problems can be solved in a timely and effective manner. A CRM system has been put in use at the Customer Service Center to optimize the complaint handling process and improve the handling efficiency. Internal and external channels including 95311 hotline, online customer service on the official website, Cainiao channel, and WeChat applet have been built to ensure the instant acceptance of customer complaints. An online customer service system covering the whole network has been established, enabling customers to directly contact the corresponding outlet to ensure the speed of complaint handling. In addition, a customer follow-up mechanism has been set up and the HQ is responsible for follow-up and providing feedback on the results to ensure that the complaints are resolved once for all.

### Case Study Intelligent Voice Agent Supporting Different Scenarios Put in Use

On September 18, 2019, an intelligent voice agent supporting different scenarios was officially launched, which is conducive to cost reduction and efficiency improvement of the whole network and further improvement of customer experience. When the customer dials the customer service hotline of ZTO Express, the intelligent voice agent will interact with the customer through the open voice prompts and assist the customer to complete complex business needs such as order placing, reminder, complaint against parcels that have been signed but not received. At the same time, the intelligent customer service robot can independently make outbound calls, customer follow-ups and satisfaction surveys. The intelligent customer service agent can solve up to 90% of related businesses, meet customers' personalized and humanized interactive service demands and create the most intelligent consulting experience for customers. The customer satisfaction rate has been raised to 92.5%. During the "Double 11" peak period (Nov. 11), the daily incoming calls received by the intelligent voice agent was about 600,000, reducing the rate of shifting to manual customer service to 16% at the lowest, and improving customer service efficiency by 500%.

#### During the "Double 11" peak period (Nov. 11)





## Protecting Customers' Information

ZTO Express attaches great importance to the protection of the privacy of hundreds of millions of users, and has exerted full efforts to build an information security protection system with robust defense, fast response and strong awareness. We have applied real-person authentication, password-less sign-in, real-time risk control of data leakage and other security technologies, and comprehensively promoted the use of privacy waybills to protect user information security from both source management and delivery end point. We have strengthened internal management, signed the confidentiality commitment to personal information, encrypted the stored customers' information as well as standardized the entry and query behaviors of user information. We have developed "ZTO Treasure Box", which conducts real-person authentication with the industry-leading biometric identification technology to reduce the probability of illegal login. We have developed security audit, which can analyze and identify the operation security level according to user behaviors, limit sensitive operations and push relevant information to the responsible person instantly. Taking advantage of the block chain technology, we have built a "Block Chain Tracing System for ZTO Premium Agricultural Products (ZTBest platform)", which stores all the information of the agricultural products from production to consumption on the block chain platform for enterprises and consumers to query, so as to avoid information tampering in the whole process.

In 2019, ZTO Express passed the ISO27001 certification of international information security management system. Its 7 systems completed the third level certification of China's National Information Security Protection Level Certification. The Company also cooperated with the SPB in implementing and constructing the Green Shield Project and actively responded to the national call to build a real name delivery information system.



7

systems completed the third level certification of China's National Information Security Protection Level Certification



Working scene of customer service agents at the Service Quality Center

the SQC of ZTO Express received more than

180 million incoming calls

the customer satisfaction rate reached

95.22%

## Listening to Customers' Opinions

ZTO Express has been broadening the communication channels with customers to listen to customers' opinions and suggestions carefully, and continuously optimizing the management of customer service based on its own reality, striving to build a better corporate brand image. We have opened a customer service column on the official website to publish customer service information, set up online customer service to answer customers' questions, opened WeChat and Weibo accounts to extend communication channels, organized offline face-to-face communication activities to expand the coverage of communication and released annual reports, social responsibility reports and magazines to disclose corporate information. In 2019, the SQC of ZTO Express received more than 180 million incoming calls and conducted satisfaction surveys via 95311, CloudCall and online channels, the results of which showed that the customer satisfaction rate reached 95.22%, up by 3.87% year on year.





## Guarantee

### Comprehensive Procurement Management

ZTO Express persists in the procurement principle of "fair and justice" and is committed to improving supplier management and promoting sunshine procurement. While paying attention to the quality of supplier's products and services, we also take into account supplier's fulfillment of social responsibility and environmental protection responsibility to ensure high-quality supplier resources. By the end of 2019, ZTO has had hundreds of the core suppliers to the HQ of ZTO, including 5 major vehicle suppliers, all of which are world-famous truck suppliers, having leading advantages in environmental protection and fuel-saving technologies.

The Company has further improved the supplier entry, management and exit mechanism, implemented "supplier list management", and formulated a "qualified supplier list". The Procurement Management Department of the HQ is responsible for selecting high-quality and qualified suppliers through multiple ways such as bidding and enquiry.

#### Supplier List Management

##### Entry mechanism (new suppliers)

Collection of suppliers' basic information, evaluation and trial of product performance and quality, examination of supplier's social responsibility and environmental performance;

##### Daily management

Adopting hierarchical management, determining the purchase scale based on the supplier's certification level, assessing suppliers at the end of each year;

##### Exit mechanism

Terminating cooperation with suppliers who have serious delivery problems or fail to pass the year-end assessment.

#### Case Study IT-based Management of Suppliers

ZTO Express relies on the BestCool bidding system to realize IT-based, automated tendering and bidding process. Among others, the intelligent bid evaluation system has not only improved the efficiency of bid evaluation but also ensured open, fair and just bidding.



## Environment

### Developing Green Express Delivery

As an express & logistics enterprise, the potential impacts that ZTO may have on environment include: (1) Packaging waste. Express delivery may generate a large amount of packaging waste such as packaging boxes and packaging paper, which will place a burden on the environment if not disposed properly. (2) Emission of harmful gas during transportation. Line haul for express delivery mainly relies on trucks, therefore fuel saving and emission reduction of the fleet is also an important part of environmental protection; (3) Exhaust gas, sewage and wastes produced in normal production and life. As a logistics service provider, ZTO does not generate or discharge a large amount of hazardous waste, non-hazardous waste or oil pollution in the operation process, therefore, there is no relevant data statistics about oil spill etc. But the Company clearly stipulates that it is not allowed to discard hazardous chemicals and waste arbitrarily, which should be disposed by a professional waste management company.

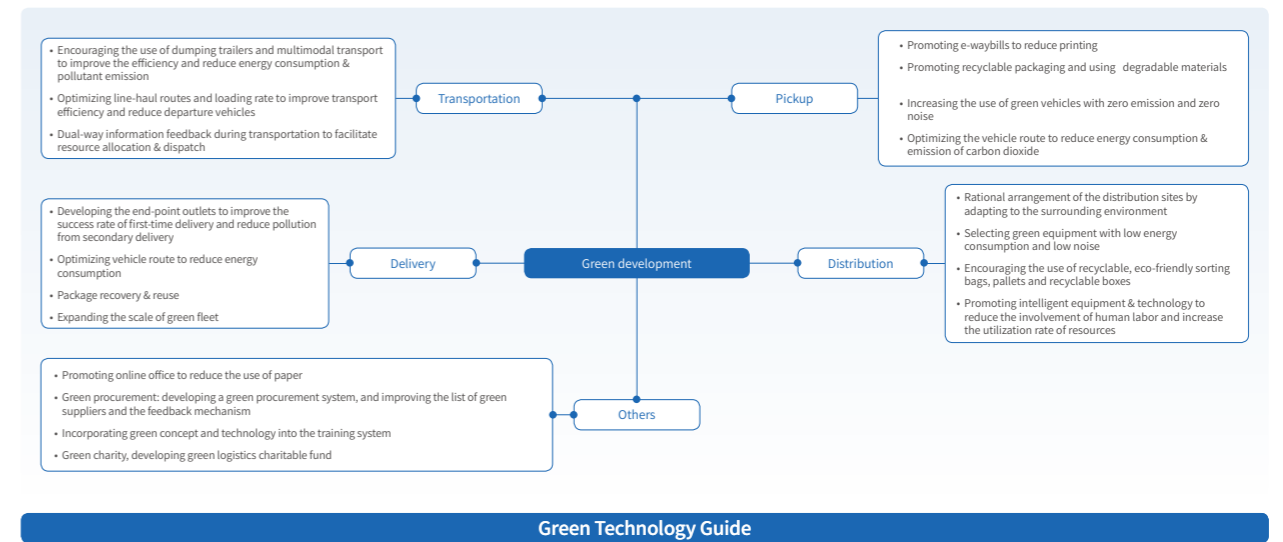
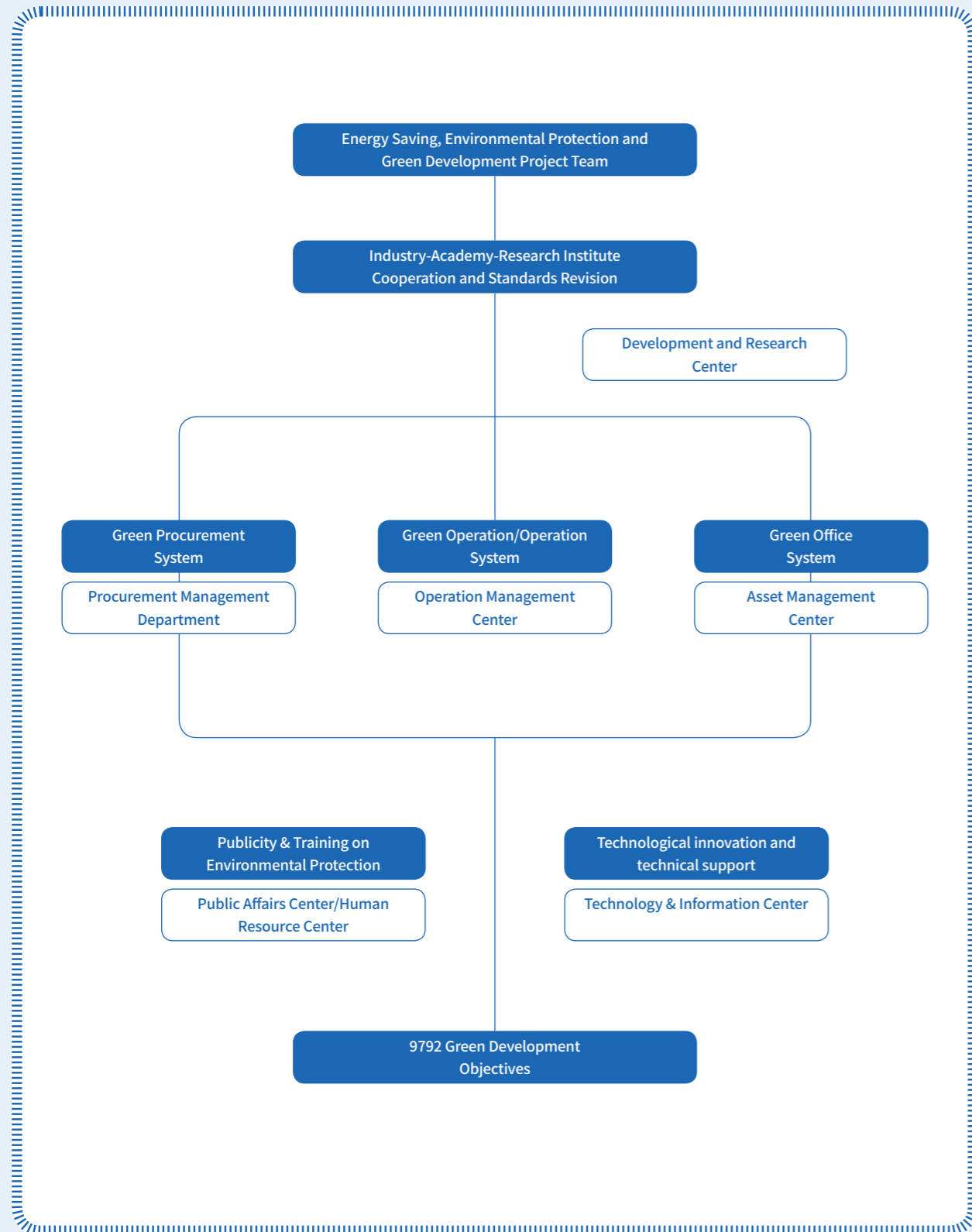
#### Green Management System

The Company strictly abides by environmental protection laws such as the *Environmental Protection Law of the People's Republic of China*, and the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and has formulated several guideline documents such as the *Green Procurement System of ZTO Express and the Green Development Guidelines of ZTO Express (Draft)*. Under the leadership of the Executive Vice President, the Energy Conservation, Environmental Protection and Green Project Department have been established to lead the formulation, implementation and supervision of the environmental protection system throughout the whole network. We also have been improving the Company's environmental protection system and enhancing green standards, green publicity, green training, green system, green checking, and green technology, to realize the Company's sustainable development and align it with environmental protection. In addition, ZTO express' development and research center released the *Green Postal Technology Guide* in September 2019, which clearly defines the tasks and work directions in four express delivery links, i.e. "pick-up, distribution, transportation and delivery", and aims to gradually improve the adoption of green technologies in the daily operation of the Company.





Environmental Management System



Environmental Protection Results and Objectives

In order to promote ecological protection in the industry, the SPB proposed to implement a "9571 Project" in 2019 with goals of, i.e., the utilization rate of e-waybills reaching 95%, no secondary packaging for more than 50% of e-commerce express parcels, the utilization rate of recyclable transit bags reaching 70%, and setting up packaging waste recovery facilities in 10,000 postal and express delivery outlets. In response to the call of the state, ZTO has set short-term and long-term sustainable development goals. As a result, by the end of 2019, the utilization rate of e-waybills in the whole network of ZTO had reached 99.9%, the proportion of e-commerce express parcels without secondary packaging in the year was about 10%, recyclable bags had been mutually recognized and distributed among 86 centers in the whole network, and the coverage rate of eco-friendly bags was about 45%, and the set-up of waste recovery facilities for 10,000 service outlets at the last-mile points in the whole network had been completed.

In 2020, the SPB put forward a "9792 Project" on the basis of the "9571 Project", that is, the use of "slim tape" below 45mm for packaging reaching 90%, the proportion of e-commerce express parcels without secondary packaging reaching 70%, the utilization rate of recyclable transit bags reaching 90%, and setting up standard packaging waste recovery facilities at another 20,000 postal and express delivery outlets. As a leading enterprise in the express delivery industry, ZTO takes an active role and has set up the overall green development objective for 2020 based on the requirements of "9792".

Environmental Protection Objectives of ZTO Express in 2020

Brand	ZTO
The number of recyclable packaging bags planned to put in use in 2020	9 million
The number of recyclable document bags planned to put in use in 2020	6 million
Proportion of packaging with "slim tape" below 45mm in 2020	> 90%
Utilization rate of recyclable bags in 2020	> 90%
The number of new waste recovery facilities in 2020	20,000
Utilization rate of single-sheet e-waybill	> 40%
Proportion of e-commerce postal/express items without secondary packaging	> 70%
Ways to promote eco-friendly bags	Online, ZTO Cloud Class





## Carbon Intensity

According to the carbon emission conversion formula provided in *the Measurement of Greenhouse Gas Emission in Express Delivery Industry* issued by the SPB in 2014, ZTO Express made calculation of its data based on the Company's business model with reasonable assumptions, and the result showed that the carbon emission displayed a downward trend for three consecutive years. The Company plans to reduce the unit parcel carbon emission by 20% in five years through the following measures.

Carbon Emission of ZTO Express (Cayman) Inc. in 2017-2019

ZTO Express (Cayman) Inc. (not including franchise outlets)	2017	2018	2019
Direct greenhouse gas emissions			
CO <sub>2</sub> emissions (tCO <sub>2</sub> )	526,654	612,947	703,515
Indirect greenhouse gas emissions			
CO <sub>2</sub> emissions (tCO <sub>2</sub> )	72,449	101,429	137,770
Other indirect greenhouse gas emissions			
- Tape (kgCO <sub>2</sub> )	185,390	233,593	469,395
- Waybills (kgCO <sub>2</sub> )	36,368,467	35,955,523	65,958,545
- Others (kgCO <sub>2</sub> )	20,104,783	27,556,387	39,184,769
Subtotal CO <sub>2</sub> emissions (tCO <sub>2</sub> )	56,659	63,746	105,613
<b>Total carbon emissions (tCO<sub>2</sub>)</b>	<b>655,762</b>	<b>778,122</b>	<b>946,898</b>
kgCO <sub>2</sub> /RMB10,000 revenue	501	442	428
Year-over-year growth		-12%	-3%
kgCO <sub>2</sub> /parcel	0.105	0.091	0.078
Year-over-year growth		-13%	-14%

## Green Packaging

ZTO Express continues to promote green, reduced and recyclable packaging, increases investment in the research and development and innovation of green packaging products, promotes the use of e-waybills, eco-friendly packaging bags and biodegradable packing bags, to lessen the negative impact of packaging consumables on the ecological environment. Meanwhile, the Company takes the initiative to recycle packaging materials, and guide consumers to reuse packaging cartons, to improve the resource utilization efficiency.

### E-waybills

ZTO Express has been promoting e-waybills throughout the whole network since 2014. Compared with traditional paper waybills, e-waybills can save 80% of paper consumables. By the end of 2019, the adoption rate of e-waybills in ZTO's whole network had reached 99.85%. With the continuous advancement of technologies and the diversified requirements of application scenarios, the e-waybill has evolved from four sheets to three and two and becomes smaller and smaller, effectively reducing the waste of paper resources.

In 2019, as the Company was promoting last-mile construction, more and more users have accepted last-mile posts, express lockers and other kinds of last-mile presense, changing users' pickup and delivery habits. Single-sheet e-waybill emerged, which replaces the previous delivery receipt sheet that should be signed by the recipient. Compared with the two-sheets e-waybill, each single-sheet can save 45% of thermal paper consumables, for the whole company, equivalent to a saving of about RMB60 million in the use of paper consumables in 2019.

the utilization rate of e-waybills in ZTO's whole network had reached	each single-sheet can save	equivalent to a saving of about
<b>99.85%</b>	<b>45%</b>	<b>RMB 60 million</b>
	of thermal paper consumables	in the use of paper consumables







Recyclable packaging bags with RFID chips

Recyclable packaging bags

In 2019, ZTO Express upgraded its original eco-friendly bags and independently developed a whole life cycle management system of eco-friendly bags. During the "Double 11" period, the Company put in 1 million recyclable packaging bags with RFID chips for recyclable use among 91 sorting hubs and outlets across the country. RFID chips can realize systematic tracking management of the eco-friendly bags during their life cycles. Compared with traditional disposable woven bags, eco-friendly bags are strong and durable, can be reused for more than 100 times and save more than 50% cost per usage. The eco-friendly bags put in use in 2019 replaced more than 100 million disposable woven bags, avoiding the generation of about 16,000 tons of waste.



Biodegradable packing bags

ZTO Express put green biodegradable packaging bags into use in some regions, which are reliable in quality and controllable in degradation. Under the set conditions, such bags can be oxidized and biodegraded through the synergistic effects of light, heat, oxygen, microorganism and water, until they are completely degraded, causing no harm to the environment.



A biodegradable packaging bag

Green transit bags

Using polypropylene as the raw material, the head of ZTO Express Renqiu Outlet in Cangzhou, Hebei, developed a new type of large capacity eco-friendly bag, which is durable, reusable, recyclable and reprocessible.



Green transit bags



The green transit bag has obtained the utility model patent and design patent from the National Intellectual Property Administration

Reduced packaging consumables and secondary recycling

ZTO Express promotes the use of recyclable filling materials such as newspapers, inflatable plastic film bags, and bubble bags, to improve the recycling rate of resources. The Company advocates separate charging for express fee and packaging fee, and consumers can choose whether they need additional express packaging, thereby gradually guiding outlets and consumers to raise their environmental protection awareness and encouraging the secondary use of idle cartons. At some outlets, customers can use the reused express package to deduct part of the express delivery fee.



On August 20, 2019, ZTO Express fully joined the "Recycling Program" of Cainiao Alliance and has placed packaging recycling boxes at more than 20,000 express delivery outlets to support classified recycling and reuse of those cartons.



On November 20, 2019, responding to the "National Carton Recycling Day" activity, ZTO Express set up green recycling points at multiple communities across the country, calling on everyone to recycle cartons.



## Green Transportation

ZTO has been always committed to reducing the impact of transportation on environment. Each transportation vehicle is equipped with Beidou positioning equipment to monitor if there's any abnormality in the transportation process together with GIS (Geographic Information System), and plan proper transportation routes. High capacity trailer trucks have been vigorously promoted to improve energy efficiency and reduce pollutant emissions. Meanwhile, at the outlets, eco-friendly transportation vehicles such as new-energy vehicles and battery-powered cars are used to realize green pickup and delivery for the "last-mile", forming a full coverage of energy conservation, emission reduction and green transportation.

### Line-haul optimization

ZTO Express uses cloud computing and big data (Galaxy System) to optimize the driving routes and shifts of line-haul trucks, reduce the average mileage of congested routes and avoid long-term waiting caused by congestion. Scientific algorithms can improve the loading rate, cut down the departure shifts and effectively reduce pollution emissions. By the end of 2019, there were more than 2,600 line haul routes in the whole network, with an average loading rate of over 80%.

more than  
**2,600** line haul routes in the whole network  
with an average loading rate of over  
**80%**

ZTO Express had more than

**4,650** high capacity trailer trucks

reduce the emission of carbon dioxide by about

**73,000** tons annually

### High-capacity trailer trucks

ZTO Express increasingly adopts high capacity trailer trucks to increase transportation capacity and reduce costs, compared with the traditional 9.6-meter vehicle, the fuel consumption per parcel can be cut down by 55% and the pollutant emission can be reduced by more than 70%. By the end of 2019, ZTO Express had more than 4,650 high capacity trailer trucks, each of which could save 2 liters of fuel per 100 km compared with traditional vehicles and could reduce the emission of carbon dioxide by about 73,000 tons annually.

### Eco-friendly fleet

In line with the gradual improvement of domestic emission standards, ZTO Express has been phasing out the vehicles at National IV Emission Standards, and all the newly purchased ones conform to either National V or National VI Standards. By the end of 2019, more than 60% of ZTO's own fleet was composed of vehicles at the National V or National VI Standards.

### Outsourced fleet

When selecting the outsourced fleet, ZTO Express takes into consideration whether its vehicles meet the national emission standards. As the outsourced fleet may be not as good as its own fleet in terms of management and cost-effectiveness, the Company's internal supervision department regularly issues operation management reports on the outsourced vehicles to timely identify loopholes in managing the outsourced vehicles and fix the operation regulations. In the future, the Company will further reduce the proportion of outsourced vehicles to ensure efficiency, high-quality, green and energy-saving logistics services.



High-capacity trailer trucks





Electric cycles/tricycles for pickup/delivery at last-mile

Green last-mile delivery

ZTO Express keeps improving the scale of green fleet including green distribution vehicles powered by electricity, hybrid electricity and fuel cell across the whole network. The Company has introduced drones in remote areas to ease the burden on ground traffic and reduce unit energy consumption, and also increased the number of self-pickup equipment and outlets to reduce the frequency and distance of delivery.

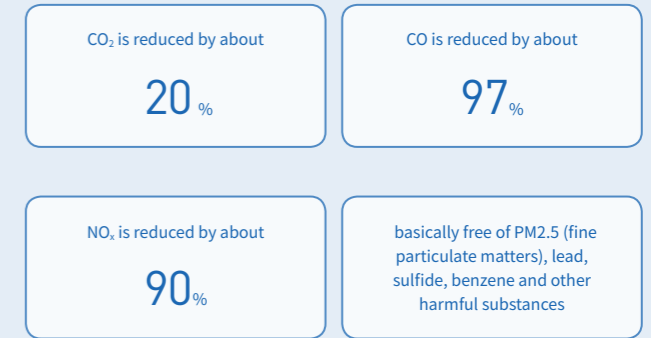


New-energy vehicle for pickup/delivery at last-mile

New-energy vehicles for line haul

In 2019, ZTO Express began to use new-energy vehicles in line haul, which consume liquefied natural gas. Compared with fuel vehicles, the emissions of CO<sub>2</sub>, CO and NO<sub>x</sub> in the exhaust gas are reduced by about 20%, 97% and 90% respectively, basically free of PM2.5 (fine particulate matters), lead, sulfide, benzene and other harmful substances. It is planned that by the end of 2022, the proportion of new-energy vehicles will reach 10% in line haul.

Compared with fuel vehicles, the emissions of



New-energy vehicle for line haul



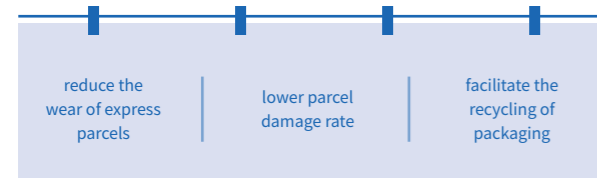
### Green Equipment

ZTO Express vigorously promotes the use of energy-saving and environmental protection equipment in operation and production. In the sorting process, green equipment with low energy consumption, low noise and low pollution is promoted; and in the transportation and delivery process, more green vehicles that have "zero emission and zero noise" are used.



### Intelligent sorting equipment

ZTO applies a large amount of intelligent sorting equipment in the sorting process, such as automated sorting equipment for small and bulky parcels, extendable conveyor belt and dynamic weighing machines, which can save sorting time and labor cost, reduce the wear of express parcels during loading and unloading, lower parcel damage rate, cut the consumption of consumables such as buffers and packaging tape, as well as facilitate the recycling of packaging.



Automated sorting equipment for bulky parcels



Automated sorting equipment for small parcels





High-capacity trailer trucks with iron carriages

### Aluminum-alloy arc carriage

Aluminum-alloy arc carriage is gradually replacing the iron carriage, as the former can not only expand the capacity but also reduce the weight, thereby effectively reducing fuel consumption. It can save more than 1 liter of diesel per hundred kilometers. Besides, aluminum-alloy carriage is more corrosion-resistant, and has a longer service life and higher recycling value.



Aluminum-alloy arc carriage

### Green Office

ZTO Express pays attention to energy conservation and emission reduction in the operation and office links, carries out green park construction, promotes the use of clean energy such as solar energy in its sorting hubs, and promotes paperless office via digital and intelligent system management to reduce the comprehensive energy consumption in production.

In 2019, the Company made the following attempts in applying renewable energy:

- 01 — Installing air-source heat pump heaters at the HQ's living quarters, the energy consumption of which is 1/7-1/4 of conventional water heaters;
- 02 — Promoting the use of purification and power-saving equipment for industrial power grid in the whole network, which is expected to save around 8% of electricity after installation;
- 03 — In July 2019, the Company started a trial of using hydrogen vehicles for last-mile delivery in its outlets in Guangdong.



### Green Culture

ZTO Express attaches great importance to guiding employees to build a concept of environmental protection, and disseminates environmental protection knowledge, the Company's environmental management system, as well as energy conservation and emission reduction technologies and measures through various ways, such as induction training, pre-job training, poster posting, banner hanging, leaflet issuing, and self-owned media communication to comprehensively improve employees' environmental protection awareness. The Company carries out researches on the industry's green development. In November 2019, ZTO Express's Development and Research Center published *the Report on the Current Situation and Development of the Green Process of E-commerce Express Delivery Packaging in China*, to boost the usage of green package. The Company has also actively organized and participated in environmental protection activities for public good and advocated a concept of energy-saving and low-carbon life to the public, to promote green and sustainable social development.



# 中国电商快递 配送包装绿色化进程 现状与发展报告

Report on the Current Situation and Development of the Green Process of E-commerce Express Delivery Packaging in China by ZTO Development and Research Center

## Case Study Green Training and Awareness Programs for Employees

Following the new development trend of green logistics, ZTO has adhered to the philosophy of green development and actively implemented eco-friendly growth models throughout the whole network in recent years. The Company has made a strategic decision of pursuing green development, shouldering social responsibilities and assisting agriculture and poverty alleviation for rural revitalization, and incorporated the concept of environmental protection into its Employee Handbook.

The HR and training department of the HQ organized training on the "Use and Promotion of Eco-Friendly Bags" through various channels and ways, such as DingTalk live broadcast, to promote the concept of environmental protection and relevant experience. The duration of a single course was 1.5 hours and more than 10,000 people directly participated in the training, covering all primary outlets and some secondary outlets of the whole network. At the same time, the training course was recorded into a video and is now available for all employees to watch and learn independently on "ZTO Cloud Class".



## Case Study Garbage Classification Training Organized Offline

On July 23, 2019, ZTO Express invited Shanghai Qingpu District Urban Management and Law Enforcement Bureau to give a training session on "garbage classification" for employees of the HQ, with the participation of relevant principals and employee representatives of the Logistics Management Department. The main contents of the training include the environmental problems caused by garbage, the classification of household garbage, and garbage disposal methods, aiming to raise the garbage classification awareness of employees and enhance their environmental protection concept.



On December 17, ZTO Suzhou held a lecturing session with the theme of "Environmental Protection, Health and Happy Jiangsu". The lecturer explained in detail some environmental protection knowledge such as garbage classification, water pollution, food safety and air pollution, aiming to create a working atmosphere in which everyone participates in environmental protection and pays attention to health.







## CHAPTER 2: CONCERTED EFFORTS FOR A BEAUTIFUL LIFE

- P73 **Trust** – Stimulating the Vitality of Talents
- P81 **Empowerment** – Shared Success
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The express delivery industry has become national strategic infrastructure and a social organization system, it plays an important role in the national economy as it connects with different places and industries and serves thousands upon thousands of families. Based on "small express parcel" to serve "big people's livelihood", the industry has always taken improving people's livelihood and well-being as the ultimate purpose of its development. ZTO Express resolutely shoulders the mission and responsibility given by the times, fully leverages its advantages, takes talents as the core, ability as the support, finance as the empowerment, and resources as the guarantee, to constantly deepen the development idea of promoting integration, prosperity and mutual promotion, deliver value with ingenuity and perseverance, and achieve excellence through joint construction and sharing. ZTO Express strives to become a creator and guardian of a better life for people.





# Trust

## Stimulating the Vitality of Talents

The rapid and booming development of the industry drives a huge growth in employees, and the protection of their basic rights and interests and their career development has become a focus of the whole industry and even the whole society. Following the philosophy of "Talents are the hard power", ZTO Express has always adhered to the people-oriented principle and constantly improved the employee security system to safeguard their basic rights and interests. The Company has optimized the talent cultivation system and opened employee promotion channels, to provide employees with broad career development space. The Company has carried out various recreational and sports activities to show the care of employees' lives and to create a safe, comfortable, warm, and harmonious working atmosphere.

We stick to the principle of equal employment, do not treat employees differently due to gender, age, ethnicity, religion, and other differences, and ensure the diversified development of employees.

By referring to the conventions of the International Labour Organization (ILO) and adhering to the principle of non-discrimination, the employee policy set up by the Company embodies the spirits of equality between men and women, no forced labor, freedom of association and equal pay for equal work.

In order to protect the rights and benefits of employees, the Company has gradually reduced the employment of temporary workers and increased the full-time employees. By the end of 2019, the proportion of temporary workers was less than 3%.

We continue to optimize the staff structure, achieve diversified employment, facilitate the healthy and sustainable development of the Company. For example, we have increased the introduction of high-level experienced talents to provide the Company with feasible optimization suggestions; recruited undergraduates from top universities to establish a talent cultivation foundation in a planned way, and speed up the overall staff quality replacement; employed third-party professional consultants to draw on expertise and experience from the society, and match the actual needs of the Company; as for short-term and urgent projects, we employed outsourced human resources to operate, making the use of personnel more efficient, rapid and convenient.

We have formulated a new broadband salary system and implemented a policy of performance-based salary adjustment to break the egalitarianism, connect with the market, and realize excellent compensation for excellent work.

We provide free health examination and various medical care consultation and services for employees, and conduct occupational safety and health education, to further safeguard the safety of employees during work, and protect their physical and mental health.

We strictly implement the provisions that employees are entitled to annual leave, marriage leave, maternity leave and paternity leave in accordance with the law to protect employees' right to rest and take a holiday.

On March 28, 2009, the Trade Union of the Company was established and *the ZTO Express Trade Union Regulations* was formulated, which clarifies the specific responsibilities of the Trade Union and its subordinate committees. The core purpose of the Trade Union is to "safeguard the legitimate rights and interests of employees and establish a harmonious and stable labor relationship". It keeps strengthening its own organizational building and has actively carried out various thematic activities related to the interests of employees. It strictly abides by the relevant provisions of the labor authority and implements a collective bargaining system, which involves collective labor contracts, special collective wage contracts, special protection contracts for female employees, etc. The Union also actively promotes employees to participate in the Company's development and provides basis for Company leaders' decision-making, as well as supervises the Company's implementation of laws, regulations and rules related to labor management, employee rewards and punishments, wages and benefits, work safety and hygiene, social insurance, etc.



Equal employment

Diversified employment

Remuneration system

Welfare

Occupational health

Leave and vacation

Freedom of association policy

## Protecting Employees' Rights and Interests

ZTO Express strictly abides by the Labor Law, the Law on Employment Contract and other laws and regulations, signs labor contracts with employees in accordance with the law, pays social insurance in strict accordance with the regulations and provides employees with a sound salary and welfare system to comprehensively protect their rights and interests.



Health consultation activity conducted by the Safety Supervision Department of ZTO Express



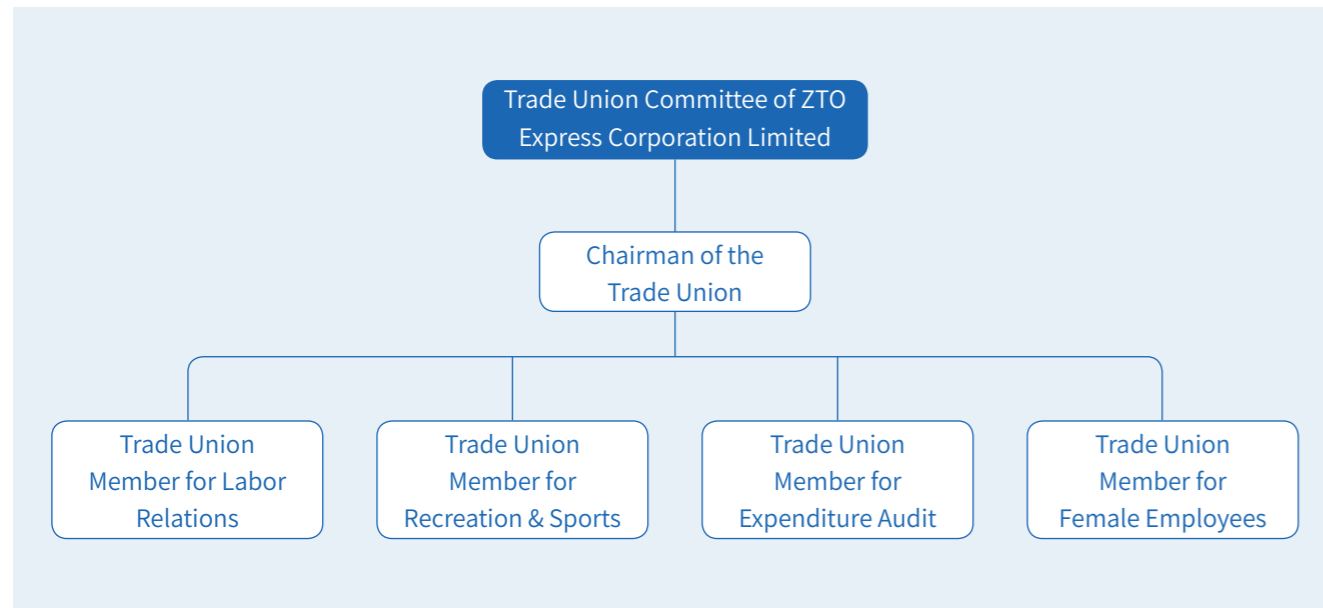
First-aid knowledge training by Sichuan Provincial Center



Free health examination for employees by Anhui Provincial Center



Organizational Structure of the Trade Union

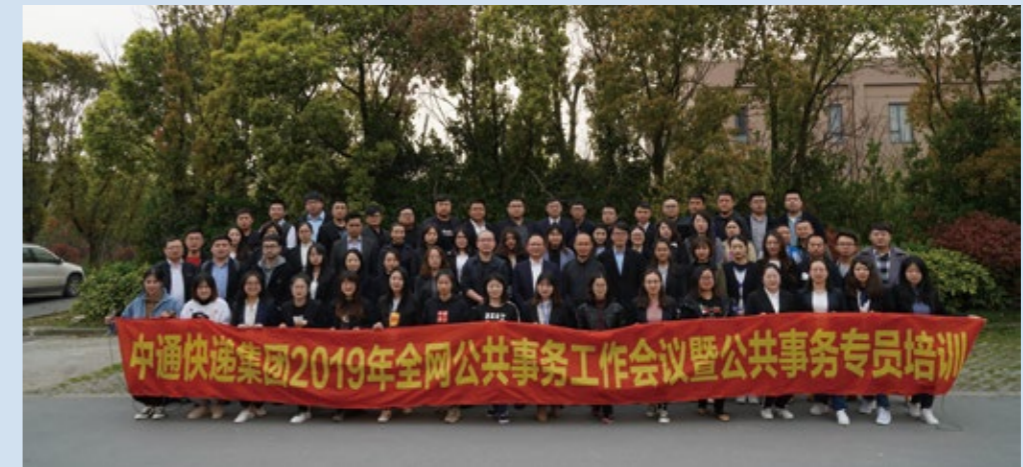


Assistance to Career Development

The high-quality development of the express delivery industry cannot be achieved without the support of professional talents. ZTO Express has actively responded to the strategy of "Strengthening the Postal Industry with Talents", formulated a ZTO Express Talent Cultivation System, and kept promoting the policy of "one profession, two innovations and three methodologies" based on ZTO College and by establishing a sound talent cultivation mechanism, creating an online-offline combined training platform, and discovering, developing and cultivating talent teams in a fair, just and open manner, to provide human capital support for ZTO's sustainable development. In addition, the Company has also organized and carried out vocational skills competition and other activities for employees to mobilize their enthusiasm, create a good atmosphere for learning professional skills, and vigorously improve employees' skills.

The Management Trainee Program (a mentorship program) set up by the Company, which aims to "cultivate future leaders of the Company", is an important part of the Company's talent echelon building. The program is committed to cultivating future management teams for the Company, developing the best leading talents for the enterprise, and helping the enterprise reserve talent resources in advance, and maintaining a long-term competitive advantage. In the three-year training plan, each management trainee will go to the front line for cross-department and cross-project rotation, learn about the core business, accumulate industry experience and grow rapidly with the Company under the guidance of experienced senior managers.

In 2019, the Company organized a series of talent echelon training and business support training, such as excellent talent training program, on-campus recruitment for future managers training, Centurion training, provincial center management personnel training, new regulations training and quarterly training, totaling 379,951 class hours and covering 223,149 person times.



ZTO Express 2019 Public Relations Specialists Training



ZTO Express 2019 HR "New PS System" Training

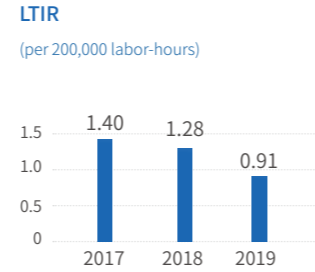


ZTO Express 2019 Operating Skills Competition



## Safeguarding Employees' Safety

Work safety is a cornerstone ensuring an enterprise's healthy development. ZTO Express attaches great importance to the safety and health of its employees. The Company conscientiously implements the work safety policy of "safety first, prevention as the focus, with comprehensive management", adheres to the "people-centric" principle, puts the safety of employees' lives and properties first, has set up a series of complete crisis prevention and management systems including those for the handling before, during and after a safety incident, and regularly sorts out typical cases and informs the whole network, to enhance the safety protection awareness of all staff. In 2019, the Company's lost time injury rate (LTIR) was 0.91, showing a downward trend for two consecutive years, and we plan to control the rate within 0.5 in the next five years.



#### Case Study Dual-random Work safety Inspections

At the end of 2019, in order to effectively strengthen the work safety of the whole network, prevent and resolutely curb major accidents, ZTO Express carried out a "dual-random" work safety inspection of the whole network, i.e., random selection of inspectors and inspected units. The Company dispatched 4 inspection teams to randomly check 86 transit centers, identified 179 potential safety hazards, and made public announcement in the whole network. The Safety Supervision Department required the principals of provincial, municipal and district management centers and sorting hubs to make rectification on time for the identified risks. For the units that failed to do so and failed to submit the rectification receipt according to the required timeline, administrative penalties will be imposed.



### Creating an Environment for a Healthy Life

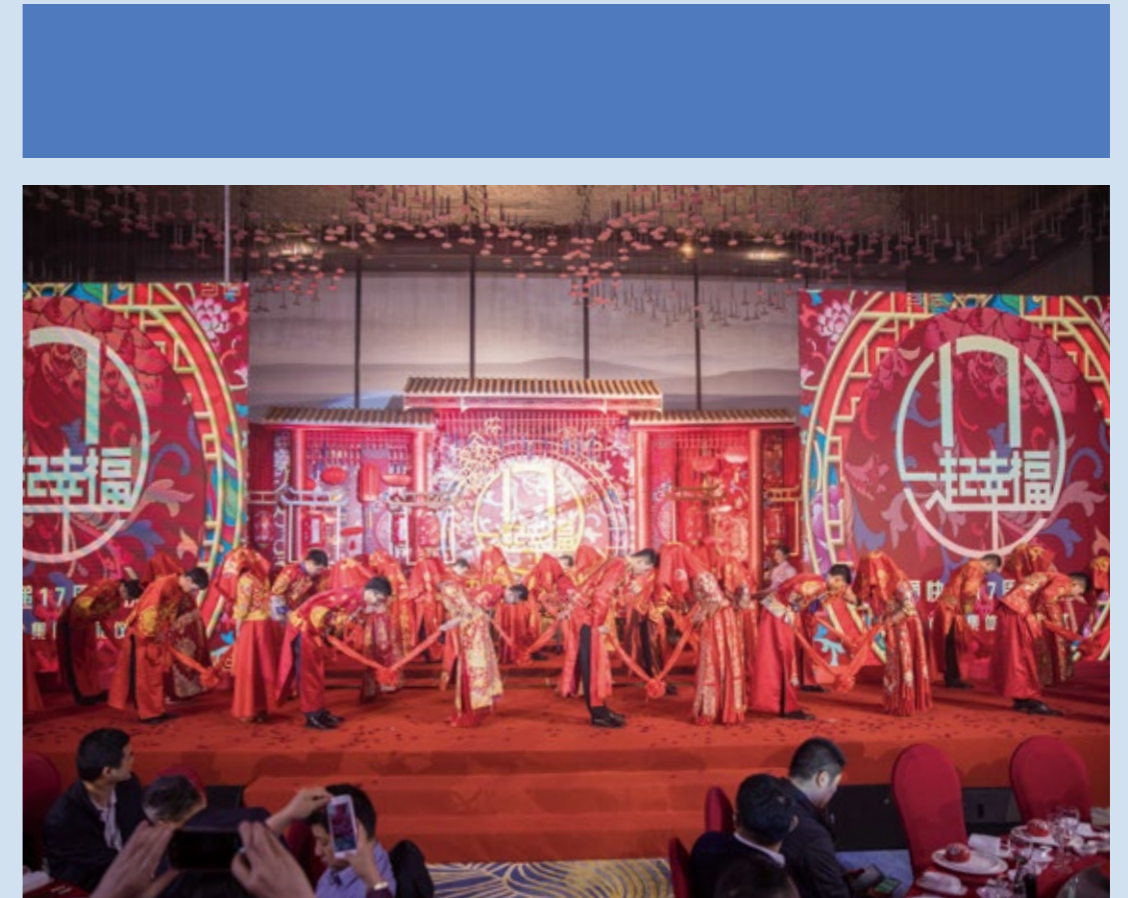
ZTO Express pays attention to balancing the work and life of employees. The Company has built basketball court, billiards room, badminton court, table tennis court, gym, yoga hall and other leisure places for employees and organized various recreational and sports activities to enrich the cultural life of employees, promote their overall development, and intensify the solidary and cohesion of the enterprise. In 2019, ZTO held a variety of corporate activities, such as the Open Day, group wedding, sports competition, Book Day, "Courier's Slow Life" and photography competition, striving to make employees have a healthy body, happy work and happy life.



Corporate Open Day activity



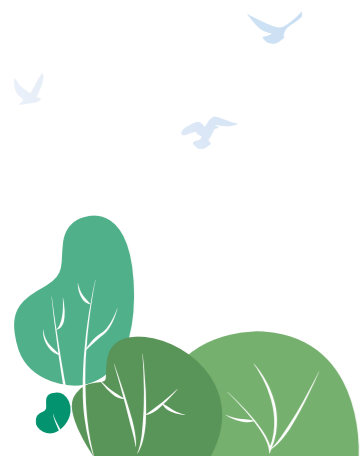
"Courier's Slow Life" theme activity



Group wedding



"Book Day" theme activity







## Empowerment

### Shared Success

Employment is connected with economy and people's livelihood. The report of the 19th National Congress of the Communist Party of China points out that, "Employment is pivotal to people's wellbeing. We must give high priority to employment and pursue a proactive employment policy, striving to achieve more adequate employment and create better quality jobs. We should launch large-scale vocational skills training programs, give particular attention to tackling structural unemployment, and create more jobs by encouraging business startups." Adhering to the core values of "shared success, trust and accountability, innovation and entrepreneurship", ZTO Express closely combines entrepreneurship with employment, accelerates the expansion of the business ecosystem and continues to expand the coverage of grass-roots outlets, to create diversified employment opportunities for all regions. In 2019, ZTO Express took "empowering outlets" as the general direction and implemented the work requirements of "empowerment and foundation enhancement" by promoting the construction of last-mile posts and empowering outlets with financial and technical support. While strengthening the advantages of grassroots network services, we are helping more people to create a better new life through constant innovation and unremitting efforts.

#### Inclusive policy

The network management center and the financial center of the headquarters have been linked together. Based on the principle of "safety, rationality and effectiveness", special loan support policies have been provided to the first tier outlets, to reduce the capital pressure in outlet construction and improve the competitiveness of outlets.

#### Technology empowerment

ZTO launched a "one-to-one project" to empower outlets with technologies, established a special team that went to the front line outlets for surveys and introduced intelligent equipment and platforms such as dynamic weighing machine, intelligent outlet management system - Shenzhou, and integrated settlement system - Pangu, helping outlets allocate resources rationally and maximize resource utilization.



## Synergy

### Supporting E-commerce

Premier Li Keqiang mentioned in the 2019 Government Work Report that "We will develop new forms and models of consumption, promote the growth of both online and offline consumption, and foster new growth areas in consumer spending. We will improve logistics networks in rural areas and support the development of e-commerce and express delivery services." In recent years, the coordinated development of e-commerce and express delivery & logistics in China has been deepened. They support and promote each other, which is conducive to the transformation and upgrading of express delivery & logistics, the improvement of quality and efficiency of e-commerce, the convergence and unification of technical standards, the standardization and sharing of data resources, the collaborative innovation of supply chain, the expansion of consumption, the improvement of user experience, and the better adaptation and satisfaction of online shopping consumers for a better life.

In order to give full play to the resource advantage of express delivery and support the high-quality development of e-commerce, ZTO Express keeps optimizing its network layout and has strengthened the supply of pickup/delivery services, to cut the logistics cost for e-commerce platform and customers. The Company has integrated its online and offline resources and explored innovative service mode and content, to provide new marketing ideas for e-commerce customers. We have launched the warehousing business and built a logistics industrial park to develop integrated warehouse and distribution services to provide basic support for the transformation and upgrading of the e-commerce industry. We have empowered both supply chain logistics and e-commerce platforms, explored a new integrated sales and distribution mode of "express + e-commerce" and formed an online-offline closed-loop of sales and transportation, to provide support for the development of rural e-commerce.





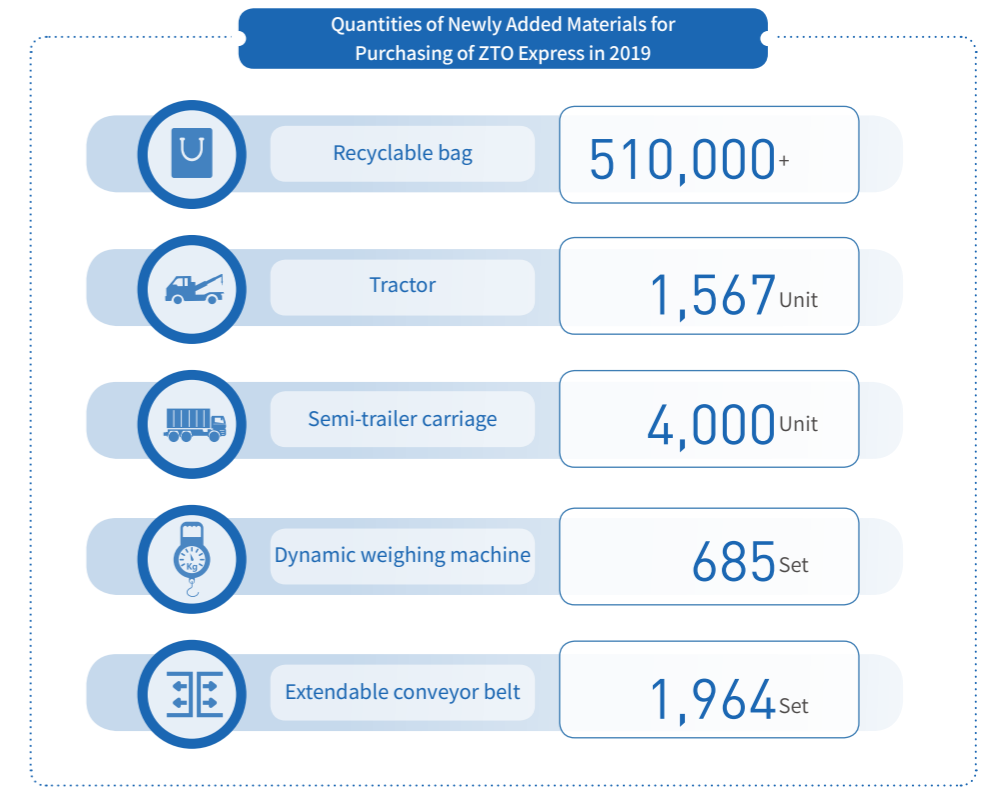


# Win-win Cooperation

## Joint Development with Industries

China's express delivery industry is entering a new period of "co-existence of quality and quantity improvement, simultaneous promotion of cost reduction and efficiency increase". The high-quality development of this industry cannot be separated from the support of other industries such as comprehensive transportation industry, information technology industry, manufacturing industry, real estate industry, and packaging material industry etc. Meanwhile, the development of modern agriculture, manufacturing industry, retail and wholesale industry also set higher requirements for the express delivery industry. The integration between the express delivery industry and related upstream and downstream industries is deepening day by day, which shows that the express delivery industry plays an irreplaceable fundamental role in production, circulation and consumption.

In order to follow the trend of the times, respond to the market demand and enhance the endogenous power, ZTO Express has continued to increase investment in technological innovation and green development, strengthened the building of its network system and transportation capacity, accelerated the introduction of IT system, automated sorting equipment and new-energy vehicles, purchased packaging cartons, eco-friendly woven bags and sealing tape, and constructed sorting hubs and warehouse & distribution centers, to drive the cooperative enterprises to achieve profits and growth while realizing its own business growth.



### Case Study The 1,500<sup>th</sup> Volvo Truck of ZTO Express

On November 18, 2019, at the headquarters of ZTO Express in Shanghai, Roger Alm, President of Volvo Trucks, delivered the 1,500th Volvo truck to ZTO Express, opening a new chapter for the solid strategic cooperation between the two sides over the years. By the end of 2019, ZTO Express had had more than 6,450 self-operated line-haul trucks including more than 4,650 high-capacity trucks, which were an important basis supporting the rapid growth of the Company's parcel volume. In the future, ZTO and Volvo will deepen cooperation in transportation efficiency, driving safety, smart operation, environmental protection and other fields, and manufacture customized vehicles more suitable for the development of express delivery, to meet the comprehensive requirements of the industry for timeliness, transportation capacity and environmental protection.



“Volvo Trucks is an important strategic partner of ZTO. Its core concept – "quality, safety and environmental protection" coincides with our gene of innovation-driven development. During this "Double 11" shopping carnival, the annual parcel volume of ZTO broke through 10 billion, becoming the first member of the global "10 billion club" of the industry in terms of annual parcel volume, which also provides a broader space for cooperation between the two sides.

- Lai Jianfa, Executive Vice President of ZTO Express

With the continuous booming of e-commerce economy, Chinese consumers pay more attention to the timeliness and experience of logistics service; at the same time, safety and emission related laws and policies are increasingly strict and sound, and the whole industry needs more efficient, safer and cleaner transportation solutions. Volvo Trucks hopes to continue to work together with ZTO to help each other and jointly meet the challenges of the market in the future.

- Roger Alm, President of Volvo Trucks”



On June 18, 2019, ZTO Express and Cummins reached a cooperation agreement that the two sides will make use of complementary resources to expand cooperation in vehicle engine upgrading, vehicle operation quality improvement and other fields, and jointly create a new standard for transportation vehicle operation.



## Exploration Linking Global Network

The postal and express industry carries the functions of politics, trade and public communication. It is a bridge that enables the interconnection among countries along the "Belt and Road" and plays an important role in promoting international exchanges and serving economic and trade development. In recent years, the express delivery industry has been serving the "Belt and Road" construction, placed equal emphasis on "bringing in" and "going out", and pushed forward pragmatic cooperation based on the strategic policies and development needs of those countries along the "Belt and Road", so as to build a convenient, open and inclusive global logistics network, enhance the development of the postal and express delivery services in those countries, effectively promote "policy communication, facilities interconnection, free trade, capital circulation and friendly exchanges among the people", improve the well-being of those people and achieve common prosperity.

By the end of 2019, ZTO International had expanded services to Southeast Asia, the Middle East, Europe and America, Japan, the Republic of Korea, Australia and other countries and regions, and operated diversified, multi-category cross-border logistics businesses such as bonded area service, direct mail, integrated warehousing & distribution, and special line service. It has built up overseas networks in Cambodia, Vietnam, Laos, Myanmar, and other countries, which can directly serve local markets and people, realizing localized management. In addition, in order to further promote the deployment of overseas networks, ZTO International has achieved initial results in business diversification, product internationalization and service globalization, as well as established a "multi-channel, diversified and comprehensive" service mode based on the multi-level market demand of B2B, B2C, C2C, and BBC.

欢迎青岛日日顺物流有限公司  
经理于贞超一行到访中通快递集团

On December 12, 2019, ZTO Express and Qingdao RRS Logistics signed a strategic cooperation agreement, and the two sides will carry out cooperation in the fields of express delivery, freight, last-mile outlets, commodity distribution and installation, home appliance maintenance, warehouse management and other business areas.







## Giving back Shouldering Responsibility

Only for loving purposes will the wealth be meaningful, and only actively undertaking social responsibility will an enterprise be the most competitive and full of vitality. ZTO Express regards social welfare as an obligatory duty and calls on all ZTOers to actively participate in various voluntary activities for public good, pass positive energy with practical actions and establish a responsible corporate citizen image.

### Assisting Disaster-stricken Areas

ZTO Express has always been active in participating in disaster area assistance. Relying on the Company's transportation resources and platform advantages, all local companies and outlets organized rescue teams instantly to carry out rescue operations to the front line of the disaster-stricken areas, and transport rescue materials for the disaster-stricken areas for free, to guarantee the supply of basic materials, and deliver the warmth and care of ZTOers.



On March 21, 2019

An explosion occurred in Xiangshui County, Jiangsu Province. Xiangshui Outlet of ZTO Express, which was the nearest outlet to the scene, responded quickly, and mobilized all available relief materials overnight to the scene and arrived at the accident site in the afternoon on March 22. It was among the first batch of civil forces to participate in the rescue.



In June 2019

Affected by continuous rainstorm, some parts of Lianping County of Heyuan City, Guangdong Province suffered from road and communications interruption to varying degrees. The Lianping Outlet purchased and transported rescue materials to the severely affected areas immediately, and assisted local Development and Reform Bureau, Chamber of Commerce and non-governmental organizations in transporting all kinds of life supplies, medicines and other disaster relief materials free of charge.



In June 2019

An earthquake struck Changning County of Yibin City, Sichuan Province. ZTO Express Network Mutual Aid Fund and Sichuan Network's "Family Fund" assisted the affected outlets, and organized local outlets to actively participate in the earthquake relief work. They purchased and transported rescue materials to the disaster area free of charge and distributed them to local people.



In August 2019

Some parts of Harbin City, Heilongjiang Province, were hit by floods. Roads were blocked and house collapsed. In response to the initiative of Harbin Traffic Broadcasting, Heilongjiang Provincial Center dispatched two 9.6-meter trucks and several employees to deliver relief materials to local disaster-hit area Pingshan Town free of charge.



## Assisting Students Living in Poverty

ZTO express pays attention to education assistance and has always combined "poverty alleviation" with "aspiration support" and "knowledge-learning assistance", to support education in poor areas. The Company takes practical actions to improve the study and life of students in those poor areas, and gathers more social public welfare forces to bring hope for poor children and families by building a platform of multi-party engagement.

### Case Study Helping 300 Poor Children Achieve Their "Tiny Wishes"

On the afternoon of August 20, 2019, a student assistance activity was held at the headquarters of ZTO Express. More than 200 people attended, including the Youth League Committee of Qingpu District of Shanghai, relevant leaders of Huaxin Town of Qingpu District, Education Alliance of Huaxin Town, students of Love Summer Care Class, love enterprises, representatives of citizens, as well as representatives and family members of ZTO Express employees.

This activity had lasted for more than one month. In the early stage, we collected tiny wishes from children of poor families in two ZTO Hope Primary Schools, Yaguwan Primary School of Zilija Township, Fugong County, Nujiang Prefecture, Yunnan Province, and Huaxin Town of Qingpu District, Shanghai, and then mobilized the residents of Huaxin Town and employees of ZTO Express to claim the wishes and donate. In total, we raised dozens of boxes of love materials including school supplies, daily necessities, sports supplies, and cooling supplies to help nearly 300 poor children achieve their wishes.

Since its launch in 2012, this charity activity has donated more than 10,000 books, and the materials donated have become increasingly diversified, benefiting several provinces including Yunnan, Tibet and Xinjiang. In the future, ZTOers will continue to actively shoulder corporate social responsibility and contribute to social harmony and people's happiness while fulfilling their duties to provide good services to customers.



In March 2019, ZTO Express Yunnan Lijiang Company participated in a charity donation activity, donating schoolbags, stationery, and other school supplies



In September 2019, the "Family Fund" of ZTO Express Sichuan Provincial Management Center carried out a student-assistance activity

## Volunteer Activities

While promoting the steady and rapid development of the enterprise, ZTO Express has proactively integrated itself into communities, organized and participated in theme activities for public good such as elderly care, voluntary blood donation, and community care by taking into account the actual situation of the region, encourages employees to actively participate in voluntary service, advocates the spirit of volunteerism, as well as pays back to society, demonstrating the Company as a responsible enterprise.



ZTO Express organized employees to participate in voluntary blood donation



ZTO Express Suifenhe outlet in Heilongjiang visited local people with disabilities and low-income families



ZTO Express Changzhi Outlet in Shanxi visited the elderly people with no families at a nursing home of Shangdang District



ZTO Technology staff participated in a public-good hiking activity "E.G.G. Walkathon" for fund raising



## LOOKING AHEAD

The way before us is challenging, yet with firm strides, we're going to conquer it.

Looking back to 2019, ZTO Express adhered to high-quality development and continuously enhanced its comprehensive strength. Our business development reached a new height, with the annual parcel volume exceeding 12.1 billion, becoming the world's first express delivery company with annual parcel volume surpassing 10 billion, and the business scale had ranked the first in the whole industry for four consecutive years. Our service capability was upgraded to a new level, and the ability to meet the diversified, pluralistic and individualized needs of customers improved steadily while the service quality kept leading the industry. New breakthroughs were made in sci-tech innovation. The App Zhangzhongtong and the Shenzhou system have been constantly optimized and improved; the intelligent customer service agent, the Galaxy system, Huiyan (smart eye) and Little Bee have been launched one after another; automatic and intelligent equipment and AI technology have been applied in depth; UAVs and driverless vehicles have continued their iteration. The digital and intelligent level of the whole link keeps improving. New achievements have been made in high-quality development, the rural distribution network has been further improved, the cross-border network has been actively expanded, the ecological system building has been steadily promoted, and the infrastructure capacity building has been continuously strengthened. In addition, we have been further promoting the implementation of the project of "bringing express delivery to villages, to factories and going out", and successfully completed the "9571" project, contributing to the high-quality development of the whole industry.

幸福都是奋斗出来的！

Looking forward to 2020, ZTO will fully implement the spirit of the national postal administration conference of the State Post Bureau, take the "express delivery to villages, to factories and going out" and "9792" projects as the entry point, and continue to uphold the high-quality development concept, the requirements of empowerment and foundation enhancement, quality and efficiency improvement, high-level ecological coordination, and high-standard green development. We will remain true to the original aspiration and keep in mind our mission, stay more sober, be more trustworthy and work harder to set out again and make more splendid achievement!



# APPENDIX

## Key Performance

Indicator	Unit	2017	2018	2019
Parcel volume	100 million parcels	62.2	85.2	121.2
Revenue	RMB100 million	130.6	176.0	221.1
Net profit	RMB100 million	31.6	43.9	56.7
Daily average parcel volume	1 million parcels	17.04	23.35	33.21
72-hour punctuality	%	85.56	85.98	85.67
Utilization rate of e-waybills	%	93.1	99.7	99.9
Number of line-haul vehicles	Unit	4,800	5,500	7,350
Customers' satisfaction rate (for 95311)	%	97.0	96.9	96.5
Timeliness rate for ordered pickup	%	/	87.26	90.22
Effective complaint rate of customers (State Post Bureau)	Number of complaints/100 million parcels	2.68	0.86	0.03
Number of sorting hubs	/	82	86	91
Number of new patents (have been authorized)	/	1	2	8

Indicator	Unit	2017	2018	2019
Number of robots, UAVs, and driverless vehicles	Unit	1	7	24
Number of customer service agents (HQs + center)	People	2197	2499	3109
Times of training for customer service agents	Time	368	380	/
Coverage rate of training for customer service agents	%	72	83	94
Total staff training	Person-time	132,070	66,761	223,149
Total hours of training for staff	Hour	9,735	40,539	379,951
Total safety education and training	Person-time	106,106	413,784	909,274
Total hours of safety training for staff	Hour	2,076.6	5,115.8	7,169.3
Safety inspection times throughout the network	Time	4,968	9,354	9,654
Online real-name registration rate	%	/	98.18	99.89