



Shenzhen International Holdings Limited
深圳國際控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code : 00152

Shenzhen International
深國際

2016 Environmental, Social and Governance Report



Building
Value,
Sharing
Future

共同創造
共享價值



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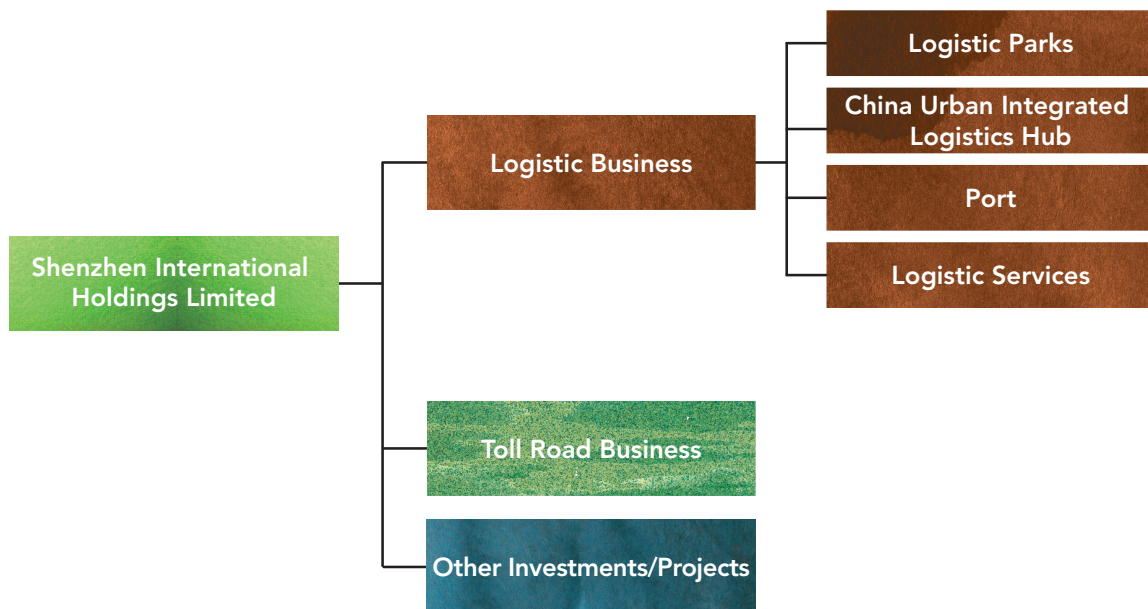
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ABOUT THE GROUP

Shenzhen International Holdings Limited ("Shenzhen International" or the "Group") is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.

The Group defines the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim in the PRC as strategic regions, through investment, mergers and acquisitions, restructuring and integration, the Group endeavours to design, construct and operate logistic infrastructure projects including China Urban Integrated Logistics Hub and toll roads and applies supply-chain management techniques and information technology to provide high-end and value-added logistic services to customers, creating greater value for its shareholders.

Business Structure of the Group



In this report, the English names of the PRC entities are translations of their Chinese names and are for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.



ABOUT THIS REPORT

This is the first Environmental, Social and Governance Report ("ESG Report") published by Shenzhen International, which discloses the Group's actions and performance regarding its sustainable development practices in a transparent and open manner with the aim to enhance stakeholders' confidence and understanding of the Group.

Reporting Year

This report details the performance of the Group's environmental management and social responsibility for the period from January 2016 to December 2016. Going forward, the Group will publish the ESG Report on an annual basis for public investors' information, enhancing transparency and accountability of the Group on an ongoing basis.

Reporting Scope

In terms of major business scopes of the Group, information regarding social liabilities of its toll road business has been disclosed in the "Social Responsibility Report 2016" issued by Shenzhen Expressway Company Limited (stock code: 00548), a subsidiary of Shenzhen International. As the logistic business of China Urban Integrated Logistics Hub is in its infancy, the Group selected its logistic park business as the focus of disclosure in our first ESG Report, especially the operation of Shenzhen South China Logistic Park ("South China Logistic Park"), which is the most representative logistic park under the Group's logistic park business¹. Information on other logistic parks and other business such as China Urban Integrated Logistics Hub, port and logistic services are not included herein. The Group is in the course of establishing a sophisticated data collection system for the purpose of monitoring and collating data on environmental, social and governance of the Group. The Group will expand the scope of its ESG Report covering most if not all of its operations. This report does not disclose any environmental key performance indicators. The Group is conducting carbon emission assessments for disclosure next year to further refine and standardize its reporting indicators.

Reporting Standard

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report provides a brief overview of the environmental, social and governance performance of the Group. The information contained herein is derived from the Group's official documents and statistical data, and based on the integrated information in relation to the monitoring, management and operational aspects provided by the Group companies according to relevant systems. The final chapter of this report contains a complete content index for ease of reference. This report has been prepared both in Chinese and English and uploaded to the Group's website at www.szihl.com. In case of any inconsistency, the Chinese version shall prevail.

FEEDBACK

The Group's continuous improvement relies on your valuable feedback on our performance and format for reporting. If you have any questions or suggestions on the report, please send us your views via info@szihl.com to help us improve in our environmental, social and governance aspects.

¹ The reporting scope covers the Group's wholly-owned subsidiaries in Shenzhen South China Logistic Park, namely Shenzhen International South-China Logistics Co., Ltd. and 深圳市華南報關有限公司 (Shenzhen International South-China Customs Clearance Co., Ltd.), and a joint venture namely 深圳龍卓物流有限公司 (Shenzhen Longzhuo Logistics Co., Ltd.).



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNICATION WITH STAKEHOLDERS

The Stock Exchange prescribed four reporting principles in the Guide, namely materiality, quantitative, balance and consistency, underpinning the preparation of an ESG Report. As mentioned by the Stock Exchange, engaging stakeholders is a method to assess the materiality. Through communicating with stakeholders, South China Logistic Park is able to understand their views and identify significant environmental and social issues.

For South China Logistic Park, the stakeholders refer to the individuals and groups that have significant impacts on or are affected by the business of South China Logistic Park. The stakeholders of South China Logistic Park include not only its internal staff, management and directors, but also its external customers, business partners, investors, regulatory institutions and various kinds of community groups. During the past year, South China Logistic Park communicated with key stakeholders through different ways.

Ways of Communication with Stakeholders during the Reporting Period

Internal Stakeholders	External Stakeholders
<ul style="list-style-type: none">• Management• Executives• Ordinary Staff	<ul style="list-style-type: none">• Governmental Institutions• Industry Associations• Contractors• Suppliers• Customers
Ways of Communication: Regular/ad hoc meetings, letters, emails, instant messaging, phone calls, seminars, site visits, company website, internal newsletters and corporate activities	

The business of South China Logistic Park influences different stakeholders, and each stakeholder has different expectations for South China Logistic Park. Looking forward, South China Logistic Park will continue and strengthen its communication with stakeholders by collecting their comments more widely through various ways and make the substantive analysis more complete. Meanwhile, South China Logistic Park will also enhance the reporting principles of quantitative, balance and consistency so as to define and present the contents and information of the report in a manner that is more in line with the expectations of the stakeholders.



CHAIRMAN'S MESSAGE

"TAKING PART IN THE SUSTAINABLE DEVELOPMENT OF THE SOCIETY AND THE ENVIRONMENT BY BUILDING A GREEN SUPPLY CHAIN"

We are pleased to publish our first ESG Report.

The Group is principally engaged in the logistic and toll road business. The information on the toll road business was disclosed in the "Social Responsibility Report 2016" issued by Shenzhen Expressway Company Limited (stock code: 00548), a subsidiary of the Group. As the logistic business of China Urban Integrated Logistics Hub is in its infancy, the Group selected its logistic park business as the focus of disclosure in our first ESG Report, especially the operation of Shenzhen South China Logistic Park, which is the most representative logistic park under the Group's logistic park business.

The logistics industry, as an important part of the producer services, plays a decisive role in the national economic and social development. There is a big gap between different countries and regions in terms of operating efficiency of logistic services, the main reason being some logistic parks are small in scale and the management standards are not uniform, resulting in a waste of resources. We are committed to improving our sustainable operating performance by drawing on the successful experience of the Group's logistic facilities in other regions, including the introduction of photovoltaic power generation projects in China Urban Integrated Logistics Hub and the provision of shore power supply facilities at Nanjing Xiba Port. In addition to complying with environmental regulations and industry best practices, South China Logistic Park exerts synergistic effects with its stakeholders and contributes to the sustainable development of the society and the environment by adopting new technologies to optimize its management and improve resource utilization.

To create a safe and comfortable working environment with adequate support for its staff, South China Logistic Park has established safe operation guidelines and provided comprehensive occupational protection measures and equipment. Besides, through the arrangement of physical examination, providing health information, organizing safety training and sports activities, South China Logistic Park spares no effort to safeguard the physical and mental health of its staff.

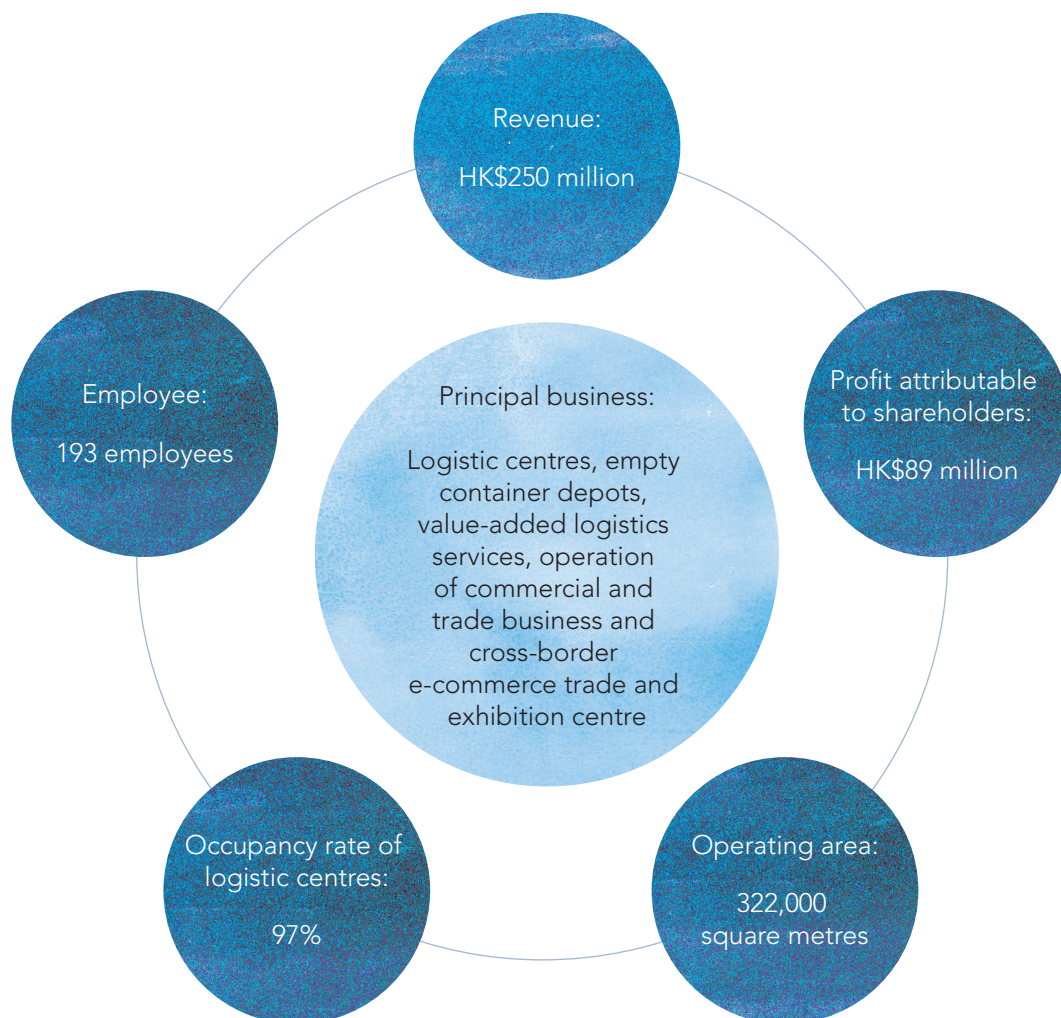
Upholding the core values of honesty, transparency, fairness and justice, South China Logistic Park will not tolerate bribery, extortion, fraud, money laundering and other illegal acts. By establishing an internal control and risk management system, the responsibilities of staff at all levels and departments are clearly delineated. The performance of suppliers will be assessed to ensure a more effective and satisfactory implementation of the mechanism on regulatory compliance.

South China Logistic Park actively participates in community affairs and cares for people in need. During this reporting period, South China Logistic Park supported community poverty alleviation works, funded students with financial difficulties and organized different forms of volunteering activities, working together to promote social well-being.

This report gives a comprehensive explanation of the Group's non-financial performance with the intent to improve the Group's transparency on its response to social needs. Looking into 2017, in addition to consolidating the logistic park as the Group's core business and actively expanding the construction of China Urban Integrated Logistics Hub, we will continue to enhance environmental and social performance, improve reporting transparency, explore and develop sustainable development strategies and objectives by way of bringing diversified positive value to our stakeholders including employees, shareholders, customers and communities.

Shenzhen International Holdings Limited
Chairman of the Board
Gao Lei

BUSINESS OVERVIEW OF SOUTH CHINA LOGISTIC PARK FOR THE YEAR 2016





ASSUMPTION OF SOCIAL RESPONSIBILITIES

Employment and Labour Practices

Health and Safety

South China Logistic Park cares about its employees' health and safety and is committed to preventing occupational injuries, accidents and diseases. South China Logistic Park has dedicated staff to handle safety issues who are responsible for the arrangement of safety training, purchase of personal protective equipment and regular maintenance and repair of the corporate safety production equipment.

South China Logistic Park conducts regular inspections and maintenance of its daily operating equipment in order to prevent accidents caused by failures of production equipment. South China Logistic Park has established a series of operation management systems in respect of the operation of container cranes, cargo handling, manual handling and the management of warehouses and depots, providing its employees with detailed and clear safety guidelines. In addition, South China Logistic Park arranges training and practices regarding safety knowledge for employees from various positions as well as provides them with occupational health checks and educational information in order to enhance their safety awareness and their self-protection ability.

South China Logistic Park has prepared a contingency plan for accidents to cater for various kinds of emergencies and accidents which may occur during operation. When an emergency or accident occurs, prompt responses and effective rescue operations can be made and conducted to reduce the harm caused by such incident. South China Logistic Park provides its employees with personal protective equipment such as reflective vests, safety helmets and safety shoes as well as providing them with fans and herbal teas during summer to prevent heat strokes. During this reporting period, the accident rate of South China Logistic Park was 5.181 cases per thousand workers and there were no deaths.

Employment

South China Logistic Park has maintained a comprehensive employment system which covers the recruitment, performance appraisals and retirement management of its employees. The salaries of employees are determined based on their positions, capabilities and job performance with reference to the market trend.

According to 《華南物流員工職位體系管理辦法》(Measures for the Management of the Employee Position System), South China Logistic Park has set relevant salary bands for different types and levels of positions for its employees. In addition to the basic salaries and statutory benefits, including endowment insurance, medical insurance, unemployment insurance, work injury compensation insurance and maternity insurance, provided in accordance with the laws and regulations such as 《中華人民共和國勞動法》(Labor Law of the People's Republic of China) and 《深圳市社會保險暫行規定》(Interim Provisions for Social Insurance in Shenzhen), South China Logistic Park also cares about the employees' needs by providing them with other benefits such as field trips organized from time to time and festival grants.

By promoting diversification, regardless of nationality, ethnicity, religion, sex, age and family status, South China Logistic Park is committed to providing employees with fair competition opportunities and environment to create benefits and value for both individuals and the park itself. South China Logistic Park will improve its employee position management system to implement the above policy.



Training and Development

South China Logistic Park values staff development and endeavors to invest resources in staff training and development projects and encourages employees to continuously improve their knowledge and skills to meet the challenges and competitions of the rapidly changing times.

South China Logistic Park analyzes its training needs based on the annual human resources plan and business objectives and designs its annual training program. During this reporting period, all the employees of South China Logistic Park participated in the training covering themes such as behavior and attitude for work safety and professional skills, as well as leadership and execution capability.

The number of employees of South China Logistic Park participated in the training and relevant training hours for the year 2016 are as follows:

	Male		Female	
	Number of employees	Hours	Number of employees	Hours
Management	11	50	1	10
Managers	22	115	23	185
Ordinary staff	135	808	207	826

South China Logistic Park has regularly evaluated, supervised and commented on the employees' performance and continuously reviewed their fulfillment of performance objectives. In addition, South China Logistic Park has operated a reward and punishment system which correlates the employees' performance appraisals with their salaries adjustment and opportunities for promotion. During this reporting period, South China Logistic Park conducted performance appraisals with all of its employees and awarded those with outstanding performance with an aim to encourage its employees to work hard and also to retain outstanding talents.

Labor Standards

South China Logistic Park fully recognizes that child labor and forced labor violates fundamental human rights and international labor conventions and pose a threat to sustainable social and economic development. South China Logistic Park strictly abides by 《中華人民共和國勞動合同法》 (Law of Employment Contracts of the People's Republic of China) and 《禁止使用童工規定》 (Provisions on the Prohibition of Using Child Labor) promulgated by the State Council of China and other relevant laws, and stated relevant requirements in the manuals for the management and conduct of staff recruitment to ensure the recruitment departments and responsible personnel has a thorough understanding towards such requirements. During this reporting period, South China Logistic Park was not aware of any child labor or forced labor cases. In addition to the establishment of communication on an ongoing basis with its employees, South China Logistic Park visited the staff of various departments and conducted spot checks from time to time to collect their opinions and understood their needs and satisfaction towards South China Logistic Park with a view of improving management standard.

South China Logistic Park believes that compliance is only a basic requirement for day-to-day operations. In the future, South China Logistic Park will strengthen its promotion and communication with its suppliers and other business partners to prevent child labor or forced labor cases in its supply chain.



Operating Practices

Anti-corruption

South China Logistic Park upholds the concept of integrity and a high degree of business ethics for its business operating practices. South China Logistic Park strictly abides by relevant laws and regulations and prohibits any form of bribery, extortion, fraud and money laundering so as to ensure its business integrity. Therefore, South China Logistic Park has established an integrity management system and developed policies and measures in the aspects of authority, moral education, operational assessment and investigation, aiming to promote the corporate culture of integrity. In addition, South China Logistic Park will include the necessary provisions for anti-corruption in the contracts with its suppliers to ensure their understanding of the requirements of South China Logistic Park.

In order to show its firm stance of anti-corruption to all of its employees and to enhance the existing measures, South China Logistic Park will comply with the Group's Whistleblowing Policy on Misconduct (《不當行為的舉報政策》), and any event or suspected event involving corruption and fraud will be investigated by specific representatives of the Group. During this reporting period, no litigation in relation to corruption was lodged against South China Logistic Park and its employees.

Supply Chain Management

South China Logistic Park requires its suppliers to respect the international principles of fair business practices, human rights, environmental protection, labor safety and the prohibition of child labor. To ensure that suppliers fulfill their corporate social responsibility in a manner consistent with South China Logistic Park, South China Logistic Park has developed management policies in respect of the assessment, selection and management of suppliers and will require suppliers to comply with the code of corporate social responsibility in the procurement contracts. South China Logistic Park expects to enhance the environmental and social performance of the entire supply chain with high standards of corporate ethics through cooperation with its suppliers, thereby working together for sustainable development.

Product Responsibility

Excellent warehouse management is an important part of South China Logistic Park's fulfillment of product and service liability.

Accordingly, South China Logistic Park has established an information management system for warehouse operations and sets up the lines of authority to limit the authority scope of operators from different positions. System data is regularly backed up to ensure timely recovery in the event of system failure. In addition, there is a series of security measures for the warehouses, including the installation of a 24-hour closed-circuit television surveillance system; the setting up of fencing in the warehouse area and the control of pedestrians and vehicles at the gates; the installation of access control systems in walkways; the regular and irregular security patrol; and the requirement of registration for the use of warehouse keys.

Community Investment

Ensuring the well-being of the communities in which South China Logistic Park operates is an important part of its sustainable development. During this reporting period, South China Logistic Park participated in the social community development and contributed to the society through the following different channels.

Sports and Recreation: South China Logistic Park led the organization of different types of sports and recreational activities, including basketball contests, badminton contests and tug-of-war contests, actively promoting healthy lifestyle with the commercial institutions located in the vicinity of South China Logistic Park in spare time. In addition, South China Logistic Park held reading activities such as "Walking into the World of Reading (走進閱讀世界)" and "Sharing the Happiness of Reading (分享閱讀快樂)" to encourage employees of South China Logistic Park as well as commercial institutions nearby to share their pleasure of reading.

Environmental Sanitation and Traffic Improvement: Under the leadership of South China Logistic Park, various teams of employees volunteered to carry out environmental sanitation work and maintenance of traffic order in the park, contributing their strength to South China Logistic Park.

Caring for the Community: South China Logistic Park has launched projects such as the Poverty Alleviation Fund (扶貧基金) and the Poverty Alleviation and Education Support Fund (濟困助學基金) to support students and people in financial difficulties in the community, and initiated fundraising campaigns for different events such as "Care For Sanitation Workers (關愛環衛工人)" held in Shenzhen.

Voluntary Work: South China Logistic Park continued to carry out volunteering activities, involving more than 500 participants throughout the year.

Landscaping: South China Logistic Park has carried out greening work in the park to improve its greening rate, which includes planting bougainvillea, Ixora chinensis and other plants on the roads for main traffic, creating better plant landscapes and ecological environments for the logistic park.





ENVIRONMENTAL PROTECTION

South China Logistic Park has consistently adhered to the concept of green, low-carbon and sustainable development and focused primarily on environmental protection work. In addition to complying with environmental regulations and industry best practices, South China Logistic Park has endeavored to ensure its business activities respect, promote and enhance the internationally recognized environmental principles by making good use of natural resources and energy as well as properly handling and minimizing emissions.

Emissions

South China Logistic Park is not engaged in any manufacturing business and there is no significant emission of pollutants during its operation. Its main emissions are waste gases emitted from cargo transportation equipment in the park, cooking fumes from staff canteen and living wastewater discharged by staff.

South China Logistic Park conducts regular repair and maintenance for the transport equipment operated with fuel such as reach stackers and stacking machines to ensure that the equipment is in good condition and emits less waste gases. The cooking utensils used in the staff canteen mainly consume electricity and natural gases, so cooking fumes and waste gases generated during cooking will be processed by range hoods before being discharged. The living wastewater generated in the park will be discharged to the government's sewage treatment facilities for centralized treatment. During this reporting period, South China Logistic Park was not aware of any non-compliance or complaint in relation to emissions.

Use of Resources

Improving the use of resources is also a focus of South China Logistic Park. Other than fuel consumption of transport equipment, the use of electricity is the most consumed resources of South China Logistic Park.

South China Logistic Park has changed to use LED energy-saving lamps for all the lighting system in the park, saving electricity consumption of about 170,000 kilo-Watt-hour. In addition, South China Logistic Park actively promotes the awareness of saving electricity by reminding its employees to turn off the transport equipment, electric lights, air conditioning and other power consumption equipment when the office space or logistic centres are not in use. Another type of resources that South China Logistic Park consumed the most is the paper used for office work. Therefore, South China Logistic Park promotes the application of electronic communications. When printing is unavoidable, South China Logistic Park also encourages its employees to use double-sided printing and recycled paper to avoid wastage.

Environment and Natural Resources

South China Logistic Park has not directly made any significant impact on the environment and natural resources during its operation. Nevertheless, South China Logistic Park strictly follows relevant environmental laws and regulations and closely monitors and assesses the environmental impact of its business to ensure timely identification, monitoring and management of important environmental matters. The effectiveness of environmental protection measures also depends on the support of stakeholders. South China Logistic Park will consider developing environmental policies to clarify its requirements of environmental protection and resource conservation to the staff, encourage suppliers to operate in a sustainable way and disclose relevant information on environmental performance to the community in order to achieve continuous improvement.

In order to consolidate its leading position in green logistics and be fully prepared to cope with climate change, South China Logistic Park will consider incorporating environmental issues into its business plan to improve its corporate's internal guidelines for environmental protection, and will also formulate sustainable development policies and road maps in the long term and actively promote the environmental protection action plan.

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