



中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

(Incorporated in Bermuda with limited liability)

Stock Code : 00517

Annual Report 2022



Green and Smart
Shipping Leads
the Future



Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This report (“Report”) presents the environmental, social and governance (“ESG”) performance of COSCO SHIPPING International and its subsidiaries (the “Group”), and the joint venture, Jotun COSCO, with the goal of meeting stakeholder expectations.

a. Reporting Period and Boundary

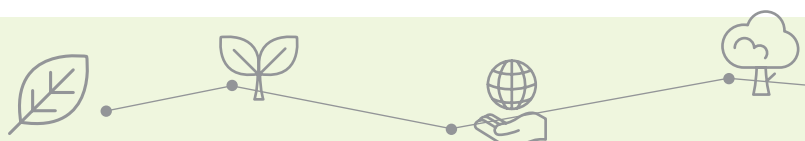
This report covers from 1 January to 31 December 2022 (the “reporting period”). It encompasses the sustainability performance of our main business divisions, including ship trading agency, insurance brokerage, supply of marine equipment and spare parts, production and sale of coatings, and trading of other shipping-related products and services. Except specified, the general disclosure in this report reflects the ESG-related strategies, policies, objectives, management approach and initiatives adopted by the Group. The key performance indicators (“KPIs”), which cover all the Group’s subsidiaries, are presented in aggregate numbers. Although the joint venture Jotun COSCO’s environmental and social data are not consolidated, this report also includes information on its pertinent ESG activities. Overall, the reporting boundary remains the same as the prior year.

b. Reporting Standards and Principles

This report is prepared in accordance to the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) under Appendix 27 of the Main Board Listing Rules published by The Stock Exchange of Hong Kong Limited (the “HKEX”). In order to define the report content and quality of information presented in this report, we followed the principles set forth in the ESG Guide. These principles include:

Materiality	Quantitative	Balance	Consistency
To ensure that ESG issues identified remain relevant and material to our business operations and stakeholders, stakeholder engagement and materiality reviews are conducted.	To assess the progress of our ESG initiatives and targets, quantitative metrics are regularly collected and monitored.	To present an unbiased snapshot of our sustainability performance, this report highlights both our achievements and areas for improvement.	To compare ESG performance in a meaningful manner using consistent methodologies. In the case of any change in methodology or scope of data compilation, remarks are provided.

As a responsible corporate citizen, we strive to consistently improve our sustainable operating environment and practices with the objective of maximising long-term shareholder returns and contributing back to the communities in which we operate.



2. PHILOSOPHY AND POLICIES OF CORPORATE ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

2.1 Sustainability Vision

Sustainability is an integral part of our business concept and daily operations. While we are conscious of the difficulties our sector faces, we also recognise the expectations of our stakeholders, including regulators, in terms of sustainability performance. Thus, we are working towards the integration our strategy and operations with our sustainability vision, in order to seize the potential presented by the sustainability transition.

As the COSCO Kansai Companies accounted for more than 90% of the Group's energy consumption, we established the following sustainability-related goals for the COSCO Kansai Companies and sought to achieve them by 2030, relative to 2020 baseline:

- Reduce greenhouse gas emission (scope 1 and scope 2) by 10%.
- Reduce Volatile Organic Compound ("VOC") and Benzene emission by 5%.
- Reduce energy usage by 10%.

Working towards the above targets, the COSCO Kansai Companies has gradually increased the proportion of water-based coatings used in production to more than 50% over the past 3 years in an effort to reduce overall VOC emissions. In accordance with the aforementioned sustainability-related aims, the Group will regularly measure and monitor its energy usage and pertinent emissions while also looking for ways to increase the overall cost and production efficiency.

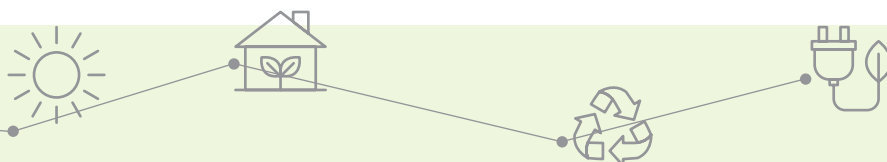
2.2 Environmental, Social and Governance Structure

The Group maintains abreast of the rising expectations regarding the current ESG Guide issued by HKEX, which places a significant emphasis on the participation of the Board in the governance of ESG issues. We continue to be firmly rooted in the Group's environmental and social objectives and outlined specific roles for the Board and the governance structure within the Group, establishing a strong foundation for our long-term success in sustainable development.

2.3 Board Statement

The Board recognises the importance of implement effective sustainability practice and actively incorporate ESG factors into its critical business decisions. The Board is ultimately accountable for our ESG strategy and reporting, while overseeing the management approach and strategy for various ESG issues. An ESG Committee is in place to support the Board in monitoring the Group's ESG-related strategies, policies and development plans. The ESG Committee consists of an Executive Director, a Deputy General Manager and a representative from each of Operation Management Division, Executive Division, Strategy Development Division, Human Resources Division and Public Relations Division.

The ESG Committee meets at least once a year or as needed to identify and address ESG-related opportunities, topics and risks. It will also develop the Group's ESG vision, strategies and targets in order to steer the Group's ESG direction and assess the performance. In light of the tightening regulatory requirements, the ESG Committee is responsible for overseeing the preparation of ESG reports and the Group's adherence to pertinent laws and regulations. The ESG Committee updates the Board annually on its work, progress and/or recommendations regarding ESG-related matters.



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2.4 Environmental, Social and Governance Management Approach

Several ESG factors are taken into consideration when developing the Group's various strategies in order to support sustainable development for the Group. Due to the diverse nature of the Group's business operations, our policies are tailored to the business models of subsidiaries, and their ESG risk assessments are conducted independently. As the business environment evolves swiftly, we continue to enhance our policies to ensure their applicability by reassessing our management approach and keeping abreast of the most recent market trends, industry development, and regulatory needs.

The Group's subsidiaries have created their own environmental policies in accordance with the Environmental Management System Certification's management measures from the International Organisation for Standardisation ("ISO"). This is in response to the growing public concern for environmental protection and tightening ecological restrictions. In addition to receiving accreditation from reputable bodies, we are devoted to minimising the environmental impacts of our activities. To lower our VOC emission, we continue to invest in and modernise our equipment. In response to the regional contingency plan of Qingdao, Jotun COSCO has developed "One Factory One Policy" (一廠一策), which defines the emergency procedures for combating air pollution.

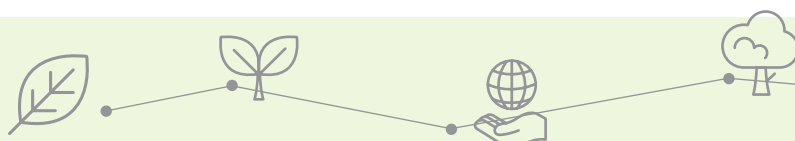
To address the issue from a societal viewpoint, we are committed to supporting occupational health and safety ("OHS") and product quality in our operations, with the goal of maintaining the highest OHS and quality standards. Our accreditations for Quality Management System Certification (ISO9001), Environmental and Energy Management System Certification (ISO14001), and Occupational Health and Safety Management Systems (ISO45001:2018) have all been maintained.

With a vast network of subsidiaries, the Group works to improve its internal coordination in order to promote its sustainable growth. While the Group continues to play a strategic role in formulating the overall sustainability and development plan, subsidiaries are required to provide their annual quantitative performance data and highlights of their management approach, practices, and initiatives to the headquarters for review every year. The status of strategy implementations and other ESG-related matters are tracked and reported to promote efficiency.

3. DETERMINING MATERIALITY

3.1 Stakeholder Engagement

Stakeholder feedbacks are essential to our future success. We appreciate the views of our stakeholder groups that are impacted by our operations and/or potentially influenced by our operations, as well as those external organisations with expertise in areas that we deem significant. We communicate with them across multiple platforms and collect their thoughts and ideas on a regular basis. These viewpoints are vital for our ongoing evaluation as well as the formulation of corporate strategies and plans for sustainable development.



The following is a summary of the communication channels that correlate to the specified stakeholders in our everyday operations:

Stakeholder groups	Communication channels	Purposes	Frequency
Government authorities	<ul style="list-style-type: none"> • Questionnaires • Meetings • Site visits • Information submission 	<ul style="list-style-type: none"> • Compliant operation • Governance on the environmental management • Social aids • Tax compliance 	<ul style="list-style-type: none"> • Irregular
Shareholders and investors	<ul style="list-style-type: none"> • Post-results roadshows • Company visits • Investment Summits • Telephone conferences, emails, WeChat, etc. 	<ul style="list-style-type: none"> • Communicate and report the Company's latest developments and future directions 	<ul style="list-style-type: none"> • Semi-annual/annual • Real-time communication such as meetings, calls and emails
Employees	<ul style="list-style-type: none"> • Training and educational activities • Employee satisfaction survey • Annual staff meeting • Work meetings 	<ul style="list-style-type: none"> • Reduce employee turnover • Enhance occupational safety and health awareness 	<ul style="list-style-type: none"> • Annual • Weekly meetings, or monthly, quarterly or annual work summary
Business partners, customers and suppliers	<ul style="list-style-type: none"> • Company visits • Telephone conferences, emails and other electronic means • Social media • Inspection and evaluation 	<ul style="list-style-type: none"> • Maintain stable and efficient supply chain management 	<ul style="list-style-type: none"> • Semi-annual/annual • Irregular meetings
Local communities and Non-Government Organisations ("NGOs")	<ul style="list-style-type: none"> • Community projects • Collaborative projects 	<ul style="list-style-type: none"> • Create social benefits 	<ul style="list-style-type: none"> • Annual

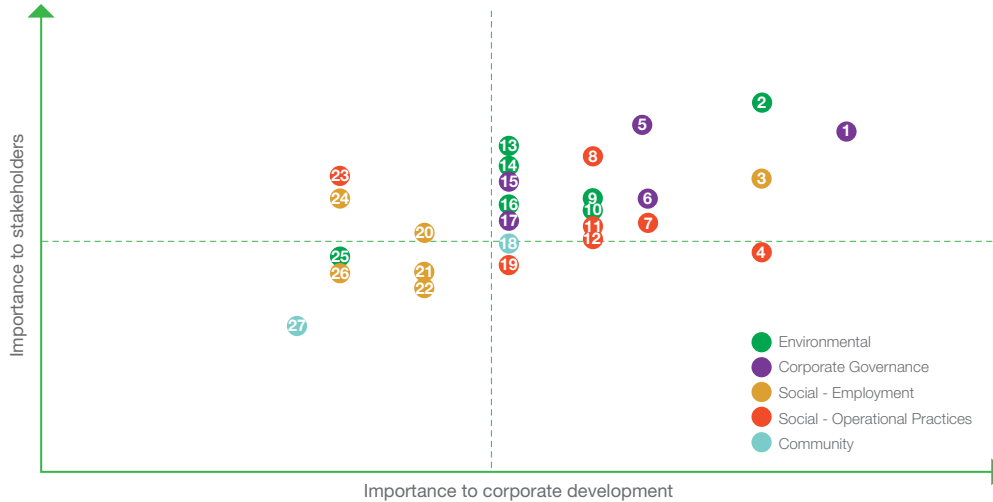


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3.2 Materiality Assessment

Reviewing the ESG material issues based on previous external professional consultancy results, the ESG materiality assessment results remain applicable to those from last year. These 27 material topics, covering environmental, social, community, and corporate governance, reflected our ESG considerations in managing our company and were carefully considered in preparing and compiling of this Report. These are summarised in the following materiality matrix.

2022 Materiality Matrix of ESG Topics of COSCO SHIPPING International



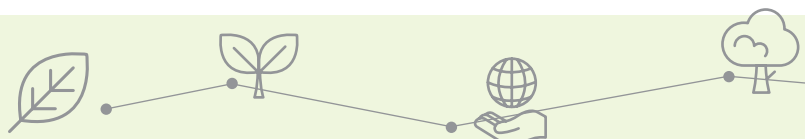
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|-------------------------------------|---|---|--|
| 1 Business compliance | 8 Customer service | 15 Economic performance | 22 Employment welfare |
| 2 Environment compliance | 9 Waste management | 16 Water resources management | 23 Customer privacy protection |
| 3 Occupational health and safety | 10 Environmental and ecological protection | 17 Business ethics | 24 Labour standards |
| 4 Product and technology innovation | 11 Operational efficiency of company assets | 18 Serving local economy | 25 Energy efficiency and energy saving |
| 5 Anti-corruption | 12 Continuity and security of service | 19 Differentiation of product and service | 26 Staff development and training |
| 6 Supply chain management | 13 Response to climate change | 20 Equal rights of employees | 27 Community communication and participation |
| 7 Sustainable procurement policy | 14 Low carbon operation | 21 Employee benefits | |

4. ENVIRONMENTAL PROTECTION

The Group embeds environmental sustainability with the goal of reducing the negative environmental impacts resulting from our operation. In order to promote a greener and healthier shipping industry, we consistently go beyond the legal requirements and take an active role in reducing carbon emissions, optimising resource use, and protecting biodiversity. In addition to introducing goods with more environmentally friendly features and considerations, we continue to explore and adopt cutting-edge technology. We also try to create a greener workplace and improve our employees' understanding of sustainability and resource conservation through a variety of training.

The Group adheres rigorously to all relevant environmental laws and regulations, including but not limited to:

- Environmental Protection Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution;
- Water Pollution Prevention and Control Law of the People's Republic of China;
- Law of the People's Republic of China on the Promotion of Clean Production;



- Law of the People's Republic of China on Environmental Impact Assessment;
- Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste;
- Law of the People's Republic of China on the Prevention and Control of Pollution by Environmental Noise Pollution;
- Environmental Protection Tax Law of the People's Republic of China; and
- Other local rules and standards concerning the prevention and control of environmental pollutions by discarded dangerous chemicals, standards of air pollutants and integrated wastewater discharge standards in its all operating locations.

To ensure that our subsidiaries uphold the operating standards and invest more in continuous performance improvement, the Group developed a set of policies in accordance with ISO14001 requirements and implemented a comprehensive environmental management system to achieve our internal environmental goals. Both COSCO Kansai Companies and Jotun COSCO maintained their ISO14001 environmental management system certifications in 2022. Moreover, the Group has also established a thorough internal risk control system and management framework to ensure that all risks are appropriately managed at operational levels. This system uses a top-down approach to identify all environmental hazards that arise from our daily activities.

To further enhance our performance, the Group also conduct third-party audits on our operations on a regular basis and identify areas for improvement in a variety of environmental issues, including wastewater management, exhaust gas management and noise control. As stipulated in their operating permits, COSCO Kansai Companies have taken additional steps in response to the tighter pollution discharge limits.

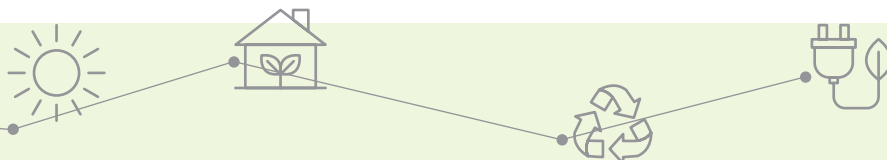
During the year 2022, there were no cases of non-compliance related to our operational practices.

4.1 Environmental-conscious Operations

4.1.1 Air Emission Reduction

In the form of benzene, toluene, xylene volatiles, and particulate matter, the Group's principal air emissions are VOCs created by its coating production division. As national and municipal emission regulations become more stringent, we continue to explore various initiatives, such as product development, material selection, production methods, and efficiency improvement, to enhance our control and monitoring of VOC emissions. For example, our success in minimising VOC emissions has been greatly contributed by our transition from solvent-based to water-based coatings.

Apart from the switching of coatings, COSCO Kansai Companies were outfitted with numerous exhaust gas after-treatment facilities in an effort to build a more comprehensive emission control mechanism. Examples include the bag-type dust collector and the integrated exhaust gas treatment unit with spray filter, primary and medium filters, zeolite channel, and catalytic oxidation, which aids to capture VOCs and particles from production exhaust. Coupled with the forklift induction automatic access control systems and activated carbon absorbers, COSCO Kansai Companies can maintain a VOC level below the criteria of "Emission Control Standard of Volatile Organic Compounds for Industrial Enterprises (工業企業揮發性有機物排放控制標準)". This year, COSCO Kansai Companies also installed an online monitoring system for the regenerative thermal oxidisers ("RTO") waste gas incineration device. This advanced system enables real-time monitoring of exhaust gas emissions after incineration, which further enhances the control over these gases emissions.



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COSCO Kansai Companies embraced employees' recommendations from the "Implementation Award Measures for Reasonable Recommendations (合理化建議獎勵實施辦法)" initiative to minimise further our greenhouse gases ("GHG") emission. The operation mode of our chiller system and water machine system was improved by adjusting their running time in response to the cooling water temperature resulting in a greater electricity savings and better energy efficiency. We will continue to encourage our employees to come up with innovative suggestions to assist the Group in lowering its energy consumption.

Our factories are subject to periodic inspection, upholding the guidelines established by the People's Republic of China Government. In 2022, all factories of COSCO Kansai Companies have passed the inspection by the Ministry of Ecology and Environment of the People's Republic of China for compliance with VOC emission standards.

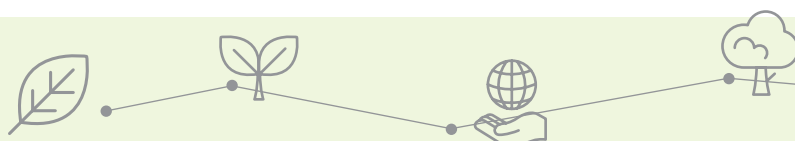
4.1.2 Waste Management

Given the nature of the coating industry, the Group is conscientious of the waste generated during production and seeks to enhance its waste management continuously. By providing factories with clear and adequate instructions on the handling, disposal, and recycling of hazardous waste, COSCO Kansai Companies have formulated a hazardous waste management plan. Recyclable packaging drums were also introduced to help cut down waste from packaging.

COSCO Kansai Companies and Jotun COSCO developed advanced production methods to actively recycle and reuse resources and waste, including residues from exhaust gas treatment, wastes from production workshops and R&D laboratories, cleaning solvents, chemical raw materials and their packaging, in order to minimise our carbon footprint. Emulsion recycling was launched by the Production Department of COSCO Kansai Companies in 2021. After a series of tests, we created an extrusion device that could extract uncontaminated residue emulsions from liner bags. The extracted emulsions will be recycled and repackaged for our own use, thereby reducing our paint-related hazardous waste. Jotun COSCO has in place the Hazardous Waste Label Use and Packaging Standards (危險廢物標籤使用及包裝標準), General Guidelines for Warehouse Storage of Hazardous Chemicals (危險化學品倉庫儲存通則) and JCMC-P09-S02 RTO downtime emergency operation guidance (JCMC-P09-S02 RTO 宕機應急作業指導) in place. These policies and guidelines help avoid employees from having unnecessary contacts with hazardous substances by facilitating the detection and improving the treatment of hazardous waste.

In order to prevent mistreatment and unintended contact, COSCO Kansai Companies has established a specific on-site warehouse with anti-seepage and corrosion prevention design for hazardous waste storage, with qualified third-parties engaged for disposing of hazardous waste. Meanwhile, non-hazardous waste is handled monthly and kept in a separate warehouse. Our Safety Management Department monitors the entire waste management procedure to ensure that these treatments adhere to all relevant laws and regulations.

Moreover, COSCO Kansai Companies control hazardous waste generation from the source and reformed treatment methods. The production department applies the same cleaning methods to similar products for recycling. In 2022, a total of 61 tonnes of solvents were recovered. During the production process, standardised operations reduced leakage and the use of waste rags. The consumption of waste rags in 2022 is 16.6% lower than that of the previous year. During the year, 200-litre raw material barrels were recycled for finished product packaging. A total of 3,210 raw material barrels were recycled during the year, including emulsion-lining bags, sample cans from the Quality Control Department, and treated uncontaminated barrel lids as ordinary industrial wastewater containers. By applying the above-refined classification measures, the amount of hazardous waste generated in 2022 was reduced by 67.8 tonnes from the previous year.



In October 2022, Jotun COSCO organised a training session on environmental protection and waste disposal. This session was designed to help its employees better comprehend the Group's objectives and get acquainted with current waste handling procedures.

4.1.3 Wastewater Management

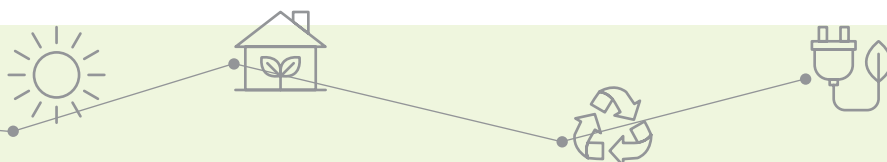
Water stress is a growing problem in many nations throughout the globe, it is everyone's obligation to protect this precious resource. Although we do not use and discharge a substantial quantity of fresh water and wastewater in the production of coatings, we are committed to controlling our freshwater consumption and wastewater discharge responsibly.

We carry out quarterly wastewater analysis to make sure the quality of the discharged wastewater conforms with the criteria specified in the applicable standards, such as "Integrated Wastewater Discharge Standard (污水綜合排放標準)". Along with managing our wastewater before discharging it into the environment, we hired qualified service providers to support our wastewater treatment.

4.1.4 Resources Optimisation

The Group is committed to ensuring the efficient use of multiple resources for a more sustainable operation in our production facilities. In our coating production industry, energy-saving technologies are being utilised more often. COSCO Kansai Companies have devised the "Energy Resource Conservation Control Procedure (能源資源節約控制程序)" to provide employees with clear instructions on how to accomplish the efficient use of production-related resources, including water, electricity, and steam. This year, COSCO Kansai Companies replaced old equipment with new and domestically manufactured equipment. The mixer in the production facility was changed from 55kW fixed speed to variable speed, which enables the optimisation of the mixing speed for different products while reducing energy usage by 20kW per hour compared with the fixed speed configuration. To reduce energy consumption of lighting, energy-saving light-emitting diode (LED) lamps were also installed this year in the production warehouse and office areas to lower our electricity consumption. In terms of transportation, COSCO Kansai Companies also develops schedules for vehicle usage to reduce the transportation of empty vehicles, and perform regular maintenance to minimise exhaust emissions. On the other hand, Jotun COSCO has eliminated diesel-powered forklifts and gasoline lawn mowers and installed motion sensors for lighting systems in the employee washrooms as well as air compressors that recycle residual heat for operational use, in order to reduce its overall energy consumption. Correspondingly, we adopted machinery driven by renewable energy sources such as solar and wind energy in order to progressively phase out conventional electrical machinery powered by fossil-fuel. Employees are incentivised to maximise the use of available resources, while a reward and responsibility structure is in place to promote joint efforts.

For our non-production sector, we are committed to fostering a green office and working environment via a variety of resource-saving initiatives. In order to reduce unnecessary electricity usage, COSCO Kansai companies regulates air conditioners to maintain an optimal indoor temperature and perform routine checks to turn off any unused electrical appliances. To promote green commuting, we also encourage employees to use public transportation and consider environmental implications when arranging international business trips. Where feasible, employees are also encouraged to use digital communication technology as an alternative to business trips. For the purpose of identifying potential areas for energy reduction, we kept full records of the fuel used by our vehicles and other energy sources. Educational posters are placed prominently across our offices to enhance employees' awareness and encourage ethical consumption practices.



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4.2 Biodiversity and Marine Environment Conservation

As one of the leading shipping service providers in the world, the Group is dedicated to protecting the maritime environment and biodiversity through different approaches, as this is where our company generates value for our clients.

Our products strictly adhere to all relevant laws and regulations, including the Performance Standard for Protective Coatings (PSPC) by the International Maritime Organisation (“IMO”), the International Convention on the Control of Harmful Anti-fouling Systems on Ships (the “AFS Convention”), the International Convention for the Prevention of Pollution from Ships (MARPOL). Since the adoption of GB 30981 Limit of Harmful Substances of Industrial Protective Coatings in 2020, it has been our primary focus. We organised seminars to inform our research and development (“R&D”) teams about the restrictions and reviewed the formulation of our goods to guarantee they are complied with standards.

To go above and beyond compliance, COSCO Kansai Companies provides tin-free proof coating products with extensive and thorough material safety data sheets (MSDS) for shipping companies’ careful evaluation and confident usage. Whereas the Sea Quantum, introduced by Jotun COSCO, was acknowledged as one of the top green anti-fouling coatings worldwide. Jotacote Universal S120, a solvent-free and VOCs-free universal primer was a product introduced in 2020 that aimed to cause zero impact on the marine environment.

To show our dedication to biodiversity protection, both COSCO Kansai Companies and Jotun COSCO signed the “Responsibility for Prevention and Control of Soil Pollution (土壤污染防治責任書)” and hired third party consultant to develop corporate land use survey plans and conduct ground-water quality monitoring. Besides, Jotun COSCO also performed assessments regarding the “JCMC Soil Self-Testing Scheme (中遠佐敦土壤自行監測方案)” to keep track of any possible concerns about soil contamination.

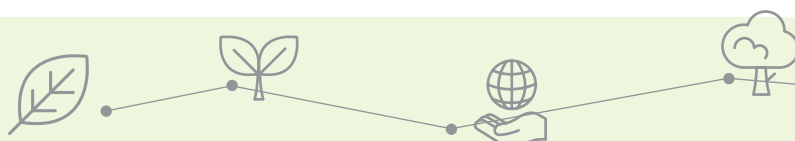
4.3 Green Products and Service Innovations

As one of the leading shipping services providers, we are committed to providing our clients with environmentally friendly options that will promote sustainable growth in the shipping sector.

With the use of cutting-edge technology, Jotun COSCO introduced Hull Performance Solutions, which is supported by sophisticated big data analysis, real-time ship hull monitoring system and high-tech antifouling coating technology to optimise hull performance. Since 2011, more than 2,000 vessels have used the solution, resulting in a decrease of more than 60 million tonnes of CO₂. The Hull Skating Solutions was introduced by Jotun COSCO in 2020, using the most advanced antifouling coating technology, big data applications and underwater cleaning robotics to generate considerable energy savings and lessen carbon footprint.

In our insurance brokerage services area, we also provide environmental liability insurance and professional consultation services, which assist our clients in pursuing continual environmental performance improvement. Furthermore, we organised seminars for ship owners to understand the evolution of global regulations and industry best practices, presented by the Protection and Indemnity Club and attorneys.

With continuous improvement in R&D and innovation capabilities, and the strength of coating technology and green sustainable development for many years, COSCO Kansai Companies is delighted to be recognised as the fourth batch of national-level specialised, refined, differential and innovative little giant enterprise by the Ministry of Industry and Information Technology of the People’s Republic of China this year. Taking pride in this recognition, COSCO Kansai Companies will continue to further develop technologies and patents, while fostering the exchange of ideas across the peers to facilitate industry upgrade.



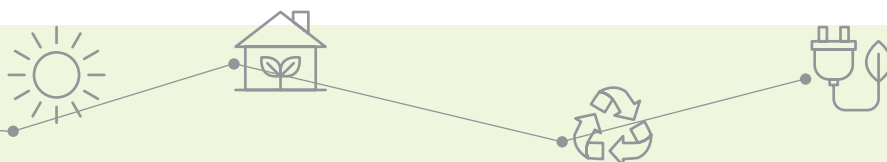
4.4 Climate-related Risk Adaption

The threats of climate change is imminent, and we continue to assess its effects on our operations and strengthen our internal capacity to adapt the escalating climate-related risks, especially in the face of extreme weather conditions such as frequent typhoons, seasonal storms and abnormal precipitations. The Group has considered its potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and identified the following climate-related risks that are relevant to our operations:

Types of Climate Risk	Specific risk	Description of the risk
Physical risk (Acute)	Extreme weather conditions (e.g. typhoons, flooding)	The increasingly frequent extreme weather may damage the assets and facilities of the production plants, while putting the safety of employees at risk.
Physical risk (Chronic)	Sustained high temperatures	Prolonged high temperature results in greater amount of electricity consumed. It may also negatively impact the health of employees, reducing the productivity at production plants.
Transition risk	Regulatory compliance risk	In light of stricter environmental regulations and the impact of carbon taxes on businesses, the Group needs to be fully aware of these issues in order to avoid violating laws.
Transition risk	Reputational risk	It is possible that the Group's reputation may be affected by customer actions or perceptions regarding its contributions to the transition to a low-carbon economy. It is essential that the Group's business model aligns with the low-carbon economy or it may be perceived negatively by customers.

To mitigate the identified climate-related risks, COSCO Kansai Companies and Jotun COSCO have devised a set of emergency management plans and a natural catastrophe contingency plan. Conducting yearly emergency exercises, we also aim to heighten the awareness of our employees in the production facilities and encourage efficient internal communication in the event of various natural catastrophes. Our Tianjin plant, for instance, has formulated flood prevention and severe cold weather reaction plan, while our Zhuhai plant has developed storm, flood and heatstroke response plans. Furthermore, COSCO Kansai Companies have also established emergency response teams to ensure successful execution of strategies and constant monitoring of climate conditions.

Meanwhile, when it comes to transition risks, the Group keeps abreast of the latest regulatory developments in terms of our production standards and other applicable laws and regulations to avoid any non-compliance. In an effort to contribute to a greener production environment and comply with relevant regulations, COSCO Kansai Companies and Jotun COSCO are working towards low-emission production.



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5. ENSURING OUR HEALTH AND SAFETY

The Group places high priority on the health and safety of its employees. We have developed a set of safety production and supervision management rules based on two fundamental principles, namely “Share Responsibilities in One Post, Joint Management and Accountability for Delinquency (一崗雙責、齊抓共管、失職追責)” and “Safety as an Essential Component in Managing the Industry, Business, and Production and Operation” (管行業必須管安全、管業務必須管安全、管生產經營必須管安全). We encourage both employees and departments to be accountable. The promotion of a safe workplace culture is the responsibility of every employee; meanwhile, the protection of employee health and the product safety is the responsibility of every department. The Group’s headquarters and the heads of the relevant divisions will supervise the safety issues in production.

We abide by all applicable safety rules and ordinances in Mainland China and Hong Kong, including but not limited to the following:

- Production Safety Law of the People’s Republic of China;
- Fire Control Law of the People’s Republic of China;
- Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases;
- Safety Specifications of Special Work in Hazardous Chemicals Enterprises of the People’s Republic of China;
- General Rules for the Hazardous Chemicals Warehouse Storage of the People’s Republic of China; and
- Occupational Safety and Health Ordinance (Hong Kong).

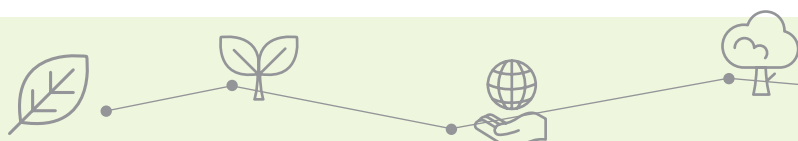
During the reporting period, we did not breach any applicable occupational health and safety laws or regulations.

5.1 Safety Committee

“Safety First, Precaution as Crucial and Consolidated Governance” (安全第一、預防為主、綜合治理) has been our motto to promote workplace occupational health and safety. For this purpose, we formulated a Safety Committee in 2006. Led by the Group’s director who holds accountable, the committee also comprises of the general managers from multiple divisions, such as human resources, finance & accounting and audit & supervision who serve as members to oversee production safety issues.

The Safety Committee is charged with the following responsibilities:

1. Oversee the safety-related issues, formulate overall production safety plan and provide safety production guidance for the Group;
2. Review and determine the Group-level annual production safety goals, make recommendations on major production safety measures and resolve major production safety issues; and
3. Oversee and advise the Group on key progress in executing the safety production plan.



5.2 Production Safety Management

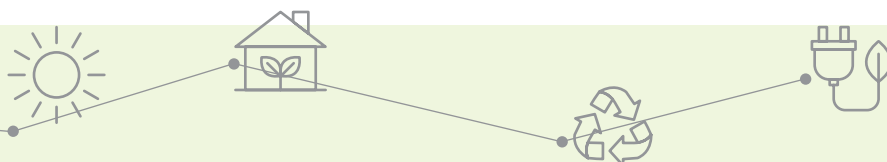
The Group believes that a comprehensive production safety management system is pivotal to achieving sustainable economic success. We continually assess our OHS performance and preserve the long-term safety objective of obtaining “zero casualties.” Every year, we review and make improvement of our internal OHS goals. We assess and, if necessary, adjust our internal OHS targets each year. In 2022, the Group’s headquarter completed the revision of the “Regulations on the Management of Potential Hazards in Production Safety Accidents (Combined Use)” (生產安全事故隱患排查治理管理規定(並用)), and established the “Regulations on the Management of Safety Production Risks (Combined Use)” (安全生產風險管理規定(並用)), to ensure that the Group effectively manages its potential safety hazards, and the risk management and control are in place. We reached our 2022 targets this year, with zero significant fires, traffic accidents, equipment accidents, and work-related deaths, as well as an annual work-related injury rate of below 5%.

The operations of COSCO Kansai Companies and Jotun COSCO, which are primarily involved in production activities, are highly vulnerable to safety risks. The “Occupational Health and Safety Management Procedure” developed by COSCO Kansai Companies outlines who is responsible for safety production across various divisions to facilitate effective execution of safety policies and standards. It also gives instructions on how to carry out the proper OHS practices for different business activities. COSCO Kansai Companies conduct regular OHS risk identification with the goal of identifying and controlling OHS risks at an early stage. Furthermore, the local government and appointed third parties make frequent visits and perform safety inspections at our production facilities. Once the inspections are completed, the government authority would provide us with their recommendations and necessary actions, requiring the facilities to remediate any dangerous areas.

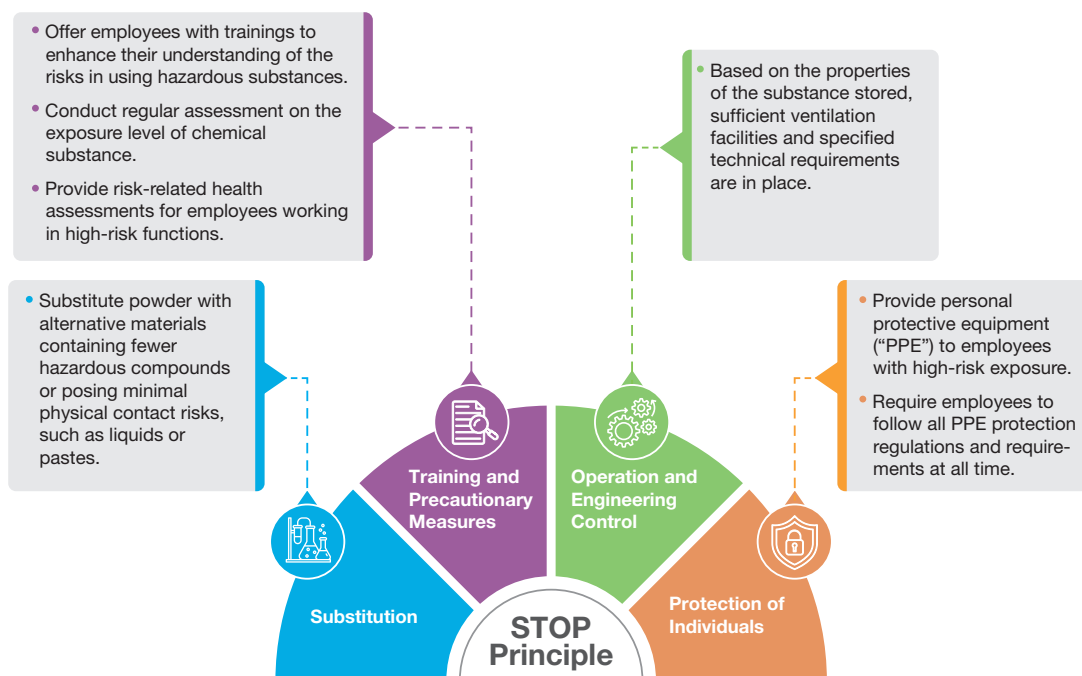
This year, the laboratory waste gas treatment process of Shanghai factory has been improved according to the requirements of the Jinshan District Ecological Environment Bureau, using RTO incineration disposal to replace activated carbon absorption, and thus the waste gas treatment is more environmentally friendly. Meanwhile, for Zhuhai factory, to comply with the national requirements of “Four Items Clearing” (四項清零), new explosion-proof walls were installed in the factory, and the factory inspection room was relocated under the guidance of the Zhuhai Emergency Management Bureau.

To ensure that our daily procedures adhere to international standards, COSCO Kansai Companies and Jotun COSCO have certified their production facilities with the most recent ISO 45001:2018 standards. We also developed an OHS manual to avoid and manage preventable workplace incidents. The management examines and evaluates possible OHS risks before establishing preventative measures in the OHS manual. We compiled an OHS risk control guide that outlined precautions to take in order to shield employees from being exposed to dangers including chemicals, dust, noise, high temperature, unsanitary conditions and physical lifting.

Employees at production plants are more likely to be exposed to chemicals and harmful substances. To minimise the negative health effects on our employees, we implement the “STOP” principle in addition to providing suitable personal protection equipment.



Environmental, Social and Governance Report

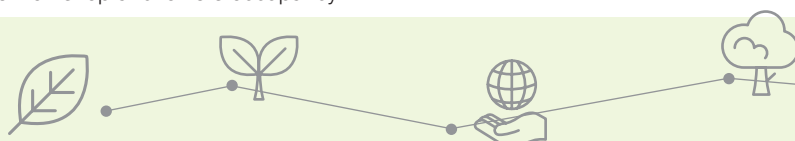


5.2.1 Production Safety at Production Plants

The Group places additional emphasis on the safety of employees at production plants. The “Chemical Safety Technical Standard” developed by Jotun COSCO gives thorough information on chemical dangers and documents the possible risks of chemicals utilised in our industrial activities to the environment and people. To guarantee that hazardous chemicals and poisonous substances are handled properly, employees are given clear instructions on the production operations in accordance with norms, such as minimising exposure to xylene and ethylbenzene. Furthermore, we demand that our plants have thorough control measures that monitors high-degree engineering control and personal protection. We also developed emergency response plans for dealing with various incidents, including first aid for chemical contact, fire protection, chemical leakage, and waste management. To ensure proper paint transportation, we developed our operational specifications in accordance with international standards, such as International Maritime Dangerous Goods Code (IMDG Code) of the United Nations, International Air Transport Association and IMO.

Meanwhile, COSCO Kansai Companies established an internal safety investigation team to undertake quarterly safety inspections. It consists of experts from related fields such as electrical, mechanical, and operational. The team notifies the appropriate management departments when any safety risks are found and make sure the proper follow-up steps are made to resolve the issues. To further ensure production safety, our top management also oversees routine safety inspections at the sites. More than 400 OHS inspections have been undertaken by COSCO Kansai Companies plants throughout the year. By addressing all 549 identified danger areas throughout the course of the year, we have achieved a 100% correction rate.

The concentration of VOC in our production region has garnered our attention and input for ongoing improvement. External specialists were also recruited to investigate their production processes in Jotun COSCO. The degree of VOC was one of the graded criteria and was measured in detail. We attentively considered the advice offered by the experts to enhance the quality of the working environment further. This year, Jotun COSCO applied for and successfully completed the Chengyang District and Qingdao Health Enterprise Review. We cleaned up the old organic exhaust ducts in the production workshop uniformly. This significantly improves the discharge efficiency of VOC in the workshop and lowers occupancy.



Conversely, COSCO Kansai Companies acquired a large number of explosion-proof trucks with better protective features. As these trucks do not ignite while operating, explosion or fire risks within our factories are eradicated. Meanwhile, we require all employees to hold relevant certificates or attend training before operating any machineries, including but not limited to the certificates for electricians, electric welders as well as the operation of trucks.

Jotun COSCO continued to organise “Safety Day” in its Qingdao factory. This year’s comprehensive emergency drill was the largest in recent years. Relevant government organisations, including the Fire Department, Police Department, the sub-unit of the Ministry of Ecology and Environment in the high-tech zone, etc., also participated in this emergency drill. Given the scale of this emergency drill, the local television station in Qingdao also reported on the exercise. Apart from the emergency drill, various interesting activities ranging from safety knowledge game competitions to team-building activities were also held. These programme provided our employees with a more thorough understanding of safety, while allowing them to learn in a fun and engaging environment.



Emergency Drill Briefing



Safety Knowledge Quiz



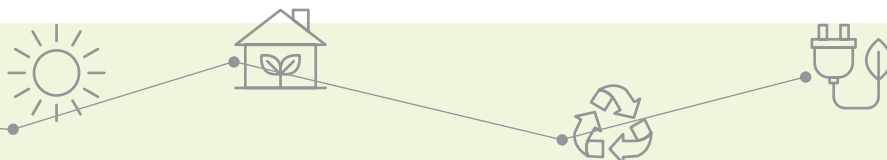
Fire Extinguishing Relay Competition



Emergency Drill

5.2.2 Safety Management Self-Assessment System

The Safety Management Self-Assessment System (“SMSA”), implemented by the Group in 2012, allows its coating business companies to assess the effectiveness of safety measures. The SMSA was established in accordance with the national safety technical standards for the coating industry, including the “Production Safety Law of the People’s Republic of China”, the “Regulation on the Safety Management of Hazardous Chemicals”, “General Norms for Safety Standardisation of Hazardous Chemical Enterprises”, “Guidelines for Work Safety Standardisation of Coating Enterprises” and “The Safety Technical Specification of Coating Manufacturer”.



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The SMSA mainly aids in monitoring the 10 key safety management aspects, including governance structure, risk and environmental factors control, laws and regulations and management policy, training and education, production facilities, operation safety, product safety and hazard notification, OHS hazards, accident and emergency response as well as inspection and self-assessment. Using the Likelihood Exposure Consequences (LEC) method, the Group performs biannual SMSA inspections. If any possible dangers are discovered during the inspection, the relevant departments must devise corresponding corrective measures or remedial actions within the allotted period.

In the assessment of SMSA, the following rating scale is utilised:

SMSA Score	Below 90	90 – 105	106 – 135	135 – 150
Rating	Disqualified	Qualified	Good	Excellent

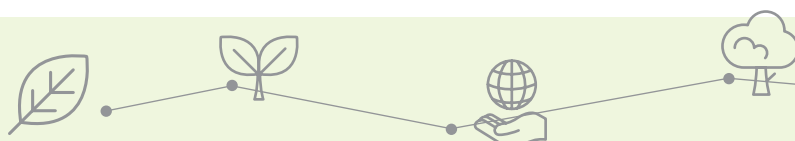
The findings of the SMSA Assessment of several COSCO Kansai companies' production facilities from earlier years are summarised in the table below:

Year	Tianjin Plant		Shanghai Plant		Zhuhai Plant	
	First half of the year	Second half of the year	First half of the year	Second half of the year	First half of the year	Second half of the year
2022	139	140	140	141	140	140
Average value for the assessment from 2012 to 2022	136	137	137	137	137	137

5.2.3 Occupational Health and Safety at workplace

As a responsible employer, the Group seeks to provide a safe working environment and foster a safety culture. Our goal is to safeguard the health of employees and increase their awareness of the importance of adhering to safety operating standards. In addition to attaining ISO45001 certification in 2022, we have implemented multiple measures to guarantee the safety and health of our employees.

As prevention is better than to cure, the Group has been offering employees a diverse of comprehensive trainings and exercises (e.g. fire drills) in an effort to reduce workplace injuries and accidents and increase employee safety consciousness. The topics covered in these trainings include fire safety, use of firefighting equipment, occupational hygiene, medical emergency, safety laws and regulations, accident cases sharing, hazardous chemical safety, special equipment safety, heatstroke prevention, working at heights safety, and more. Prior to reporting for duty, we also provide new joiners with written documents outlining the OHS issues that need their additional attention.





Distributing beverages to front-line staff in hot season



Emergency drill to protect staff against heatstroke

Despite the fundamental medical care, we provide yearly physical examinations for all employees. Employees engaged in duties with higher OHS risks are provided with a specific medical assessment, aiming for early diagnosis of occupational diseases and potential injuries. When abnormal examination results obtained, responsible departments will offer the employee a follow-up examination for a refined assessment on the particular issues. Before their first day on the job, new joiners and transferred employees must complete health screenings. Employees who are leaving their jobs will also have post-employment medical exams.

This year, Jotun COSCO improved and transformed the production staff lounge, promoted health science awareness, and enhanced the monitoring of blood pressure, weight, and other major health indicators.

5.3 Non-Production Safety Management

The risks to our employees' health and safety are lower in our non-production sectors, which include ship trading agency services, insurance brokerage services, and the provision of maritime equipment and replacement parts. We adopted a number of safety measures to further minimise OHS risks in the offices throughout our non-production businesses, which aligns with our deeply ingrained philosophy of "safety first".

Across the year, non-production employees participated in "Safety Month" to strengthen their understanding of safety precautions in the case of an accident. Apart from the fire safety training, we set up a team to conduct safety checks at our offices and properties to make sure the appropriate precautions are taken.

In order to raise employee awareness of fire safety throughout the year, different business sectors organised educational events and lectures as well as carried out inspections to determine the workplace's fire risks. Also, we confirmed that fire-fighting equipment in the office area and the escape route are in good conditions.



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5.4 Reporting and Investigation Mechanism

For safety-related occurrences, the Group set up a reporting and investigation mechanism. We implemented accountability system and defined the responsibilities of responsible personnel. Once any safety accidents happen, the respective employees are required to report to the head of respective departments promptly and then inform the Safety Committee Office within 60 minutes and submit a comprehensive accident report. The Safety Committee Office investigates the accident in detail and reports its findings to the Group's Safety Committee. Depending on the severity of the event, the Group sends out a dedicated investigative team for internal investigations and, if required, invites internal and external specialists to perform in-depth investigations on the underlying causes and losses of the occurrences. They also assist in identifying those who should be held responsible and provide useful advice for risk reduction.

Our accountability system states that depending on the seriousness of the incident, relevant employees may be subject to admonitory interviews or warnings. Any concealment of information, a delayed or missing report, or a failure to show an immediate and sustained improvement may result in disciplinary action against the staff.

In 2022, no notable occurrences of non-compliance with applicable laws, regulations and standards were received. The Group also maintained zero work-related fatalities (2021: Nil) and no significant production safety accidents noted.

5.5 COVID-19 Responses

As a conscientious and considerate employer, we actively sought out different pandemic prevention materials and personal protective equipment for our staff, such as gloves, masks and hand sanitisers. To maintain adequate stock levels and efficient resource distribution, we continuously checked the inventory levels of those preventive pandemic items every day. The Group arranged work and operational arrangements while staying aware of the pandemic's progression and compiling to local laws.



Distributing anti-epidemic materials to staff

In response to the epidemic's recurring and severe trend in 2022, the Company set up door-to-door services from independent nucleic acid test ("NAT") facilities to prevent cross-infection in society and, in doing so, saved all employees' working hours by eliminating the need for roundtrips for performing NATs. Apart from that, the Company provided each employee with N95 masks, antigen testing reagents, etc., once the control was loosened at the end of the year, the Company modified its home office or sick leave policies to reflect its "caring" values as far as possible.



6. EMPLOYEE EMPOWERMENT

The Group's most precious asset is its human capital, which is also one of the key elements in our long-term commercial success. As a result, we develop people-oriented strategies that are consistent with four main management principles: managing by regulations, developing an open and fair system, meritocracy and highlighting the coexistence of rights and duties.

We provide comprehensive and competitive remuneration and benefits, as well as excellent growth opportunities built on a reputable assessment and recognition system, to attract and retain talent. We are committed to cultivating future talents and creating a culture of lifelong learning.

Throughout our business, we are dedicated to quality, professionalism, and honesty. The Group strictly complies with relevant labour laws and regulations, including but not limited to:

- Employment (Amendment) Ordinance 2022 (Hong Kong);
- Employees' Compensation Ordinance (Hong Kong);
- Labour Law of the People's Republic of China;
- 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.

In 2022, there is no non-compliance case reported regarding our employment practices.

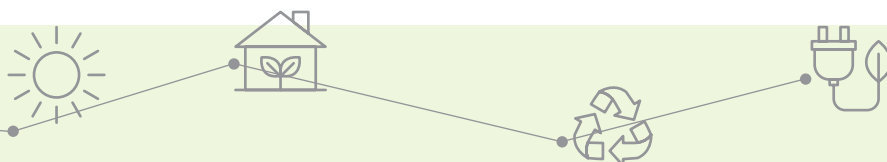
6.1 Inclusive and Supportive Workplace

Regardless of a person's gender, age, family status, race, religion, nationality, sexual orientation or disability, we are dedicated to building an inclusive and supportive workplace where each employee is treated fairly and respectfully. Our remuneration packages are attractive that include a base salary, incentive bonuses, and a mandatory provident funds. We provide a wide range of benefits, including paid annual leave, paid sick leave, medical insurance, healthcare benefits, further educational opportunities and training subsidies. Additional leave options, such as paid wedding leave and employee paternity leave, are also available, depending on the needs of the employee.

By implementing standardised recruitment practices and comprehensive employment-related regulations, such as the "Administrative Measures on Recruitment and Employment" and the "Administrative Measures on Labour Contract", we forbid the use of child labour and forced labour in any of our businesses. To prevent any violations of legislation and policies, we regularly update and verify the personal information of our employees as well.

To demonstrate our appreciation and support for working mothers, we advocated for the United Nations Children's Fund Hong Kong ("UNICEF") and participated in the "Say Yes to Breastfeeding" campaign. Breastfeeding workspace has been set up, which includes tables, chairs, tissues, power outlets and a refrigerator for storing breast milk. The Group has received the "Welcome Breastfeeding Certificate of Appreciation" from the Hong Kong Committee for UNICEF for three consecutive years.

In addition, COSCO Kansai Companies provided female employees with training to help them understand the relevant laws and regulations that protect women's rights at the workplace. We also organised a number of activities on 8 March to celebrate International Women's Day with our female employees. Through these initiatives, we strive to create a more harmonious and inclusive workplace for our female employees.



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6.2 Employee Training and Development

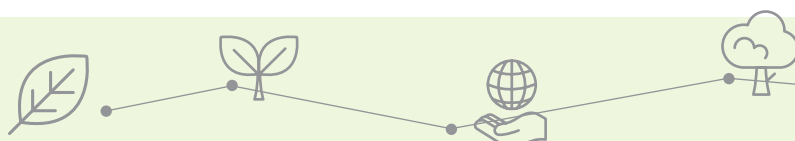
Providing employees with the necessary training and knowledge is always essential for the Group's sustainable development. A set of "Management Methods for Setting Up of Professional Talent Pool" (專業人才庫建設管理辦法) guideline is in place to strengthen the capabilities of our employees and equip them with relevant skills and professional knowledge. The Group provides a structured leadership development programme, which is administered and overseen by a specialised team under the leadership of the Human Resources Division. We frequently evaluate the talent pool divided by different businesses and industries. In order to foster the development of talented individuals, we have an incentive system in place to offer bonus and professional development opportunities, such as training courses, academics conferences, and exchange programmes.

We have created a thorough training and development system with four training categories to cater to the individual training needs of our staff in order to encourage continuous learning and enhance their capabilities:

- **Induction training:** All new employees get induction training to understand corporate strategic plans, policies, and logistical regulations so that they are aware of the Group's OHS standards, standard operating procedures, as well as our expectations on their workplace behaviour, improving their integration into our organisation;
- **Regular assessments:** The Human Resources Division and other divisions regularly review our business requirements to identify critical training components. We may engage relevant experts and professionals to hold training sessions and provide presentations.
- **Regular trainings:** We provide regular trainings to general employees so as to keep them abreast of the related market and regulatory information; and
- **External training programmes:** Employees are encouraged to participate in external training programmes such as certificates, diplomas, degree courses, lectures, seminars and conferences by providing training subsidies.

We regularly conduct performance evaluations to assess employee contribution and provide timely feedback in order to recognise and inspire individuals who exhibit exceptional performance. To simplify and ease the evaluation process, we employed an upgraded online performance assessment system. The system also establishes anonymous profiles to gather and incorporate comments from other team members throughout the evaluation process with the objective of providing a thorough review of participating personnel.

This year, the Group established a target of 50 training hours per employee. In order to equip employees with updated knowledge and skillsets, the Group has partnered with a third-party online training provider to provide training videos to our employees for their learning. The training platform offers a wide spectrum of content that meets the needs of employees from different departments, ranging from data security and quality assurance, to accounting and laws. Our goal is to promote life-long learning by encouraging our employees to take full advantage of this training platform to learn as much as they can.



6.3 Employee Well-being

6.3.1 Employee Communication

The Group acknowledges that maintaining open communication channels with our employees is vital to building mutual trust and respect. As such, we continuously collect the feedback and ideas of our staff through numerous communication channels. Employees are encouraged and incentivised to submit suggestions to management under our “Implementation Award Measures for Reasonable Recommendations” (合理化建議獎勵實施辦法). Considering actual benefits delivered to the Group, our recommendation team is responsible for evaluating and examining the recommendations before approving the provision of financial incentives from employees’ standout suggestions. Through the application of employee observations and open communication, the programme seeks to create an open and dynamic culture that supports internal growth within the Group.

On the Group’s intranet homepage, a human resources mailbox was also set up, providing a regular forum for staff to express their issues. For the formation and adaptation of follow-up activities for the wellness of all employees, the Human Resources Division assists in gathering incoming mail and transferring inquiries to relevant departments.

6.3.2 Employee Work-Life Balance

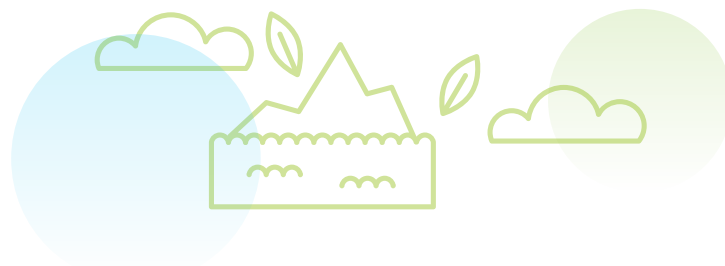
The Group is dedicated to fostering a work-life balance in the workplace and enhancing the health and well-being of its employees. To support their welfare, we offer them team building and leisure activities like sports and hobby workshops. We want to encourage employees to achieve greater morale and strengthen team cohesion, consequently enhancing their productivity and sense of belonging at work.

We created an employee association to assist in building connections among employees, which it accomplishes by organising a volunteer team and arranging various volunteer activities.

COSCO Kansai Companies organised a range of events to encourage work-life balance. This year, COSCO Kansai Companies organised an outdoor fitness walking exercise in Shanghai. Enjoying the views of Shanghai, employees were encouraged to have fun during the exercise while their attention to their health conditions was also raised.



Fitness walking exercise in Shanghai



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7. BUSINESS DEVELOPMENT AND COLLABORATION

As the cornerstones of our sustainable economic growth, the Group values cooperation with its business partners as well as the quality of our goods and services as fundamentals of our sustainable business development. We strive to establish a responsible supply chain and ensure client satisfaction with the goods and services we offer. Relevant rules and standards overseeing our company conducts and operations are in place to safeguard business ethics in our operations and limit potential risks to a minimum. This helps to maintain a high degree of integrity.

7.1 Supply Chain Management

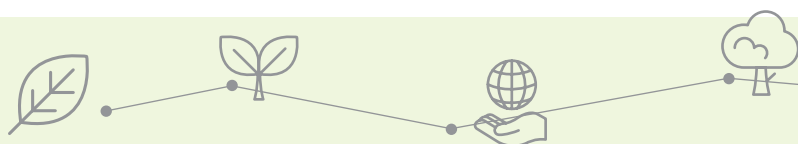
7.1.1 Sustainable Procurement

We want to create a green and responsible supply chain with carefully chosen suppliers that fulfil our high standards for sustainability in order to uphold our responsibility as corporate citizens. To facilitate the selection and assessment of suppliers while taking into account their effects on the environment and society, a set of standardised procurement methods was established. We select suppliers in accordance with the guidelines set out in the “Procurement Management Measures” and the “Supplier Management Measures” which require that potential suppliers satisfy the Group’s requirements in relation to areas environmental protection, health and safety. We also have additional sustainable procurement policies in place to facilitate the selection and engagement with suppliers, such as the “Tendering Procurement Management Measures”, “Non-tendering Procurement Management Measures”, “Centralised Procurement Management Measures”, “Special Affiliated Enterprises Management Measures” and “Procurement, Outsourcing and Supplier Management Supervision Measures”.

Our internal procurement guidelines enable us to make cautious supplier choices for our coating company, in addition to our initial screening with relevant accreditations like ISO9001, ISO14001, and ISO45001 at the early selection stage. The contracts also include pertinent clauses to further guarantee supplier compliance. Only selected suppliers are added in the Group’s procurement supplier database where purchasing units reach out to the suppliers that fulfil the specific requirements. In 2022, a total of 22 suppliers were admitted according to the “Supplier Evaluation Procedure” at COSCO Kansai Companies. When onboarding a new supplier, a comprehensive evaluation of the supplier’s technical capabilities, product performance, enterprise scale, payment terms, etc., will be performed. In the event that a supplier scores over 60 points, they will be considered a qualified supplier. They will be included in the Group’s supplier master database as soon as appropriate management approves their inclusion.

We regularly assess the selected suppliers’ compliance status and update the database once every three years to remove suppliers who do not adhere to relevant rules and regulations in order to maintain our sustainability performance and reputation across the supply chain. We will terminate contracts and relationship with the concerned suppliers if there is any violation of the safety standards. When they have appropriately addressed and remedied the issues, we will evaluate the effectiveness of their actions and their willingness to resume a cooperation.

Along with the basic processes for supplier selection, we also tailor and apply special management practices to our suppliers whose supply of goods or services are especially crucial to our business operations. For instance, the “Asphalt Supplier Management System” has been put in place to assess the sustainability performance of asphalt suppliers, including their environmental assessment and fire prevention measures.



7.1.2 Supplier Monitoring and Supervision Mechanism

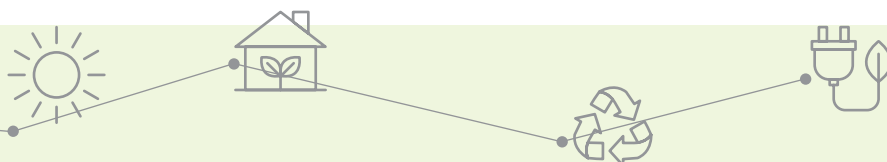
A comprehensive set of quantitative indicators, including fundamental capability, cost competitiveness, delivery fulfillment, quality control, customer service, business innovation, safety and environmental protection, are used to evaluate and review suppliers' performance through our supplier monitoring mechanism on an annual basis. On the basis of assessment findings, we give suppliers with preventative and improvement recommendations and oversee their implementation in an effort to improve the quality of their products and services. Suppliers who violate professional standards for safety and environmental protection, as well as those who engage in bribery and other commercial misconduct, will face penalties and the prompt termination of their contractual obligations. In addition, COSCO Kansai Companies employ quality assurance systems as part of supplier screening and admission. About 5 to 10% of a supplier's score depends on whether it provides system certification that includes environmental and social considerations.

The supplier rating scale has been designed to rate and categorise suppliers based on their assessment results as part of our supplier monitoring process to give priority to suppliers with exceptional sustainability performance.

Below is the rating scale of our supplier evaluation:

Rating	Definition
A	Strategic Suppliers: Outstanding suppliers that achieved good progress in sustainability that it is in line with the Group's ambition
B	Quality Suppliers: Good suppliers that performed well beyond the basic requirements in some of the key indicators
C	Qualified Suppliers: Fair suppliers that met our basic requirements of indicators
D	Negative Suppliers: Poor suppliers that failed to meet some of our requirements of indicators
E	Eliminated Suppliers: Poor quality suppliers that are eliminated and taken out from our supplier database

Between October and November 2022, the Supplier Purchasing Department of COSCO Kansai Companies took charge of organising the Technology Centres, Production Management Departments, Quality Control Departments, and Warehousing Departments to conduct annual supplier evaluations. According to the assessment results, there were 227 qualified suppliers, 82 alternative suppliers, and 24 unqualified suppliers. Suppliers with a comprehensive score of less than 60 would be placed on the "Unqualified Supplier List", their SAP master data would be frozen, and their names and contact details would be removed from the list. Higher-rated vendors are given preference for partnership or extensions. Suppliers that skip the yearly inspection, fail it, or stop working with the Group for three years in a row will not be included in the database. Moreover, the Group plays a proactive role in promoting the localisation of the supply chain to shorten delivery times, decrease transportation-related environmental impacts, and promote local economic growth.



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7.2 Product Quality and Responsibility

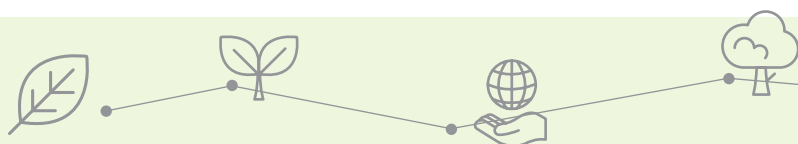
We pledge to provide our consumers with high-quality, healthy, and safe goods and services as one of the market leaders in our sector. We strictly monitor the application of technical standards and ensure the quality of the product and service throughout the lifecycle of our products, from the sourcing of raw materials, production, sales, and marketing, to recall, return, and replacement. This is done in accordance with both internal policies and international standards on product safety and quality.

Internal policies on “Health, Safety, Environment, and Quality” (HSEQ) have been created with a focus on subsidiaries engaged in chemical manufacture in accordance with international standards. To monitor and assess the quality of our coating products, we have implemented a rigorous set of control measures. For intermediate and finished items, tests and inspections are done to see whether they conform to our quality control standards. We have been complying with the following technical standards established by the Ministry of Emergency Management of the People’s Republic of China to ensure the safety and environmental responsibility of our products:

- The notice of the “Implementation Plan for Reducing Lead Content in Coatings of the Container Industry” issued by China Container Industry Association;
- The “Rules for Classification and Labelling of Chemicals” under the GB30000 national standard series of the People’s Republic of China;
- The “Product Quality Law of the People’s Republic of China”;
- The “Regulations of the People’s Republic of China on Administration of Chemicals subjected to Supervision and Control”;
- The “Regulations on Administration of Precursor Chemicals”; and
- The “Measures for Environmental Management of New Chemical Substances”.

Raising awareness and cultivating technical information exchange on product responsibility among suppliers, customers, and the industry are equally important to developing a responsible market, alongside obeying our internal rules and following industry standards. In order to understand the user experience and identify areas for development, COSCO Kansai Companies and Jotun COSCO continue to communicate with customers on a regular basis to share comments and technical questions about our products.

We went a step further and kept looking for ways to effectively use the most recent technology to consistently provide creative solutions to fulfil consumer request. To reduce the frequency of ship maintenance, we endeavour to reduce the risk of corrosion based on a better understanding of the coating requirements for each type of new ship. Jotun COSCO used the most advanced coating techniques in the world and drew inspiration from the examples of auto-cargo ships from other nations. In retaining our leading position in the rapidly developing market for auto-cargo ships, we will keep up with the current market.



7.3 Customer Care

7.3.1 Customer Satisfaction

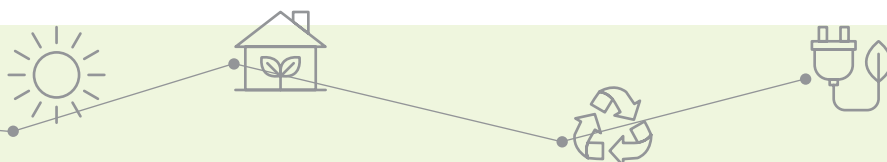
The Group believes customer feedback is a major determinant in its ongoing business improvement. The quality of service provided by sales and technical service staff, delivery, ordering, and invoicing, as well as the overall experience in touch with us, are all aspects of the customer experience that we closely monitor via surveys.

To address consumers' concerns about our goods and services, we have established procedures for processing complaints. The "Administrative Procedure for Customer Feedback" was established by COSCO Kansai Companies and Jotun COSCO to make sure that complaints are handled fairly, consistently, and quickly. Following receiving complaints, relevant individuals are assigned to look into the situation and take the corresponding action to prevent the reoccurrence of the same problems. Our "Process for Paint Return", on the other hand, outlines the management's awareness of the return of items that are not eligible as well as the steps that must be followed to remedy the problems. By keeping abreast of customer satisfaction with complaint resolution, we increased our tracking of complaint feedback and improved the response to customer complaints. We also conducted a detailed analysis of the causes of complaints, and in addition, we improved product and service quality in a timely manner. Meanwhile, cases of complaints are used for publicity and training purposes for relevant departments.

There were no unresolved service-related complaints or product recalls due to safety or health concerns throughout the reporting period.

We continue to develop and maintain strong connections with our customers, allowing us to have a better understanding of their requirement and offer products and services with positive feedback. This year, COSCO Kansai Companies continued to leverage video conferencing systems to conduct technical knowledge sharing and promote new products with customers. In the meantime, we also leveraged the fast dissemination feature of new media and conducted regular technical lectures via online live broadcasting platforms, introducing our products and its application, in order to facilitate idea exchange among industry stakeholders. As part of our commitment to providing complete risk management advice from an insurance viewpoint, our insurance brokerage services also organised two online seminars for ship owners regarding hull insurance and protection & indemnity insurance.

In 2022, employees in our insurance brokerage services learnt "Customer Service from Aranya". During the course of the activity, which began at the end of March and lasted for more than five months, various exchange meetings were held to share reading experiences. The learning outcomes were demonstrated through presentations in which the participants combined their unique skills and professional knowledge. The participants shared their insights and experiences in learning the Aranya's customer service spirit, continuously improving service quality through continuous learning, and truly achieving the goal of "sincere service, reliable protection".



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7.3.2 Customer Privacy

The Group emphasises the value of protecting customer privacy in all corporate activities while strictly adhering to all relevant local, national, and international laws and regulations, including the “Personal Data (Privacy) Ordinance” in Hong Kong. Moreover, Jotun COSCO complies with the “European Union (EU) General Data Protection Regulation (GDPR)”. The “Binding Corporate Rules (BCR)” is also in place to require adherence to the same privacy protection scheme by employees.

We have implemented a variety of internal procedures to safeguard the confidentiality of information and prevent the disclosure of sensitive stakeholder data in strict accordance with international legal requirements. In our strategy for disseminating information, the “Information Management Method” upholds the four fundamental values — “Truth, Accuracy, Completeness and Timeliness” — in our approach of information dissemination. We formed the “Administrative Measures on the Protection of Trade Secrets” in accordance with the “People’s Republic of China’s Anti-Unfair Competition Law”, the “Interim Provisions on the Protection of Trade Secrets of Central Enterprises” published by the State-owned Assets Supervision and Administration Commission of the State Council, and the “Administrative Measures on the Protection of Trade Secrets of China COSCO Shipping Corporation Limited”. We have implemented “Staff Management Measures” to prevent the disclosure of customer data and agreements for strategic collaboration to any other parties.

To enhance our employees’ awareness of data privacy and protection, COSCO Kansai Companies hosted a training on Network and Information Security Protection. The training focused on providing employees with knowledge and skills related to protecting the security of networks and information systems. This included topics such as identifying and preventing cyber threats, safeguarding sensitive data, and sharing of recommended best practices. The goal of the training is to equip employees with sufficient knowledge to safeguard the sensitive data of the Group, our customers and other business partners.

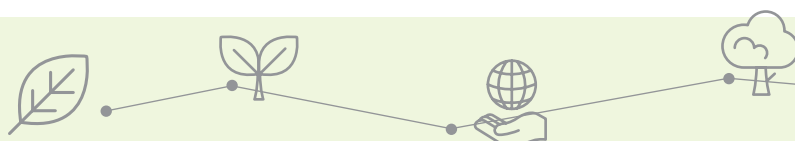
During the reporting period, no complaints involving invasions of consumer privacy or loss of customer data were made.

7.4 Anti-Corruption

7.4.1 Anti-Corruption Policy

The Group has zero tolerance for corruption and bribery in any form. We comply strictly to 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”. Due to the significance of business ethics and anti-corruption, components relating to business ethics and a code of conduct have been included into the Group’s risk management framework and have been closely monitored.

The Group set up the “Professional Ethics and Code of Conduct for the Staff of COSCO SHIPPING International” (the “Code”) to require employees to recognise and abide by the aforementioned principles in order to maintain high levels of integrity and morality. We also provide instructions on how employees should behave in certain situations that they may experience. The Code specifically states that no employee shall use their position of authority to engage in bribery or to receive improper benefits, to take advantage of any business opportunities presented by the Group, to use any assets of the Company for personal gain, or to engage in any other conduct that could jeopardise the interests of the Group. Besides that, employees are required to preserve long-lasting as well as trustworthy relationships with our clients, contractors, and suppliers. Personnel who violate the Code may face disciplinary action, up to and including termination of employment, for their actions. The Group should notify the appropriate authorities of any suspected regulatory or legal infractions and assist with ongoing investigations.



7.4.2 Whistleblowing Policy

The “Whistleblowing Policy” was established to lay out the specifics of the reporting channels for employees and those who deal with the Company to voice their concerns on any suspected corrupt behaviour anonymously. This was carried out to encourage probity, maintain transparency, and uphold accountability. The “Whistleblowing Policy” protects confidentiality by making sure that the identity of the whistleblower who make the accusation is not shared or accessible without permission. The Board is responsible for ensuring this policy is applied and enforced effectively and upholding a high corporate justice standard. Any effort to interfere with an inquiry is considered a serious disciplinary violation.

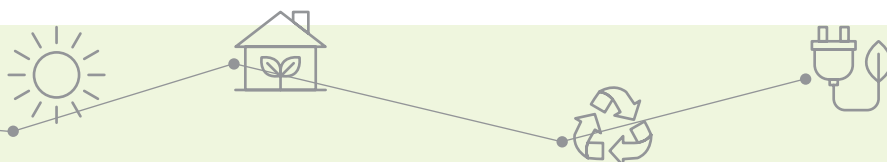
7.4.3 Anti-Corruption Supervision

The Group firmly prohibits all forms of corruption, including but not limited to accepting benefits and rebates from suppliers, collaborating with them to commit fraud, and forge sales volume. Under the tenet “whoever takes charge should be responsible (誰主管誰負責)”, managers in this situation shall be accountable while the individuals who engage in the aforementioned behaviours remain liable. If any benefit-transferring behaviour is discovered, we will conduct investigation including not just the liable personnel but also the whole business unit. Restrictive indicators on management transactions, risk and internal control, as well as other requirements on employee ethics and anti-corruption, are closely monitored and assessed in our business assessment guidelines in accordance with the “Measures for Managing Performance Examination of Companies under Direct Management”.

Dedicated divisions and several business units that oversee the application of anticorruption rules make significant efforts to stop any unethical business practices. The relevant concerns are supervised at the Group level by the Audit & Supervision Division of the Company’s headquarters. The Audit & Supervision Division also manages special affiliated businesses per the “Measures for Managing Special Affiliated Enterprises” using various means, including special examination, efficiency monitoring, and audit on a regular or irregular basis. Implementing anti-corruption programmes is the responsibility of each business unit’s representatives. While the Audit & Supervision Division is in charge of overseeing the inspection and assessment in relation to the implementation of practices, departments are responsible for directing their own suppliers to provide goods and services in compliance with the Group’s procurement and supply chain management policies. In addition, it is the subsidiaries’ responsibility to notify the Audit & Supervision Division of violations of company policy by employees.

Our goal is to increase staff understanding of ethical business practices. For this reason, departments and subsidiaries conduct an annual employee self-evaluation survey that looks at a variety of topics related to the Code, including integrity and fairness, accepting and disclosing interests, conflicts of interest, handling confidential information and company property, and relationships with clients, suppliers, and contractors. More than 850 person-time of the self-evaluation survey were completed during the reporting period.

The Group complies with all applicable standards, laws, and ordinances throughout the reporting period. The Group was not the subject of any legal action for engaging in corrupt conduct.



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7.4.4 Anti-Corruption Training

Anti-Corruption Training is unquestionably the most essential preventative approach for enhancing employee anti-corruption understanding.

Anti-bribery and Integrity Training

Our employees of COSCO SHIPPING International received anti-bribery and integrity training delivered by the Hong Kong Independent Commission Against Corruption (ICAC) in October 2022. 64 employees, including top management, participated in this training. Provided with sampled situations and fruitful contents, employees understand the importance of corporate probity, business ethics and integrity, and the “Prevention of Bribery Ordinance”, and they will continue to uphold the highest standard of ethics in their respective positions.

Anti-Corruption Seminar for COSCO Kansai Companies

In September 2022, COSCO Kansai Companies also conducted a training seminar on anti-corruption. With lecturing and educational videos, we aim to raise the awareness of bribery in workplace and the ethical standards of employees. 85 employees participated in this training seminar.

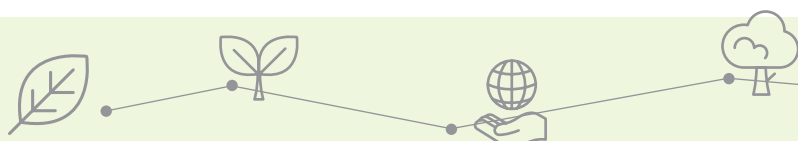
8. COMMUNITY INVESTMENT

We are dedicated to supporting and making investments in the growth and improvement of the communities in which we operate. The Group’s “Donation Policy” was developed in 2014 to address the interests and local requirements of each community. The policy outlines our strategies for partnering with regional NGOs and charity organisations as well as how our philanthropic initiatives are managed. The policy includes details on the yearly charity donation budgets as well as precise criteria for deciding the scope and methodology of community investment or donation activities.

We formed volunteer teams and engaged staff members who are passionate about supporting local charities to join us in providing compassion and care to those in need. We provided volunteers with a half-day holiday or a one-day paid vacation when they contributed more than 2 but less than 4 hours or 4 or more hours on the event day, respectively, to encourage their active engagement and show our appreciation for their continued support and enthusiasm.

8.1 Contribution to Community

The team’s slogan, “Our Passion to Serve”, underlines the Group’s commitment to investing in the community via participation in different volunteer projects. In order to maximise the Group’s time and resource contributions to the community, the Group also reviews its community investment plans on a regular basis. Our contributions to the community were primarily concentrated on five key areas: charity giving, environmental protection, education, helping the underprivileged, and community support.



8.1.1 Charitable Donation

The table below lists the specific organisations to whom we made direct donations during the reporting period in order to benefit the neighbourhood:

Charitable Organisations	Donation Amount (HK\$)
Sowers Action	\$142,000
The Neighbourhood Advice-Action Council	\$23,000
UNICEF Hong Kong	\$50,000
World Wide Fund For Nature Hong Kong ("WWF")	\$50,000
Total donations	\$265,000

8.1.2 Environmental Conservation

As a shipping services provider, we are aware that the sea and beyond are where our main environmental obligations lie. We are aware of the rising social concerns about environmental problems, including marine pollution. We are thus committed to reducing the negative effects caused by human activity.

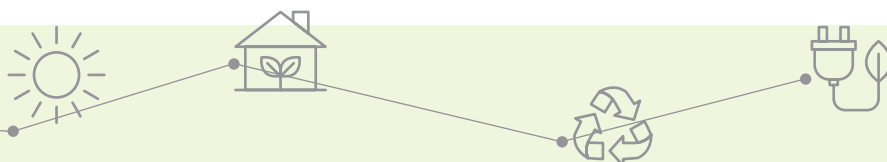
By contributing HK\$50,000 this year, we kept up our support for WWF's worthwhile work and upgraded to Silver membership. The Company is dedicated to working with WWF and supporting its environmental preservation programmes as part of the Corporate Membership Programme to make Hong Kong become a more sustainable city. A donation was also made to the Shanghai Roots and Shoots Million Tree Planting Program in order to encourage the development of a sustainable environment in Shanghai.

Apart from the donations, we also organised exchange events to promote the importance of environmental protection and conservation. In June, Jotun COSCO launched an exchange activity on Environmental Day, to support World Environment Day with the national theme of "Work Together to Build a Clean and Beautiful World" ("共建清潔美麗世界"). Employees in the group could discuss recent environmental issues and share their thoughts regarding environmental protection. As a shipping services company, we aspire to raise the public's awareness on environmental conservation and waste reduction.

8.1.3 Education

Young people will be the backbone of our society in the future, and the Group believes everyone should have equitable educational opportunities. Through inspiring individuals and cultivating future talents, we continue investing in youth education and development, which is critical in empowering future generations.

This year, Jotun COSCO also donated a total of RMB120,000 to "Jotun COSCO Chunlei Class" in a junior secondary school to provide impoverished students with quality education. Moreover, to spread the love and care to the Chunlei Class students, our dedicated employees and their children wrote postcards to express their wishes to the students. Several of our employees provided sporting goods to students, encouraging them to lead a more balanced and healthier life outside of the classroom, while others visited Chunlei Class and encouraged students to study hard and contribute to society in the future. These warm and supportive resources will help our Chunlei Class students to have a more fulfilling life that is conducive to their future success.



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8.1.4 Assistance to the Elderlies and Underprivileged Children

We value each person's individuality and recognise that each person has distinct challenges in his daily life. In light of this, we are dedicated to promoting greater social inclusion and integration to the community, by collaborating closely with local NGOs and mobilising our resources to meet a range of community needs.

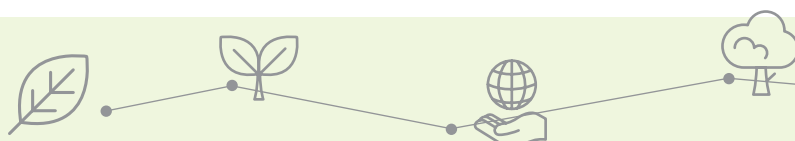
During the year, the Group partnered with the Neighbourhood Advice-Action Council to organise a series of community events:

Care to Elderlies

- One of the signature events was the "Expressive Art Workshop" with 35 elderly participants who live alone in Sham Shui Po. The workshop consisted of two parts. The first part was a sensory expression art in which the elderly participated in interactive games such as language senses, music, and physical movements to express their feelings. The second part of the workshop was the artistic creation of an "Origami Boat", which the participants folded small paper boats and equipped them with different materials based on their imagination.

Several elderly participants described their boat as a yacht and imagined swimming in Sai Kung's clear waters, while some described their boat as a large cruise ship that they imagined themselves traveling all over the world. Through this workshop, the elderly expressed their emotions, while broadening their social circles at the same time.

- Made donation to the "West Kowloon and the Peak Cultural Tour with the Elderly" event with to promote outdoor activities for seniors. 56 elderly people to experience the newly renovated cable car, visit Victoria Peak, and explore the West Kowloon Cultural District, which enabled them to stretch their bodies and enjoy the beautiful views of Hong Kong.
- In September, we subsidised the Neighborhood Advice-Action Council by distributing materials to the elderly during Mid-Autumn Festival. Through this subsidy, we hope the elderly enjoy this great festival with their families with happiness and warmth.



Support to Underprivileged Children

Apart from caring the elderly in the community, we also donated HK\$50,000 to UNICEF Hong Kong this year to support children's rights and welfare. Our contribution will aid UNICEF's efforts to ensure that children have improved access to clean water, get a high-quality education, be free from exploitation or violence and preventable diseases. Children will be the main pillar of society in the future, thus they should all receive equal care and opportunities. In the future, we will continue to contribute more in safeguarding underprivileged children.

9. AWARDS AND RECOGNITIONS

Sustainability remained a top priority for the Group, and received recognitions and rewards from various market-related parties makes us pleased and gratified.

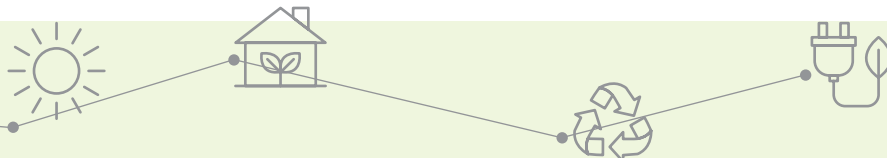
Honoured with the 15 Years Plus Caring Company Logo

The Group has been given the "15 Years Plus Caring Company Logo" awarded by Hong Kong Council of Social Service (HKCSS) for the 1st time in recognition of our efforts and dedication to caring for the community, our employees, the environment, and society for 15 consecutive years. Since 2008, the Group has been rewarded the "caring company" logo for 15 consecutive years, highlighted our perseverance in participating in charity activities and is recognised by the public.



Outstanding Human Resource Management Award for 2022

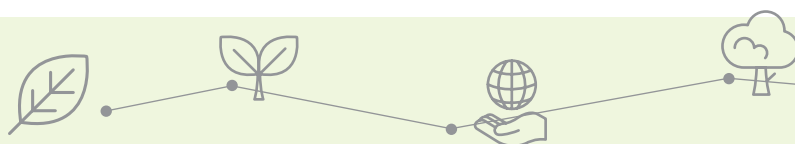
With the goal of promoting and advancing the development of human resource management, Jotun COSCO has once again been awarded the "Outstanding Human Resource Management Award" by 51Job, one of the leading human resource service companies in China. As part of its commitment to human resource management, Jotun COSCO will continue to build a diverse and inclusive culture, cultivate talent, actively fulfil its social responsibility, build its employer brand, and enhance the development of its employees, resulting in a win-win situation for both the Company and its employees.



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PERFORMANCE DATA SUMMARY – ENVIRONMENTAL

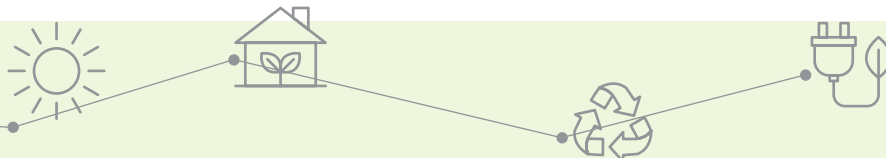
	Unit [#]	2022	2021	2020
GHG Emission				
Scope 1				
Total emissions ^{Note 1}	Metric tonnes	470	600	710
Petrol		70	74	71
Diesel ^{Note 2}		117	172	177
Natural gas ^{Note 3}		283	354	462
Scope 2				
Total emissions	Metric tonnes	3,970	5,423	5,218
Electricity ^{Note 2}		3,970	5,423	5,218
Scope 3				
Total emissions ^{Note 2, 6}	Metric tonnes	202	374	347
Business travel ^{Note 4}		105	225	191
Paper consumption ^{Note 5, 6}		97	149	156
Total GHG emissions ^{Note 6}				
Scope 1, 2 and 3 ^{Note 2}	Metric tonnes	4,642	6,397	6,275
GHG emissions per m ² of floor area (Scope 1, 2 and 3)	Metric tonnes/m ²	0.10	0.14	0.14
GHG emissions per employee (Scope 1, 2 and 3)	Metric tonnes/employee	5.52	7.55	7.53
Air Emission				
VOCs and Benzene	Metric tonnes	4.14	3.98	3.91
Toluene		0.25	0.44	0.53
Xylene		0.33	0.49	0.65
Particulate matter		0.20	0.14	2.31
Other exhaust gas emission ^{Note 7}		0.36	0.48	0.1
Energy Consumption				
Indirect energy consumption				
Electricity consumption ^{Note 2}	kWh	4,897,969	6,647,174	6,409,646
Electricity consumption intensity per m ² of floor area	kWh/m ²	106.92	145.11	142.60
Electricity consumption intensity per employee	kWh/employee	5,803.28	7,847.90	7,694.65
Direct energy consumption				
Diesel ^{Note 2}	Litre	44,342	66,545	66,620
Petrol		25,752	27,082	26,060
Natural gas	cubic meter	131,091	163,606	213,273
Water Consumption				
Total water consumption ^{Note 8}	Metric tonnes	33,971	41,806	41,463
Water consumption intensity	Metric tonnes/m ²	0.93	1.14	1.14



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	Unit [#]	2022	2021	2020
Waste Management				
Solid wastes (hazardous)	Metric tonnes	1,063	1,464	1,439
Solid wastes (non-hazardous)		212.2	261.4	246.4
Wastewater				
Wastewater	Metric tonnes	16,626	21,520	23,726
Packaging Materials				
Coating package materials ^{Note 2}	Metric tonnes	4,205	6,902	5,442

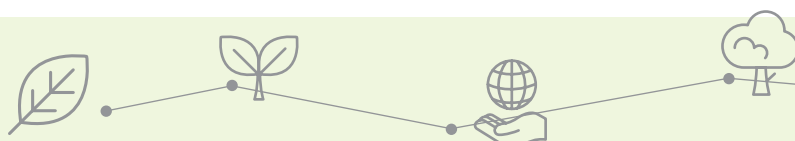
1. The emission factors of Scope 1 GHG emissions applied as provided within "Appendix 2: Reporting Guidance on Environmental KPIs" of HKEX.
2. Since the production volume of COSCO Kansai Companies reduced in FY22, the amount has decreased considerably compared to FY21.
3. The GHG emission contributed by natural gas was reduced significantly in FY22 due to the maintenance of RTO equipment in COSCO Kansai Companies.
4. The emission of Scope 3 GHG emissions contributed by business travel is calculated by ICAO Carbon Emissions Calculator provided by International Civil Aviation Organization.
5. The emission factor of paper consumption in Scope 3 GHG emissions applied as provided within "Appendix 2: Reporting Guidance on Environmental KPIs" of HKEX.
6. To provide a more comparable and accurate reflection of air pollutant emission generated from the paper consumption, the figures in FY20 have been restated.
7. The FY20 figure for "Other exhaust gas emission" was restated as the disclosed emission figure of 3.91 included emission of "VOC and Benzene".
8. The members of the Group had their water supply controlled by their respective property management offices who did not provide sub-meters for the units that they occupied. Thus, the data relating to water consumption and intensity in 2022 only covers COSCO Kansai Companies.



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PERFORMANCE DATA SUMMARY – SOCIAL

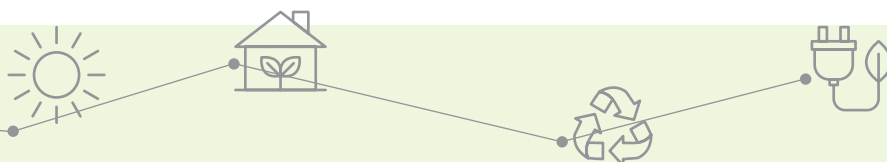
	Unit	2022	2021	2020
Total Workforce				
Employee	number	851	847	833
Employee by employment type				
Full-time (Permanent)		850	827	833
Contract or short-term employment	number	1	20	Nil
Employee by Gender				
Male		629	636	616
Female	number	222	211	217
Employee by Region				
Hong Kong		179	176	185
Mainland China	number	642	639	611
Overseas		30	32	37
Employee by Age Group				
Below or equal to 30		55	51	58
31 to 50	number	606	597	598
Over 50		190	199	177
Overall Turnover Rate of Employee				
Turnover rate	%	4	9	12
Turnover Rate by Gender				
Male		5	8	9
Female	%	4	10	15
Turnover Rate by Region				
Hong Kong		3	15	6
Mainland China	%	5	7	13
Overseas		7	6	3
Turnover Rate by Age Group				
Below or equal to 30		7	31	17
31 to 50	%	4	8	8
Over 50		4	5	18



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	Unit	2022	2021	2020
Employee Development and Training				
Total training hours received	hours	86,342	11,449	12,254
Percentage of workforce trained by Gender ^{Note 9}				
Male		96	82	84
Female	%	94	86	96
Percentage of workforce trained by Employment Category ^{Note 9}				
Senior Management		89	75	86
Middle-level Management	%	93	91	94
General Employee		99	81	85
Average training hours by Gender				
Male	hours	107	15	15
Female		81	19	14
Average training hours by Employment Category				
Senior Management		144	23	23
Middle-level Management	hours	127	19	16
General Employee		91	15	14
Supply Chain Management				
Total number of suppliers	number	1,613	1,606	1,568
Number of suppliers by geographical region				
Mainland China		823	797	766
Hong Kong	number	247	243	245
Other Countries		543	566	557
Employee Health and Safety				
Work-related fatalities (person)	number	Nil	Nil	Nil
Work injury cases (case)	number	Nil	1	Nil
Lost days due to work injury	day	Nil	84	Nil
		2022	2021	2020
Community Investment				
Corporate charitable donations & sponsorships (HK\$)		\$265,000	\$263,000	\$269,000
Volunteer Participation				
Participants		28	121	91
Service hours		168	712	546
Beneficiaries				
Number of beneficiaries		124	251	177

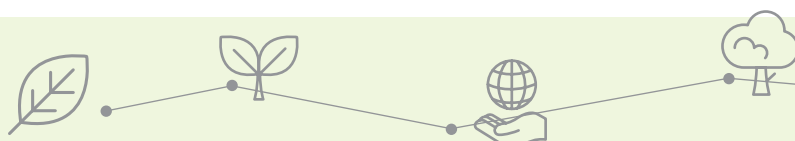
9. Employee training rate by category (in percentage) = number of employees trained in the category/total workforce of the category at the end of the reporting period x 100%



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APPENDIX III: HKEX ESG REPORTING GUIDE INDEX

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