





## Stakeholder Engagement

The stakeholders of COSCO SHIPPING International include Shareholders, institutional investors, customers, employees, regulators/government bodies, suppliers, business partners, bankers and industry practitioners.

COSCO SHIPPING International strives for mutual-benefits and joint development with customers, employees, Shareholders and other stakeholders, and tries to benefit the community with our development achievements. Therefore, stakeholder engagement is an integral part of the Company's business development and commitment to corporate social responsibility.

Recognising the necessity to build trust and productive relationships with our stakeholders, we interact regularly and irregularly with them through various communication channels. During the year, Q&A session had been provided to the Shareholders to raise their concern at the 2017 annual general meeting of the Company. Besides, the Company maintained two-way communication with Shareholders, potential investors, sell-side analysts and buy-side analysts by holding results announcement press conferences, analyst meetings, post-results roadshows, general meetings, and organising or participating in investors' conferences or industry forums held by securities firms, one-on-one meetings and responding to email inquiries, so as to enable Shareholders and investors to understand the latest developments and future direction of the Company. In addition to day-to-day contact with customers, we arranged regular visits to key customers who provide valuable opinions about the Group's operations and ways we can improve. Internally, employees raised their concerns through two-way appraisal.

## WORKPLACE QUALITY

### Working Conditions

COSCO SHIPPING International believes that quality talents are important assets of an enterprise and also the cornerstone for sustaining corporate development. We are committed to providing a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits, such as healthcare benefits, education and training allowances.

The Group strictly complies with the rules and regulations of the Company, such as Staff Code, and the labour legislations and the relevant guidelines in different areas where the businesses situated. In Hong Kong, we complied with all applicable rules and regulations such as the "Minimum Wage Ordinance", the "Sex Discrimination Ordinance", the "Race Discrimination Ordinance", the "Disability Discrimination Ordinance" and the "Family Status Discrimination Ordinance" etc.. In the PRC, we complied with applicable rules and regulations such as the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China" and "Law of the People's Republic of China on the Protection of Disabled Persons" etc.. During the year, the Company was not aware of any non-compliance with relevant standards, rules and regulations that have a significant impact on the Group.

As at 31st December 2017, the Group had a total of 846 (2016: 829) employees, all of them are permanent full-time employees.

# Environmental, Social and Governance Report

Details of workforce of the Group are as follows:

	<b>As at 31st December</b>	
	<b>2017</b>	2016
<b>TOTAL NUMBER OF EMPLOYEES</b>	<b>846</b>	829
By gender		
Male	<b>662</b>	646
Female	<b>184</b>	183
By region		
Hong Kong	<b>110</b>	100
The PRC	<b>701</b>	692
Outside Hong Kong and the PRC <sup>(Note)</sup>	<b>35</b>	37
By age group		
Below 30	<b>174</b>	175
30 to 50	<b>594</b>	579
Over 50	<b>78</b>	75
<b>EMPLOYEE TURNOVER RATE (%)</b>	<b>5%</b>	17%
By gender		
Male	<b>4%</b>	17%
Female	<b>7%</b>	15%
By region		
Hong Kong	<b>19%</b>	7%
The PRC	<b>2%</b>	18%
Outside Hong Kong and the PRC <sup>(Note)</sup>	<b>9%</b>	19%
By age group		
Below 30	<b>3%</b>	6%
30 to 50	<b>4%</b>	22%
Over 50	<b>10%</b>	7%

Note: The figures refer to employees stationed in Japan, Singapore, Germany and the United States.

## Health and Safety

COSCO SHIPPING International is an investment holding company and the nature of our daily operations means that we have a relatively low safety risk profile. The Company has equipped its office with suitable fire-fighting facilities like fire extinguishers. Designated staff would conduct inspection from time to time so as to ensure the exit passageways clear and unblocked. In addition, we organise fire drills regularly and irregularly. New employees must participate in fire drills, recognize the use and storage of fire-fighting tools, and familiarize themselves with escape routes. COSCO Kansai Companies, being non-wholly owned subsidiaries of the Company, and Jotun COSCO, being a joint venture of the Company, engaging in the production of inflammable and explosive coating chemical products in China Mainland, COSCO SHIPPING International strongly believes that ensuring stable and safe production is the important social responsibility to its shareholders, employees and the community where it situates. Therefore, the Group has always regarded ensuring safety and stable production as one of the priorities in corporate management. Each coating enterprise has set up its own safety management system, and strictly adhered to the relevant rules such as the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", the "Law of the People's Republic of China on Work Safety" and the "Fire Protection Law of the People's Republic of China".

The Safety Committee of the Company was set up in 2006, with the mission of “Safety First, and Precaution is Crucial with Comprehensive Management”. It performs unified guidance, inspection, assessment, supervision, education and promotion of safety production of the subsidiaries in accordance with the “Law of the People’s Republic of China on Work Safety”, relevant laws and regulations of the local governments of the PRC, industry standards and the relevant safety management regulations of Hong Kong. The safety management work of each subsidiary is comprehensively regulated and managed, and the employees of all levels gain heightened awareness in occupational safety and health, being forbidden of smoking in offices and plants through the establishment of a normalised and standardised management system as well as the construction of a corporate culture of Health, Safety and Environment (“HSE”). During the year, the Company was not aware of any non-compliance of relevant standards, rules and regulations that have a significant impact on the Group.

COSCO SHIPPING International firmly adheres to “Absolute Safety with Three Zeros” as the general objective of the safety management. “Absolute Safety” refers to the safety of overall production environment be ensured and “Three Zeros” refers to zero number of report on accident, injury and pollution be ensured. The coating manufacturing subsidiaries of COSCO



SHIPPING International pay great attention to safety measures for plants and warehouses. They abide by PRC and local regulation and requirement on hazardous chemical, and strictly implement the registration management regulations on dangerous chemicals, the general principles for the storage of dangerous chemicals, rule of packing mark for hazardous goods and the regulations on safety supervision of special equipment. Such subsidiaries had obtained Quality Management System Certification (ISO9001), Occupational Health and Safety Assessment Series Certification (OHSAS18001) and Environmental Management System Certification (ISO14001) formulated by the International Organization for Standardisation (“ISO”) and they were certified, thus effectively guaranteeing the establishment of a healthy, safe and stable work environment. Daily operations are inspected by relevant departments, according to the occupational health and safety requirements of the respective company. Any non-compliance will also be identified and rectified on a timely basis.

In 2017, there were no work-related fatalities (2016: nil) nor work injury cases (2016: nil). During the year, the Group did not record any significant incident in relation to production safety so that safe and stable production was ensured.



During 2017, the Group adopted various safety and health measures as follows:



## Safety measures adopted

## Work implemented and monitored in 2017

<p><b>1</b></p> <ul style="list-style-type: none"> <li>Full-range hidden hazards rectification in various forms on multi-levels by means of “Three Inspections”:</li> <li>self inspection</li> <li>wide inspection</li> <li>supervisory inspection</li> </ul>	<ul style="list-style-type: none"> <li>To take precautions at an early stage, the Group carried out safety inspections of each operating unit regularly and irregularly so as to track the hidden hazards and make rectifications accordingly.</li> <li>COSCO Kansai Companies pushed ahead the development of enterprise safety culture as planned. It continued to carry out self-inspection activity, namely “Safety Self-assessment System Inspection Standard (Coating Companies), and continued to implement other activities within the company, including the Kiken Yochi Training (“KYT”), Total Productive Maintenance (“TPM”) and the Supply Manufacturing Shipment Speed Makemoney Slim Human (“SMASH”) activity. In 2017, COSCO Kansai Companies implemented safety checks for 280 times (2016: 72 times), and found 1,076 (2016: 528) hidden hazards, all of which have been rectified.</li> </ul>
<p><b>2</b></p> <ul style="list-style-type: none"> <li>Continued implementing unannounced emergency drills and examination and renewal of the contingency equipment</li> </ul>	<ul style="list-style-type: none"> <li>Safety Committee conducted a total of 21 (2016: 37) on-site safety inspections on COSCO Kansai Companies.</li> <li>COSCO Kansai Companies held a total of 17 (2016: 32) large-scale comprehensive and special emergency drills with 568 attendances (2016: 1,617 attendances) in 2017.</li> </ul>
<p><b>3</b></p> <ul style="list-style-type: none"> <li>Promotion and education on occupational safety and health</li> </ul>	<ul style="list-style-type: none"> <li>Set different safety and health training goals for different safety management tasks and organised a variety of training activities.</li> </ul>

In addition, COSCO Kansai Companies have enhanced their management in work sites and adopted new technologies and processes to reduce the use of materials hazardous to occupational health. Jotun COSCO has adopted fundamental measures on occupational health and safety. For engineering control, it has taken considerations of and implemented production facilities with relatively high level of occupational health protection at the stage of plant design. For individual protection, it has equipped its employees with labour protection appliances of relevant level based on exposure hazards of different jobs. Safety Committee also conducted 6 (2016: 2) on-site safety inspections in the plant of Jotun COSCO during the year.

## Development and Training

COSCO SHIPPING International places strong emphasis on the career development of individual employees. Employees are encouraged to keep abreast of the changing world and pursue continuing education, so as to cope with the rapidly changing society and meet the evolving corporate development needs. The Group encourages and subsidises its employees to participate in individual continuing education programs which are related to their job duties, with a view to strengthening the professional career training of its staff teams, promoting professional expertise of management teams and stimulating the potential abilities of employees. In addition, in order to enable new staff to fit into the Company and comprehend the company policy and corporate culture as soon as possible, the Group provides basic orientation training for all the new staff. Relevant subsidiary of the Company organised induction trainings for new employees to introduce the human resources management policy, financial management policy, development strategic plans and logistics management regulation of the Company, etc., and organized occupational health training, safety management training and special operation training for its employees. Meanwhile, the Group innovatively combines practices into induction trainings and arranges new employees to be guided by designated person of relevant department, which effectively enables the new employees to quickly acquire the skills needed for their jobs. Furthermore, newly amended management policies will be communicated to relevant staff by departments in charge so that employees can be informed of the relevant new policies and rules timely.



During the year, the Company organised working seminars or meetings in relation to business development, thus increasing the opportunities for the different levels of staff and professionals from different regions to exchange and explore issues through active discussions and talks, thereby achieving a better result for interactions and learning from each other during trainings. In addition, the Group's employees also attended seminars held by professional bodies from time to time to enrich their business knowledge. Frontline sales staff could also enhance their skills through sales technique training. Personnel from the Technology Center had from time to time participated technology exchange activities of its parent company to advance its technology level, and the members from the safety committee of factories also had attended the safety practice seminar organized by COSCO SHIPPING Group to share the experience and technology on safety management. In future, the Company will continue to enhance the quality of the management staff and provide more advancement opportunities through systematic training to motivate each employee to grow together with COSCO SHIPPING International.

Training records of the employees of the Group are as follows:

	<b>For the year ended 31st December</b>	
	<b>2017</b>	2016
<b>TOTAL NO. OF TRAINING HOURS RECEIVED</b>	<b>15,599 hours</b>	15,648 hours
Average no. of training hours per employee/rate of employees trained by employee category		
Senior	<b>31 hours/80%</b>	26 hours/84%
Middle-level	<b>19 hours/41%</b>	28 hours/84%
General	<b>14 hours/70%</b>	15 hours/79%
Average no. of training hours per employee/rate of employees trained by gender category		
Male	<b>11 hours/65%</b>	13 hours/80%
Female	<b>33 hours/75%</b>	33 hours/80%

## EMPLOYMENT STANDARDS

The Company has a set of comprehensive human resources management policy set out in rules and regulations of the Company to support everything we do in regard to human resources. The policies include recruitment, appraisal, training and benefits, such as subsidy of annual subscription fee for professional bodies to which the employees belong. In addition, our subsidiaries also have their respective administrative measures and other regulations on entry administrative management, recruitment and employment. The Group has always strictly observed the relevant legislations of different regions regarding the equal employment opportunities, child labour and forced labour.

COSCO SHIPPING International abides by the employment regulations, relevant policies and guidances of the relevant jurisdictions where it operates, including the "Employment Ordinance", the "Employees' Compensation Ordinance" and the "Occupational Safety and Health Ordinance", etc. in Hong Kong; and the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Disabled Persons" etc. in the PRC. As such, the Company can ensure the employees' enjoyment of human rights and the effective prevention of the phenomenon of child labour or forced labour.



The Company has its internal procedure to report employees' information regularly in order to review employment practices so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process, including Administrative Measures on Recruitment and Employment, Administrative Measures on Performance and Administrative Measures on labor contract, to ensure no employment of child labour and forced labour in any form. During the year, the Company was not aware of any non-compliance with relevant standards, rules and regulations regarding operation activities, labour practices, including but not limited to compensation and remuneration, recruitment, working hours, equal opportunity, health and safety, child labour and forced labour that have a significant impact on the Group.

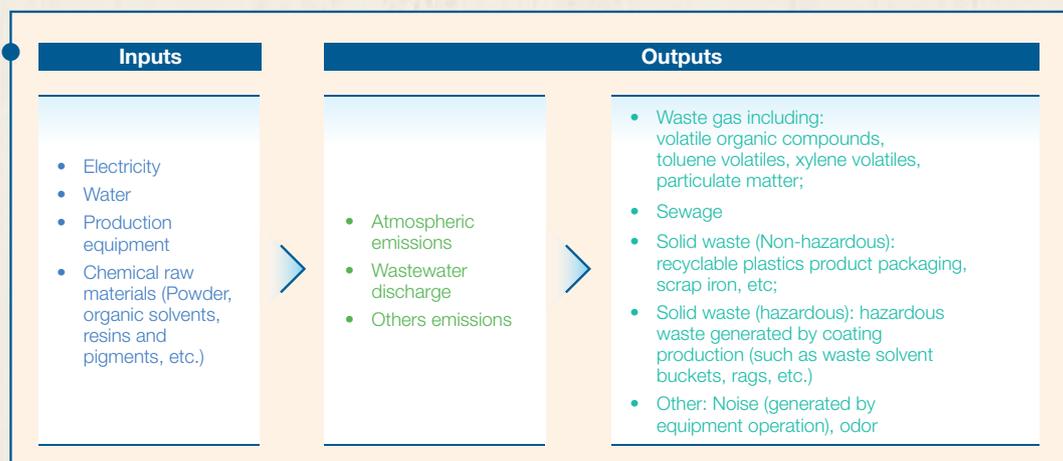
## ENVIRONMENTAL PROTECTION

The Group is committed to creating green offices and has actively implemented energy saving, emission reduction and recycling. Especially, the coating manufacturing subsidiaries of the Company have strictly implemented the various systems and management measures stated in the Environmental Management System Certification formulated by International Organization for Standardization ("ISO"), actively developed new technologies and skills for the promotion of energy saving and emission reduction and explored environment-friendly products with fostering multiple series of water-based container coating products by achieving breakthrough in the R&D of water-based container coatings and water-based anti-corrosion coatings during the year, in order to minimise the environmental damage caused during the production process. Internally, we encourage our employees to adopt environmentally responsible behaviour and continue to improve our environmental management practices and measures to reduce the use of other resources, minimise wastage and increase recycling and improve the resource utilization efficiency.

The coating manufacturing subsidiaries of the Company strictly comply with the laws and regulations in the PRC, including but not limited to the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on the Prevention and Control of Water Pollution", the "Law of the People's Republic of China on Promotion of Cleaner Production", the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on Environmental Impact Assessment", the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste" and the "Law of the People's Republic of China on Prevention and Control of Pollution by Environmental Noise", as well as different local rules and standards in the PRC in respect of prevention and control of environment pollution by discarded dangerous chemicals, standard of air pollutants and integrated wastewater discharge standard. During the year, the Company was not aware of any non-compliance with relevant standards, rules and regulations that have a significant impact on the Group.

## Emissions

The coating manufacturing subsidiaries of the Company require the following inputs in the operation and production of coatings, the outputs that have an impact on the environment are listed below:



### Types of emissions and respective emissions data of coating manufacturing subsidiaries of the Company

	Unit	2017	2016
Sewage	metric tons	<b>21,013</b>	17,611
Waste gas:	metric tons	<b>29.09</b>	17.71
Volatile Organic Compounds ("VOCs") and Benzene	metric tons	<b>4.73</b>	11.55
Toluene	metric tons	<b>0.12</b>	3.17
Xylene	metric tons	<b>1.70</b>	1.63
Particulate matter	metric tons	<b>20.14<sup>note</sup></b>	1.36
Other exhaust gas emission	metric tons	<b>2.4<sup>note</sup></b>	0
Solid waste (Hazardous)	metric tons	<b>1,420</b>	1,026
Solid waste (Non-hazardous)	metric tons	<b>363.2</b>	134.3

Note: During the year 2017, the coating plant in Jinshan, Shanghai has adopted emission target promoted by the nations and regions that has higher requirements for its statistic data, thus the actual detection value in 2017 is higher than that in 2016.

### Greenhouse gas ("GHG") emissions data of the Group

	2017	2016
Total GHG emissions (Scope 1 and 2) (metric tons)	<b>4,170</b>	4,349
Total GHG emissions (Scope 1 and 2) per floor area (metric tons/m <sup>2</sup> )	<b>0.14</b>	0.15
Total GHG emissions (Scope 1 and 2) per employee (metric tons/employee)	<b>4.93</b>	5.25
Total GHG emissions (Scope 1, 2 and 3) (metric tons)	<b>4,589</b>	4,719
Total GHG emissions (Scope 1, 2 and 3) per floor area (metric tons/m <sup>2</sup> )	<b>0.15</b>	0.16
Total GHG emissions (Scope 1, 2 and 3) per employee (metric tons/employee)	<b>5.42</b>	5.69
Direct emissions (Scope 1) (metric tons)		
Petrol <sup>note 2</sup>	<b>103.65</b>	384.17
Diesel <sup>note 2</sup>	<b>207.98</b>	206.70
Indirect emissions (Scope 2) (metric tons)		
Electricity <sup>note 3</sup>	<b>3,858</b>	3,758
Indirect emissions (Scope 3) (metric tons)		
Business travel <sup>note 4</sup>	<b>251.85</b>	205.09
Paper consumption	<b>167.46</b>	165.11

Notes:

- GHG emissions data is presented in carbon dioxide equivalent.
- Emissions data relating to petrol and diesel are arising from company vehicles.
- As disclosed in note 2. under the section headed "Energy Consumption" of this report, emissions data relating to electricity excludes COSCOSHIP Beijing Company Limited.
- Business travel refers to business travel by air. Emissions data relating to air travel was largely based on the International Civil Aviation Organisation Carbon Emissions Calculator. Such emissions data relating to business travel excludes the business travel of management nominated by Japanese shareholder of COSCO Kansai Companies. For those location that could not be identified, the calculation were made with estimated trip distance and relevant emission factors.
- The intensity is calculated based on the total floor area (plants and offices) and total number of employees of the Group.

During the year, total packaging materials used for coatings by COSCO Kansai Companies were approximately 5,036 tonnes (2016: approximately 3,905 tonnes).



## Reduction of Sewage and Pollutant Emission

During the year, the environmental management measures on emission reduction and sewage reduction implemented by coating manufacturing subsidiaries of the Company were as follows:

- Cleaned the environmentally friendly sewage treatment sedimentation tank on a regular basis, inspected the condition of water pump and aeration tank and made corresponding records, and enhanced the management on sewage treatment in order to meet the sewage discharge requirements of environmental protection department.
- Used pipelines, central ventilation system and dust filtration equipment to reduce waste.
- Proactively promoted the replacement of solvent coatings by water based coatings to reduce the emission of VOCs.
- Carried out energy saving and emission reduction measures to reduce the consumption of energy, water and electricity in order to avoid resources wastage.
- Strengthened the management and supervision of on-site operation to reduce wastes.
- Adopted measures to increase the utilisation of wastes and packing materials, including replacing the small packages by large packages.
- Engaged new hazardous waste treatment services provider.
- Produced supports for turning the material bucket upside-down to avoid material left in the bucket so as to maximise the savings of materials.
- Reduced the waste generation through waste separation management and recycled use of the wooden pallets.
- Regulated the temperature of air-conditions to be at 28°C in summer and at 22°C in winter to reduce gas emission and electricity consumption, thus minimizing carbon emission indirectly.
- Reduced the number of using vehicles through the program of company vehicles use, and encouraged more use of public transport to reduce emissions from vehicles.
- Optimised and improved technology to reduce waste generation and energy consumption and improve energy efficiency.

## Waste Management

The Group is dedicated to managing waste in a responsible way and strives to optimise the use of resources. Hazardous wastes like discharge from waste and waste gas treatment facilities and waste equipment cleaning solvents as well as wastes from workshops and research and development laboratories, etc., are delivered to qualified units for processing. Non-hazardous wastes like some waste bags, clips, papers, etc., are recycled by qualified units for reuse. General garbage is cleaned by the sanitation department regularly.

During the year, the coating manufacturing subsidiaries of the Company adopted the following waste reduction initiatives:

- Strengthened staff's awareness and knowledge about hazardous wastes and treatment of hazardous wastes through training workshops.
- Enhanced hazardous wastes collection and storage management.
- Advanced production operations management, to ensure smooth production and reduce the generation of hazardous wastes.

In addition, Jotun COSCO reused reusable waste water by purifying and separating waste water, thereby reducing clear water consumption and waste water emission; it also picked non-contaminated drums out of hazardous wastes to reduce hazardous wastes.

During the year, the Company was not aware of any non-compliance with relevant standards, rules and regulations that have a significant impact on the Group and had no significant incident record of environmental pollution.



## Energy Efficiency

The Company considers that “Energy” is one of the sustainability priorities, and improvement of the energy efficiency of operations will not only ensure improved environmental outcomes, but also reduce cost and improve operational efficiency in the long-term.

The Group held diversified trainings and educational activities through cooperation with different environmental protection organisations to raise its employees’ awareness of environmental conservation, enhance the application and knowledge of energy saving and emission reduction, energy efficiency, thereby further establishing a corporate culture of low-carbon office. COSCO SHIPPING International launched environment-friendly campaign of “Saving a drop of water, a kilowatt of power and a piece of paper” , through which it encouraged staff to reduce office consumables, control printing papers consumption or use two-sided printing. Through this campaign, it also promoted energy savings behaviors such as turning off the computers or electrical appliances and equipment when not in use, using energy-saving bulbs with high energy efficiency or light-emitting diode (LED) and adjusting the air conditioning temperature to average 25°C in office. Besides, it repeatedly emphasized the importance of environmental protection and energy saving through posters, slogans and other methods, with a view to enhance the energy saving awareness of all employees.

In addition, COSCO Kansai Companies adopted the following energy saving measures in daily operation during the year:

- Launched Total Productive Maintenance (“TPM”) campaign for all staff, organising regular TPM training for staff in workshops to enhance their awareness on regulated operation of equipment so as to reduce equipment failure and impairment, improve operation efficiency and ensure the safe operation of equipment.
- Strengthened energy conservation training and education. During the off season, the companies organised trainings on the knowledge of energy conservation and hazardous wastes, to improve the awareness of energy conservation and the waste disposal specification.
- Utilised new technology to reduce energy consumption.
- Carried out energy saving and emission reduction measures to reduce the consumption of energy, including water and electricity in order to avoid resources wastage; further reinforced publicity and education through posting small stickers about saving electricity beside the switches of the meeting rooms and office etc.; regulated the temperature of air-conditions to be not lower than 28°C in summer and not higher than 22°C in winter; carried out patrol inspection by the logistics department to further ensure that the electrical equipment in public area are powered off on a timely basis; upgraded the water heating system in bathroom with time-to-temperature linkage function, which sets up the time of heating according to the user number and water consumption and heats up automatically during the electricity slack hours at night.
- Develop annual electricity plan to monitor the implementation. Encourage more use of public transport to reduce the number of using vehicles. Record oil consumption and travel mileage of company vehicles, and conduct maintenance inspection for company vehicles regularly to ensure that the exhaust gas content of company vehicles is in line with relevant laws and regulations on emission standards. Participate national or local energy-saving and environmental protection activities to promote environmental protection or energy-saving measures to our employees, actively improve relevant technologies, and encourage our employees take the initiative to engage in environmental protection.



## Energy Consumption

The following is energy consumption of the Group by type:

	2017	2016
Total water consumption (metric tons) <sup>note 1</sup>	<b>43,303</b>	78,375
Total water consumption per floor area (metric tons/m <sup>2</sup> ) <sup>note 1</sup>	<b>1.82</b>	3.29
Total electricity consumption (kilowatt hour) <sup>note 2</sup>	<b>4,620,545</b>	4,337,874
Total electricity consumption per floor area (kilowatt hour/m <sup>2</sup> ) <sup>note 2</sup>	<b>154.74</b>	148.38
Total electricity consumption per employee (kilowatt hour/employee) <sup>note 2</sup>	<b>5,676.35</b>	5,355.40

notes:

1. As the water supply of the members of the Group (except for COSCO Kansai Companies and SZ COSCO Insurance Brokers) is controlled by the respective property management office or landlord of the office premises and provision of sub-meters for the units occupied by them are not available, thus the amount of water consumed by the Group other than COSCO Kansai Companies and SZ COSCO Insurance Brokers is not available. Therefore, the intensity for water consumption is calculated based on the floor area (plants and offices) of those members of the Group having water consumption data.
2. As the electricity supply of COSCOSHIP Beijing Company Limited, a subsidiary of the Company, is controlled by the property management office or landlord of the office premises and provision of sub-meter for the unit occupied by COSCOSHIP Beijing Company Limited is not available, thus the amount of electricity consumed by COSCOSHIP Beijing Company Limited is not available. Therefore, the intensity for electricity consumption is calculated based on the floor area (plants and offices) and number of employees of those members of the Group having electricity consumption data.

## Go Green and Environmental Protection

### Development and Promotion of Green Coating Products

In respect of the promotion of green coating, COSCO Kansai Companies and Jotun COSCO have made great efforts in the research and development and promotion of green coatings for years. In 2017, COSCO Kansai Companies focused on promoting the application of green coating products. The China Container Industry Association and various local regulators introduced policies to promote the application of water-based container coatings and relevant technical standards in 2016. Subsequent to such introduction and during the year, COSCO Kansai Companies actively participated in the formulation of such standards to push forward the advancement and development of the industry and actively promoted the application of water-based container coatings in the container coating industry by dedicating to research and develop water-based container coating product series applicable to various work environment, and with such efforts it has successfully obtained 3 patent rights. COSCO Kansai Companies also actively developed water-based eco-friendly coatings that applicable to different fields. In 2017, it designed and completed the development of a series of water-based coatings, including water-based workshop primer, water-based alkyd coatings that possess light corrosion nature for household application purpose and water-based coatings for trailers. In terms of heavy-duty anti-corrosion coatings, COSCO Kansai Companies achieved breakthroughs in research and development. It has completed the development of CAP series coatings applying to the third generation of nuclear power plants, which passed the expert review and was put into sales. Moreover, it finished the development of protective coatings applying to the



solar panels project of solar vessels initiated by the Ministry of Industry of Information Technology and realized its onboard application, which break the monopoly of foreign manufacturer on such product. In 2018, in a spirit to better fulfill its corporate social responsibility, the COSCO Kansai Technology Center will uphold water-based coatings products as the focus of research and development project, and in parallel advance the research and development of solvent-less coatings and high solids coatings.

In 2017, Jotun COSCO continued to enhance the promotion of Hull Performance Solution and the high performance antifouling coating, Sea Quantum X200. As the product used raw materials without solvents but with low volatile organic compounds, it can lessen the roughness of the vessel body and accelerate the speed of marine. Theoretically, it can save up to 13.2% fuel consumption, as compared with market average level, which greatly reduces the fuel cost of ship-owners, reduces emission of greenhouse gases and reduces marine pollution. During the year, the Sea Quantum X200 anti-fouling coatings were successfully applied in over 20 large vessels. Hull Performance Solution of Jotun COSCO has gained increasing recognition from the industry.

### **Promotion and Implementation of Green Coating Standards**

Green coating is an important component in the development of green shipping. The Company actively promotes the development of green coating in an effort to protect the global climate. COSCO Kansai will continue to develop water-based container coatings, heavy-duty anti-corrosion coatings and other environment-friendly products, so as to achieve its commitment of transforming anti-corrosive container coatings into environmentally friendly products. With its professional experiences and techniques in developing and using green coatings over the years, Jotun COSCO led the promulgation of new international standard, namely "ISO 19030: Measurement of changes in hull and propeller performance" which allows both purchasers and sellers to clearly understand the fuel-saving techniques and solutions. Under the new standard, the operating efficiency and environmental effectiveness within the overall industry will be enhanced which expected to save fuel cost for the shipping industry. Jotun COSCO has actively developed products with high solid content and low VOCs in order to reduce VOCs emissions. Such efforts of Jotun COSCO will support the effective and sustainable development of shipping enterprises.



### **OPERATING PRACTICES**

Being a responsible enterprise, COSCO SHIPPING International seeks to understand the customers and their businesses and adheres to trading practices that comply fully with local and international law. Staffs are required to observe internal and external codes of conduct prohibiting bribery, fraud, competitive behavior and corruption. As the reputation of the Company and the quality of products are extremely important, the Group therefore emphasises that purchases must be made from suppliers after going through internal selection.



## Supply Chain Management

Supplier management measures govern the engagement of suppliers. The Group implements supplier management in accordance with internal guidance. The Group will, on the basis of current market environment as well as national and local regulatory requirements on production, warehousing and transportation of relevant raw materials, identify the factors related to environment and social risk for the full coming year, and choose suppliers by considering quality and price and conducting screening and evaluation procedure. In addition, to ensure supplier capability in quality assurance, safety and other aspects of environmental management, the Group notifies its suppliers such environment, safety and occupational health requirements, and conducts field investigation on their production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications. Only the highly qualified suppliers complied with regulatory requirements are eligible for the selection by the Group.

The Group strictly implements supplier management. All suppliers will be assessed with criteria specified by the Company for this purpose, through which we will evaluate new suppliers' overall capabilities, assets position, nature of business, reputation in the industry, quality of products, goods delivery and compliance with law and discipline. The information and relevant qualification documents in relation to the suppliers are updated annually.

The Group continues to develop local suppliers with the principle of keeping same terms and conditions, applies technological logistics management technology to shorten material delivery time, control warehouse inventory and transporting pressures arising from delivery and reduce emissions from transportation facility. Number of suppliers of the Group by geographical region is as follows:

Year	China Mainland	Hong Kong	Other Countries
2017	813	118	733
2016	826	118	726

## Product Responsibility

The Group is committed to providing quality, health and safety products and services to its customers in accordance with the applicable local and international laws. COSCO Kansai Companies were registered as dangerous chemical production enterprises pursuant to the relevant rules and regulations of the PRC. Unified classification and format of product safety technical manual and safety label according to the relevant requirements of State Administration of Work Safety are used. In addition, COSCO Kansai Companies strictly comply with the notice of "Implementation Plan For Reducing Lead Content in Coating of Container Industry" (集装箱行业降低油漆铅含量实施方案) issued by China Container Industry Association, GB30000 series "Rules for Classification and Labelling of Chemicals" of the People's Republic of China, the "Product Quality Law of the People's Republic of China", "Regulations of the People's Republic of China on Administration of Chemicals subjected to Supervision and Control", "Regulations of the People's Republic of China on Administration of Precursor Chemicals" and the "Provision on the Environmental Administration of New Chemical Substances of the People's Republic of China". During the year, the Company was not aware of any non-compliance with relevant standards, rules and regulations that have a significant impact on the Group.



The Group continuously strives to provide customers with quality products and services and pays high attention to complaints about products and services. Procedures for handling complaints are in place to deal with complaints in relation to the services and products. Specific person(s) is (are) responsible to investigate and take certain corrective measures to avoid such complaints in the future. During the year, the Group has received 11 (2016: 10) products and services related complaints and the companies concerned have made adjustment to the production methods and products and replacement of goods. All complaints have been properly handled and settled.



To ensure the product safety and quality, quality assurance process and recall procedures were established. In the production process, sampling and laboratory testing would be conducted regularly. Any product that fails to meet the standards would be classified as inferior-quality product for further investigation. Recalled products would be tested and in case the products meet with the standards, they would become stock, otherwise adjustments would be made. If the products fail to meet with the standard after adjustment, they would be destroyed. During the year, no product manufactured by the Group sold was subject to recalls for safety and health reasons (2016: nil).

The Company attaches great importance to intellectual property. COSCO Kansai Companies have specialised departments responsible for maintenance and management of intellectual property. Intellectual property rights are applied for based on requirements of protecting product development and products in established markets and can cover not only coatings itself but also the coating process, equipment and devices as well as functions and features of coatings, etc. Validity of a patent protection is determined by the sales cycle of a product. Intellectual property rights structure will be managed regularly.

In the daily operations in Hong Kong, personal data from the stakeholders of the Company is collected from time to time for different purposes. Personal data is collected only for lawful and relevant purposes and in accordance with “Personal Data (Privacy) Ordinance” of Hong Kong. We ensure that personal and business information of our stakeholders is used in the proper context and exclusively for authorised business purpose, being accessible only to those staff who need to know. For the operations in the PRC, customer management measures are adopted and specific personnel is responsible for the maintenance of customer data in order to strictly protect consumers’ data and privacy, which are traced in the customer satisfaction surveys.

### Anti-corruption

In order to ensure the Company’s reputation be enhanced by the honest, loyal and ethical behaviours of staff, the Group has in place a formal Staff Code and Whistleblowing Policy. Staff Code serves as a clear and complete guideline to monitor the code of conduct of the employees of the Group during daily operations. Every year, the Group reviews the implementation status of the Staff Code within the Group through a self-inspection process by the Company and each of its subsidiaries, in order to ensure that the Staff Code had been thoroughly applied throughout the actual operations and management practices, so as to balance and



safeguard the interests of the Group and the stakeholders and build up a long-term partnership. Whistleblowing Policy provides a channel and guidelines to report any misconduct, malpractice or impropriety concerns within the Group. Employee who has a malpractice concern can inform the relevant designated superiors or take the complaint directly to the chairman of the Audit Committee. Electronic reporting mailbox and a hotline were established, all reporting is treated as confidential and in a sensitive manner. The chairman of Audit Committee would review the complaint and decide how the investigation should proceed. In addition, the subsidiaries of the Company in China Mainland also developed relevant systems to prohibit commercial bribery, and strictly complied with relevant laws including the “Criminal Law of the People’s Republic of China”, the “Anti-Unfair Competition Law of the People’s Republic of China” and the “Bidding Law of the People’s Republic of China”. Each subsidiary attached importance to contract and strictly obliged the terms and strictly complied with relevant laws and requirements during the operating activities. Meanwhile, great importance was attached to the construction of prevention and punishment systems. In addition, the Group continued to advance its comprehensive risk management. On precautions, the Group focused on enhancing incorruptibility education, refining the procurement tender system and improving the system of selection and appointment of key staff, as well as implementing the key personnel rotation system. For the channel of whistleblowing, the reports were mainly delivered to the general manager’s mailbox and the Internal Audit Department. On monitoring methods, there was routine audit by external professional institutions and internal special audit as well as daily review on systems. During the year, the Company was not aware of any non-compliance with relevant standards, rules and regulations that have a significant impact on the Group. Furthermore, there was no legal case regarding corrupt practices brought against COSCO SHIPPING International or its employees during 2017 (2016: nil).

Furthermore, the Group promotes corruption-free business and has from time to time arranged different levels of staff, ranging from top management to front-line staff, to participate in a series of business ethics seminars conducted by the Company and/or COSCO SHIPPING (Hong Kong) and designed posters, slogan and animations, with the aim of further enhancing the professional conduct and integrity management of its management team, promoting a management culture with high values of business ethics and incorruptibility and enhancing the staff’s recognition and commitment to the Staff Code.

## COMMUNITY INVOLVEMENT

### Community Investment

COSCO SHIPPING International is committed to creating sustainable prosperity that brings long-term social and economic benefits for all stakeholders. Under the philosophy of “giving back to the community with what they get from the community”, COSCO SHIPPING International does not only endeavour to fulfill its obligations as a corporate citizen and proactively give back to the society, but also motivates its employees to participate in various social charitable activities, so that it can contribute to the country and the community, and provide more assistance to the people in need.

#### *Formulating Charitable Donation Policy*

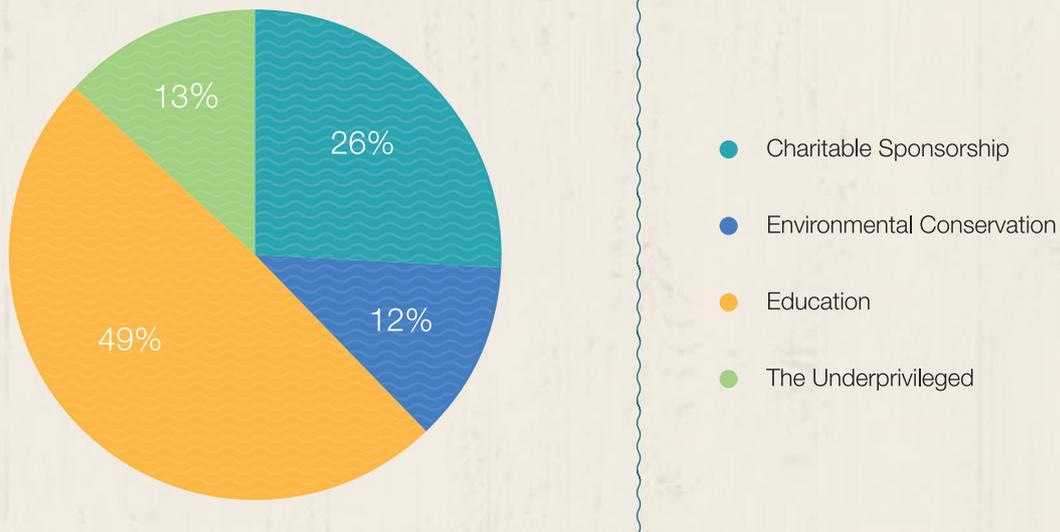
In 2014, COSCO SHIPPING International has formulated a Charitable Donation Policy. The donation policy is intended to provide a guideline for the Group in allocating the fund to the non-governmental organisations and other charitable bodies. It formalises the manner in which its philanthropic efforts are handled and to ensure its commitment to building partnerships in the communities in which the Company and its subsidiaries operate. In accordance with the policy, the Company would, in principle, set the charitable donation budget as about 0.1% of the profit attributable to the shareholders of the previous financial year for all direct donations and indirect expenses to all charitable events and related community services for the year. The actual amount of the charitable donation may be adjusted appropriately in line with the profit performance, and the charitable donation budget plan has to be submitted to the senior management for final approval every year. In 2017, the charitable donation and related expenses of COSCO SHIPPING International amounted to HK\$285,000. (2016: HK\$272,000).

## Offering Volunteer Holiday

To show our care for the underprivileged and our commitment to contribute to society, COSCO SHIPPING International has launched volunteer services since 2011. In the past few years, the Company has stepped up various efforts to improve volunteer services work by formation of a volunteer team in Hong Kong with a team slogan of “Our Passion to Serve”, and offering volunteer holiday to encourage and attract more staff to participate in volunteer services. All Hong Kong staff who has participated in volunteer services organised or referred by the Company for over 8 hours in a year will be entitled to a half-day paid leave.

In 2017, the Group’s involvement in the community continued focusing on the areas of education, environmental conservation and volunteer services for the underprivileged.

## BREAKDOWN OF ALLOCATION OF CHARITABLE DONATIONS IN 2017



## Education

### Continuous Support to Education in Mountainous Areas in China Mainland

COSCO SHIPPING International has continuously made donations to the students in mountainous areas to support their continuous studies and change their lives with knowledge. Since 2008, COSCO SHIPPING International has sponsored an annual large-scale fund-raising walk activity, namely “Sowers Action Challenging 12 Hours Charity Marathon”, organised by Sowers Action, a non-profit making charitable organisation, and subsidised its staff to participate in the charitable hiking activity to raise fund.

In 2017, COSCO SHIPPING International sent 55 employees and their family members, totaling 16 teams, to participate in the fund raising activity of “Sowers Action Challenging 12 Hours Charity Marathon 2017”. This was the 10th consecutive year that COSCO SHIPPING International supported the event. All participating teams completed the 12km race of run for education within the designated time, in which two Open Teams won the 2nd and the 6th place respectively.



## Environmental Conservation

### Supporting Marine Conservation

As a corporate member of WWF-Hong Kong, COSCO SHIPPING International has always been supporting the organisation's environmental conservation work. In 2017, in supporting the WWF-Hong Kong's annual eco-event, "Earth Hour", COSCO SHIPPING International, headquartered in Hong Kong turned off all unnecessary lights to reduce carbon emission as part of the actions we have taken to fulfill our responsibility of protecting the planet.

Besides COSCO SHIPPING's commitment on marine conservation of banning the transport of shark fins by its vessels, the Company has showed support for WWF-Hong Kong's initiative of "Say No to Shark Fin" by ceasing the consumption of shark fins in the menu of large-scale corporate dinners, and minimising the consumption of known endangered marine species so as to protect the marine ecology in its practice.

The Company supported green printing. During the year, the Company adopted printing paper accredited by a non-profit green body namely Forest Stewardship Council (FSC) in the bulk printing of the Company's annual reports and other marketing collaterals. This helped reduce the damage to the nature caused by serious deforestation, showcasing Company's sustainable operation philosophy of undertaking environmental responsibility and bringing benefits to the society.

In addition, the Company would arrange opportunities for employees to participate in environmental conservation activities organised by WWF-Hong Kong from time to time, with an aim to improve our employees' awareness of the importance of marine conservation.

### Promoting Recycling

Every year, the Company would collaborate with Christian Action to organise "Green Collection Day" programme, which aims to encourage the employees to reduce waste by donating recycled items to the people in need. In 2017, a total of 280 kilograms of clothes, toys and books were donated. The donated items were sent to those families newly migrated to Hong Kong, ethnic minorities, and the orphans and disabled children in Qinghai province, China, or sold for charity to finance various charitable services of Christian Action.

## Caring for the Underprivileged

### Showing Concern for the Elderly Living Alone

COSCO SHIPPING International's volunteer team mainly serves the underprivileged including the elderly living alone or in poverty, and the low-income families. Every year, the Company would cooperate with a non-profit organisation, Sham Shui Po District Elderly Community Centre of Neighbourhood Advice-Action Council by sending its volunteer team during the winter days and festivals such as Dragon Boat Festival and Mid-Autumn Festival to visit the elderly living alone, and provide sponsorship with the gifts delivering its caring for them. In 2017, we have visited a total of 64 elderly persons who lived alone or in household. The volunteers gave their regards to the elderly and asked about their recent condition to revert their needs to the social workers for follow up.

Furthermore, during the year, for the first time, COSCO SHIPPING International and Sham Shui Po District Elderly Community Centre of Neighbourhood Advice-Action Council jointly organised a "Day Tour to Coastal Defense Museum". COSCO SHIPPING International sponsored the activity and sent its volunteer team to accompany a group of 44 elderly people to visit the Hong Kong Museum of Coastal Defense, to learn about the defense history of Hong Kong over the past 600 years and had pleasant lunch together, delivering COSCO SHIPPING International's caring spirit towards the elderly living in the community. COSCO SHIPPING International was awarded with a certificate of recognition by Neighbourhood Advice-Action Council in recognition of its active participation in volunteer services.





## Giving Assistance to Low-income Families

To provide more opportunities for the underprivileged including the new arrivals and low-income families to adapt to the society, COSCO SHIPPING International would organise activities, such as outdoors visits or farm workshop from time to time, accompanied by the Company's volunteers. In 2017, COSCO SHIPPING International cooperated with Christian Action to organise the "A Discovery Tour into Mai Po and Nam Sang Wai Wetland". The Company sponsored the activity and sent a volunteer team to accompany a group of 24 children to visit Mai Po Inner Deep Bay Ramsar Site and Nam Sang Wai Wetland under the leadership of tutors from WWF — Hong Kong, to search for the trace of migrant birds, compare the differences between

wetlands with and without management and make paper using reeds, in which process these children could have a better understanding of the importance of protecting valuable natural resources and improve their awareness of environmental conservation and sustainable lifestyle.

In 2017, within the Company, 93 volunteers has participated in volunteering activities, with the total service hours reaching 388 hours. An aggregate of 132 persons have benefited from the above activities, reflecting COSCO SHIPPING International's corporate social responsibility in its community investment and caring for the underprivileged. COSCO SHIPPING International was awarded two Corporate Citizenship Logos in the "Enterprise Category" and "Volunteer Category" by The 8th Hong Kong Outstanding Corporate Citizenship Award organised by Hong Kong Productivity Council. The Company also received "10 Year Plus Company Logo" from The Hong Kong Council of Social Service, in recognition of the Company's unremitting efforts in caring for the employees and contributing to the environment and the community for consecutive ten years.

### Year ended 31st December

2017

2016

	2017	2016
<b>Community Investment</b>		
Corporate charitable donations & sponsorships (HK\$)	285,000	272,000
<b>Volunteer Participation</b>		
Participants	93	76
Service hours	388	376
<b>Beneficiaries</b>		
Number of beneficiaries	132	97