

# Environmental, Social and Governance Report

## 1. ABOUT THIS REPORT

### 1.1 Scope of Disclosure

This report sets out the impacts of principal activities of COSCO SHIPPING International (Hong Kong) Co., Ltd. (“COSCO SHIPPING International” or the “Company”) and its subsidiaries (the “Group”) on the environment, social and governance (“ESG”). The disclosure addresses issues related to the Company’s sustainability reported in terms of materiality, quantification, balance and consistency, and takes into account of the impact on stakeholders and the disclosure level of related issues.

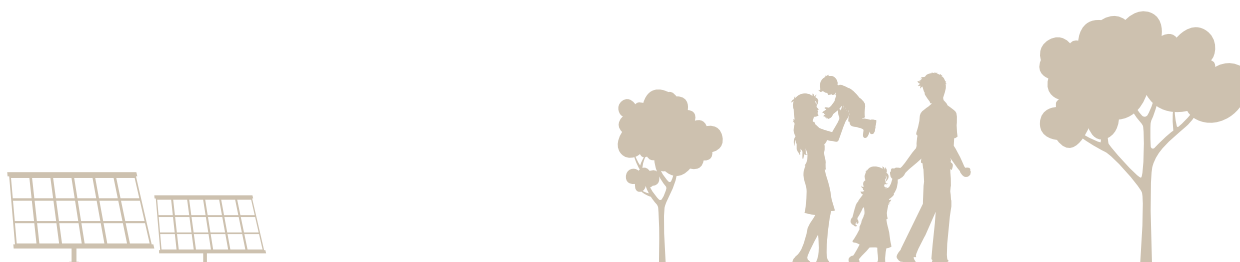
This report covers the main business segments of the Group, including ship trading agency services, marine insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and general trading services. The general disclosure of this report includes the above business segments, and the company scope covered by the key performance indicators includes all subsidiaries and presents the data in aggregate. In particular, certain key performance indicators of the production of marine coatings and container coatings have higher materiality. This report focuses on the operations of the headquarters and the business units of the core business of shipping services, especially coating productions.

### 1.2 Reporting Period

Unless otherwise stated, this report describes the performance and measures of the Group’s sustainable development from the period between 1st January 2019 and 31st December 2019.

### 1.3 Reference to ESG Reporting Guide of the Stock Exchange

This report aims to review the performance and achievements of COSCO SHIPPING International’s implementation of sustainable development strategies in 2019 and is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This report complies with the “comply or explain” provisions and reports on all recommended disclosures of the Guide. This report covers the quality of the work environment, environmental protection, operational practices and community involvement, such as improving the efficiency of natural resources used, reducing the air emissions and environmental impacts, strengthening the safety culture, awareness of employees safety and environmental risks. The Group actively creates a sustainable operating environment, builds a solid foundation for enhancing long-term shareholder returns, and strives to pay back our communities where we operate, as well as fulfils our corporate social responsibilities.



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## 2. PHILOSOPHY AND POLICIES OF CORPORATE SUSTAINABLE DEVELOPMENT

### 2.1 Environmental, Social and Governance Management Strategies

In response to the consultation conclusions on “Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules” published in December 2019 by the Stock Exchange, the Group emphasised the responsibilities of the Board.

The Board is responsible for and delegating the Group’s management to timely discuss environmental, social and governance issues and review the governance codes to enable the Group to keep abreast of and comply with the latest regulatory requirements in prior to the approval of this report. This system monitors the management to design, implement and continuously monitor risk management and internal control systems and to assure the suitability and effectiveness of the relevant systems and to assure timely implementation of the Group’s sustainable development measures, the accuracy and reliability of the data presented.

### 2.2 Our Sustainability Management Policies

The Company’s sustainable management strategies are developed in considerations of ESG factors upon our daily operations. Our policies respond to corresponding business models and segments. At the same time, the production segments and office operations are assessed individually for sustainability risks. We will continue to monitor and review the management and policies to stay in line with the market trend, evolving business landscape and regulatory supervision.

Our environmental protection policies strictly complied with the Environmental Management System Certification’s management measures established by the International Organisation for Standardization (“ISO”). Our coatings production and sale segments, COSCO Kansai Companies and Jotun COSCO have implemented efficient waste reduction measures and energy-saving and emission reduction technologies to mitigate the impacts on environmental and community from our daily production and operations.

The Group strive to transform through constant innovation on green products to fulfil the stringent regulations and market demand for the environmentally-friendly coatings. During the year, the Company participated in the solicitation opinion of national standard “Technical requirement for low volatile organic compound content coating product (國家標準低揮發性有機化合物含量塗料產品技術要求的徵求意見)”, which will help to promote volatile organic compounds (“VOCs”) emission reduction, technological innovation and guide the coating industry to healthy and orderly development.

We seek accreditation where relevant to help us minimise the impacts on our corporate operations on occupational health and safety (“OHS”) management and to drive improvements. The Group is certified the Quality Management System Certification (ISO9001), Occupational Health and Safety Management System Certification (OHSAS18001) and Environmental Management System Certification (ISO14001). To enhance the current healthy, safe and stable working environment, our Safety Committee is also present to monitor safety risk of our daily operations, management system in order to issue work reports for relevant measures.



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## 3. DETERMINATION OF MATERIALITY

### 3.1 Stakeholder Engagement

We value opinions from all of our stakeholder groups and use comprehensive channels to engage with them as well as receive their feedbacks. Their feedbacks are fundamental to our success as they help us drive our sustainability strategies and initiatives. We identify stakeholders as groups that have an impact or have the potential to be impacted by our business, as well as those external organisations that have expertise in aspects that we consider material. Meanwhile, the materiality can have an immediate or future impact on our value creation, and hence our business performance over time.

Communication channels with stakeholders at our daily operations are identified as follow:

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



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## 3.2 Process and Approaches of Stakeholder Engagement

To identify the relevant ESG material issues, we commissioned external professional consultants to carry out a stakeholder engagement and materiality assessment via questionnaires and telephone interviews in 2019. We engaged with both internal and external stakeholders (including the Group’s employees, management, government agencies, industry associations, suppliers, contractors, shareholders and investors and NGOs). The process allowed us to understand the perspectives and expectations from our stakeholders and our sustainability performance which subsequently determined the material aspects as well as the scope and boundaries of the Report.

To recognise material issues our society and customers face, we continually pursue sustainable development of society and the Company through dialogue with and proactive information disclosure to our stakeholders. While reinforcing the Group’s management level of sustainable development, we take into consideration of evolving business landscape, emerging global and domestic trends, regulatory development, as well as stakeholder expectations to keep ourselves abreast with the industry.

## 3.3 Materiality Assessment

We have further reviewed and discussed our ESG material issues based on the previous stakeholder engagement result and due to stable diverse business nature and operation, we have prolonged our materiality assessment cycle where the materiality issues remain unchanged in financial year 2019. The 26 ESG topics identified from the stakeholder engagement covers corporate governance, resource management, employee benefits and policies, customer services and product liability, supply chain management, business ethics and social welfare. The following materiality matrix and the list summarize the material issues and their boundaries.

2019 Materiality Matrix of ESG Topics of COSCO SHIPPING International



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

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## 4. PROTECTING OUR ENVIRONMENT

The Group recognises its role as a responsible business to minimise the negative impacts of our operations on the environment by promoting green and healthy shipping industry to achieve long-term sustainability. In many cases, we go above and beyond legal compliance, we translate our effort to be more proactive on emission and energy reduction optimisation of resource use and preservation of marine biodiversity. We also leverage technological advances and innovative solutions to provide environmentally-friendly products and strive to develop a corporate culture of sustainability through a series of employee environmental awareness training.

To stay on par with international requirements, the Group implemented an environmental management system and environmental policies in line with the requirements of ISO14001. In 2019, Jotun COSCO acquired ISO14001 certification for its environmental management system. Coupling with our internal risk control and management framework, we identify environmental risks arising from our daily operation and adopt a top-down management approach to manage our environmental impact in every corner of our business. Under the Group's guidance, our subsidiaries also develop their own environmental management plans in alignment with the Group's environmental management framework to continuously improve their environmental performance. To affirm our commitment to sustainable development, we invited a third-party verification institution to conduct an independent audit on our environmental performance on wastewater, exhaust gas and noise aspects. We also set ambitious environmental protection targets internally every year with diverse focuses including waste management, noise, wastewater etc. to closely monitor our environmental progress at regular intervals.

2019 Environmental Protection Targets	Progress
Waste disposed rate: 100%	100% of waste disposed rate
Environmental pollution accident: Nil	Zero environmental pollution accident
Stakeholder complaint rate: <1%	0% stakeholder complaint rate

In response to potential environmental accidents, COSCO Kansai Companies has established an "Environmental Emergency Response Plan (環境應急預案)" and set up emergency units with defined responsibilities. It also organised regular safety drills for relevant departments to improve our preparedness of environmental accidents.

The Group strictly abides with the relevant environmental laws and regulations, such as the "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法)", the "Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法)", the "Law of the People's Republic of China on the Promotion of Clean Production (中華人民共和國清潔生產促進法)", the "Law of the People's Republic of China on Environmental Impact Assessment (中華人民共和國環境影響評價法)", the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法)", the "Law of the People's Republic of China on the Prevention and Control of Pollution by Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法)" and the "Environmental Protection Tax Law of the People's Republic of China (中華人民共和國環境保護稅法)" as well as a range of local rules and standards in relation to prevention and control of environmental pollution by discarded dangerous chemicals, standards of air pollutants and integrated wastewater discharge standards in all locations it operates.

In 2019, there was no case of non-compliance concerning our operating practices.

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## 4.1 Green Initiatives in Operation

The Group considers environmental aspects in decisions and daily activities and make every effort to minimize the environmental impact through holistic management approaches, substantial resources invested in emissions control, responsible use of energy and waste management, and supporting our consumers' efforts to mitigate the environmental burden.

### 4.1.1 Air Emission Reduction

The major air emission originated from the coating production are VOCs such as benzene, toluene and xylene volatiles and particulate matters, which attributable to air pollution and environmental health risk. We are determined to control VOCs emission in the production process by a variety of practices such as promoting water-based coatings, selecting high-quality raw materials, employing sophisticated production techniques, and adopting well-developed an emission control system.

Apart from further upscaled its water-based coating production line, COSCO Kansai Companies were equipped with multiple exhaust gas after-treatment facilities to achieve more systematic emission control. For exhaust gas in coating workshop, we introduced bag type dust collectors and integrated exhaust gas treatment equipment with spray remove dust, primary and medium filter, zeolite runner and catalytic oxidation features to effectively remove VOCs and particulate matters from exhaust gas, working together with confined production system with all completely closed workshop entrances and a dedicated forklift induction automatic access control system. While exhaust gas from laboratories is captured by our activated carbon absorbers to ensure that our VOCs emission level fulfils the requirements in "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)".

Meanwhile, both COSCO Kansai Companies and Jotun COSCO employed regenerative thermal oxidizers (RTO) technology, further decomposing exhaust gas before emission with a combustion efficiency of above 97% to achieve a purification degree of 99.5%.

To support the government initiatives of "Three-Year Action Plan to Win the Blue Sky Defence War", we formulated our VOCs emission management plan with clear timelines under the guidance of local environmental protection department and the evaluation by relevant experts. We also follow the government instructions to implement appropriate emission control measures under different weather alerts. At the same time, the plants receive supervision and inspection by government agencies from time to time to ensure our compliance with legal and regulatory requirements on environmental protection emissions.



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## 4.1.2 Waste management

COSCO Kansai Companies formulated a hazardous waste management plan with defined responsibility to govern a proper treatment, disposal, and recycling of hazardous waste. We recycle and reuse materials in a manner that is safe to employee health and the environment, including residues from exhaust gas treatment, wastes from manufacturing workshops and R&D laboratories, cleaning solvents, chemical raw materials and their packaging, to minimise the amount of hazardous waste. In 2019, COSCO Kansai Companies and Jotun COSCO recycled and reused packaging drums of raw material and cleaning solvents and further optimize the use of raw materials in refined production models to effectively reduce hazardous wastes generated. COSCO Kansai Companies also established a specific on-site warehouse with anti-seepage and corrosion prevention design for temporary and classified storage of hazardous waste and it assigns designated staff to carry out the daily management and regular waste counting. The hazardous waste is then disposed of through government qualified service agencies. The entire waste management process is monitored by the Safety Management Department with reference to relevant regulations. During the year, we hosted various waste management training to enhance employee awareness and competency of hazardous wastes handling.

## 4.1.3 Resources Conservation

The Group manages our use of resources to ensure we are resource-efficient in a sustainable manner. In our coating manufacturing business, we strive to increase our energy efficiency by means of increasing adoption of energy-saving technologies, phasing out of energy-inefficient electric machinery and making available to all employees training on energy conservation. COSCO Kansai Companies formulated “Energy Resource Conservation Control Procedure (能源資源節約控制程序)” to set out requirements for the use of resources such as water, electricity and steam in the production process and details of rewards and accountability system as a means to facilitate more effective use of these valuable resources. To promote the use of clean energy, Jotun COSCO introduces machinery driven by renewable energy such as solar energy and wind energy to gradually replace electrical equipment.

Our non-production businesses are committed to pursuing green office practices through energy and water and paper saving measures. To prevent the excessive consumption of electricity, the companies regulate air conditioners to maintain optimal temperature and conduct regular inspection to turn off unused electrical appliances to lower energy consumption. The Group also promotes green commuting by encouraging employees to use public transport, reinforcing business travel management, and maintain a record on vehicle fuel consumption. Besides, educational posters are posted on conspicuous spots to deliver the message of resources conservation to improve the environmental awareness of employees. All these efforts further improved the operational performance of the Group. During the reporting period, we have consumed 80,805 litre of diesel (2018: 72,304 litre), 45,271 litre of petrol (2018: 50,427 litre) and 108,863 cubic metre of natural gas (2018: 42,413 cubic metre) respectively.

## 4.1.4 Wastewater Management

Although our business generated limited wastewater in manufacturing operations, we consider proper discharge of wastewater as a material issue given water is a scarce resource.

Our coating plants will continue to recycle and reuse the wastewater to reduce the amount of freshwater consumption and wastewater discharge. We conduct a quarterly wastewater analysis, monitor the wastewater discharge with reference to emission standard of wastewater in “Integrated Wastewater Discharge Standard (污水綜合排放標準)” and appoint qualified service agencies for proper treatment before discharging it back into the environment.

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

	Unit	2019	2018	2017
<b>Wastewater</b>				
Wastewater <sup>Note 1</sup>	metric tons	27,374	20,227	21,013
<b>Waste gas</b>				
Volatile Organic Compounds ("VOCs") and Benzene <sup>Note 2</sup>				
Toluene <sup>Note 2</sup>	metric tons	0.13	0.37	0.12
Xylene <sup>Note 2</sup>	metric tons	0.19	0.73	1.70
Particulate matter <sup>Note 2</sup>	metric tons	1.38	1.71	20.14
Other exhaust gas emission	metric tons	0	0	2.4
<b>Wastes</b>				
Solid wastes (Hazardous)	metric tons	1,484	1,332	1,420
Solid wastes (Non-hazardous)	metric tons	277.5	274.9	363.2
<b>Package materials</b>				
Coating package materials <sup>Note 1</sup>	metric tons	5,100	4,014	5,036

Notes:

1. The increase in production quantity in 2019 resulting from the increase in corresponding emission.
2. In 2019, we strengthened our confined production system and integrated exhaust gas treatment equipment to remove emission from exhaust gas generated in production process, which resulted in a decrease in VOCs, Toluene, Xylene and Particulate matter emission as compared with that of 2018.





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## Greenhouse gas (“GHG”) emissions data of the Group

	Unit <sup>#</sup>	2019	2018	2017
<b>Scope 1</b>				
Total emissions	metric tons	572.07	419.84	311.63
Petrol	metric tons	122.59	136.55	103.65
Diesel	metric tons	214.10	191.58	207.98
Natural gas <sup>Note 1</sup>	metric tons	235.38	91.71	N/A
<b>Scope 2</b>				
Total emissions <sup>Note 2</sup>	metric tons	5,457	5,206	3,858
Electricity	metric tons	5,457	5,206	3,858
<b>Scope 3</b>				
Total emissions <sup>Note 3</sup>	metric tons	597.10	625.27	419.31
Business travel	metric tons	336.11	290.57	251.85
Paper consumption	metric tons	260.99	334.70	167.46
<b>Total GHG</b>				
Total GHG emissions (Scopes 1, 2 and 3)	metric tons	6,626	6,251	4,589
GHG emissions per m <sup>2</sup> of floor area (Scopes 1, 2 and 3)	metric tons/m <sup>2</sup>	0.15	0.14	0.15
GHG emissions per employee (Scopes 1, 2 and 3)	metric tons/employee	7.35	7.14	5.42

<sup>#</sup> GHG emissions data are presented in carbon dioxide equivalent.

Notes:

- The regenerative thermal oxidizers (RTO) device with the use of natural gas in COSCO Kansai (Zhuhai) plant was officially put in operation in 2019, which resulted in an increase in natural gas consumption and corresponding greenhouse gas emission.
- The office of 北京中遠海運船舶貿易有限公司 (Beijing COSCO SHIPPING Ship Trading Company Limited\*) (“Beijing COSCO SHIPPING Ship Trading”), had its power supply controlled by the local property management office who did not provide sub-meters for the units occupied. Hence, the emissions data relating to electricity does not include Beijing COSCO SHIPPING Ship Trading.
- The emissions data relating to business travel excludes the business travel of management nominated by Japanese shareholder of COSCO Kansai Companies.

## Energy Consumption of the Group

	Unit	2019	2018	2017
<b>Energy consumption</b>				
Total electricity consumption <sup>Note 1</sup>	kWh	6,437,058	6,124,244	4,620,545
Electricity consumption density per m <sup>2</sup> of floor area	kWh/m <sup>2</sup>	143.44	136.84	154.74
Electricity consumption density per employee	kWh/employee	7,144.35	6,991.15	5,676.35
<b>Water consumption</b>				
Total water consumption <sup>Note 2</sup>	metric tons	37,707	27,523	43,303
Water consumption density per m <sup>2</sup> of floor area	metric tons/m <sup>2</sup>	1.03	0.73	1.82

Notes:

- The office of Beijing COSCO SHIPPING Ship Trading had its power supply controlled by the local property management office or proprietors who did not provide sub-meters for the units occupied. Hence, the data relating to energy consumption does not include Beijing COSCO SHIPPING Ship Trading.
- The increase in total water consumption resulting from the increase in production quantity in 2019 and water supply in members of the Group was controlled by their respective property management offices who did not provide sub-meters for the units that the members occupied. Hence, the reporting on water consumption amount and density in 2019 only covers COSCO Kansai Companies.

\* for identification purposes only

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## 4.2 Protect Biodiversity and Marine Environment

Biofouling is being considered as a critical challenge for causing extra marine fuel consumption, Jotun COSCO has been devoting itself to improve its energy-saving and low-consumption green hydrolysing antifouling coatings — Sea Quantum, which containing no biocides or metal toxins with solvent-free and low VOCs materials. Being recognised as the leading green anti-fouling coatings globally, Sea Quantum adopts advanced polymer technology and optimised formulation to performs excellent fouling protection up to 90 months but causing no negative impact on the marine ecosystem.

In compliance in Performance Standard for Protective Coatings (“PSPC”) by the International Maritime Organization (“IMO”) and the International Convention on the Control of Harmful Anti-fouling Systems on Ships (the “AFS Convention”), we provide time-free proof and material safety data sheet (MSDS) of our coating products, and also commission environmental testing agencies to conduct annual VOCs testing to assure that the products comply with requirement in the relevant safety standards.

By signing the “Responsibility for Prevention and Control of Soil Pollution (土壤污染防治責任書)” with the Government, COSCO Kansai Companies and Jotun COSCO continually seek help from qualified third parties in drafting corporate land use survey planning and ground-water quality testing in pursuance of minimising its impact on land use and ecosystem. In the interest of further controlling and preventing soil pollution caused by our business, Jotun COSCO has written a “JCMC Soil Self-Testing Scheme (中遠佐敦土壤自行監測方案)” to self-monitor diverse soil pollutants concerned by the soil pollution prevention responsibility.

## 4.3 Green Products and Services Innovation

By leveraging the Group’s prolonged presence in the market landscape, we are committed to offering sustainable solutions to ship owners with an aim to promote sustainable development in the shipping industry.

In addition to our success in environmental-friendly antifouling coatings, we also introduce Hull Performance Solutions (“HPS”) coupling with big data analysis and high-tech coating technology. The solutions combine state-of-the-art antifouling and application technologies to maximise hull performance. HPS is expected to deliver a 15% propulsion efficiency gain and a 8.5% fuel cost and GHG emission saving as compared to an average market alternative. In 2019, Jotun COSCO continued to put forth dedicated efforts in optimising HPS and provide hull performance reports under the ISO19030 standard for its customers on a regular basis.

Our marine insurance brokerage services offer environmental liability insurance and professional consultation to enhance ship owners awareness of distinct environmental issues and assist them in implementing relevant environmental policies. To support our customers to maximize their positive impact and commitment to sustainability, we also hosted different value-added customers training and seminars. We invited Protection and Indemnity Club and lawyers to organise seminars for ship owners to share more insight into international policy and industry best practices on low-sulphur fuel initiatives.



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## 5. ENSURING OUR HEALTH AND SAFETY

Employee safety and health is always the Group's highest priority. With this in mind, the Group strives to ensure a safe working environment with properly monitored manufacturing procedures to minimise workplace accidents. We as an investment holding company are tied with lower safety risk in daily operations while COSCO Kansai Companies and Jotun COSCO, engaging in coating products manufacturing in Mainland China, are associated with relatively significant safety concerns. To measure OHS performance, we review and update internal OHS targets annually. This year, we have successfully achieved all 2019 targets, namely zero significant fire accidents, traffic accidents, equipment accidents, work-related fatality, and occupational disease and annual work-related injury rate less than 5%.

As we acknowledge our responsibility in safeguarding a stable and safe production for stakeholders, beyond abiding compliance with the applicable safety laws and legislation such as the Law of the PRC on Prevention and Control of Occupational Diseases, the Production Safety Law of the PRC, and the Fire Protection Law of the PRC, the Group adopts a wide ranges of risk precaution and control measures to secure our production safety. An OHSAS18001 certified occupational health and safety management system is also in place at Jotun COSCO to confirm our alignment with international standard.

To achieve the common goal of workplace safety, the Group has formulated safety production and supervision management policies with a clear accountability system. Under the fundamental principles of "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, as well as Manufacturing 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)", all employees share responsibility of cultivating a safety workplace culture to improve behaviour and performance in the workplace while effectiveness of product safety is held accountable to respective divisions and managed by heads of safety production department and monitored by the Group's headquarters.

### 5.1 Safety Committee

With the dedicated mission of "Safety First, Precaution as Crucial and Consolidated Governance (安全第一、預防為主、綜合治理)", the Group set up the Safety Committee in 2006. The Committee comprises of the Company's major responsible officers, a director of the Company (responsible for safety production) as the head of the Safety Committee and the general managers from other divisions of the headoffice, such as human resources, finance & accounting and audit & supervision shall be the members of the Committee.

The primary responsibilities of the Safety Committee are:

- Overseeing the safety-related issues of the Group and formulating overall production safety plan and provide safe production guidance for the Group;
- Reviewing and defining Group-level annual goals of safe production, making recommendations on major production safety measures, and addressing significant production safety issues; and
- Overseeing and advising the Group on key progress in executing safety production plan developed by superior departments, the Safe Production Committee and its office.

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## 5.2 Production Safety Management

The Group believes that our robust production safety management brings along long-term business success. We are committed to promoting our long-term safety goal of “zero casualties” and establishing a more comprehensive safety management system.

### 5.2.1 Occupational Health and Safety

As a responsible employer, the Group is working to build a safety culture. Our primary goals include preventing workplace injuries, accidents during product manufacturing and disruptions at plants, as well as safeguarding the health of all employees in the workplace and during work-related activities. We adopted a series of measures, ranging from coating design, plant and warehouse management, production process, monitoring, inspection to emergency response policies, to demonstrate our strong commitment to protecting our employees.

COSCO Kansai Companies have formulated “Occupational Health and Safety Management Procedure” to direct proper OHS management procedures in various operating activities by corresponding policies specified with accountability of various department, ensuring the effective implementation of safety management. To detect and control OHS hazards at an early stage, they also regularly conduct OHS risk identification and evaluation for manufacturing processes and job positions at plants led by each department head. In the meantime, Jotun COSCO has formulated an OHS manual that identifies and assesses all potential OHS hazards and set out corresponding precautionary measures to prevent and control foreseeable workplace accidents. It also codifies an OHS risk control handbook that set out procedures and management measure to prevent employees from exposing to diverse OHS hazards in different working scenarios including chemicals, dust, noise, extreme temperature, hygiene and manual lifting.

In view of the frequent exposure to chemicals and toxic substance of our employees, apart from providing adequate personal protective equipment, we also introduce the “STOP” principle to minimise the risk of the adverse health effect of employees via four distinct aspects, namely Replacement, Engineering Control, Management Measures and Individual Protection.

 <b>Replacement</b> <ul style="list-style-type: none"><li>• Use substitute products with fewer harmful substances or material with low physical exposure risk. For instance, the powder is replaced with liquid or cream form of material</li><li>• Use less harm, lower-concentration liquid material</li></ul>	 <b>Engineering Control</b> <ul style="list-style-type: none"><li>• Give priority to confined operation</li><li>• The exposure sites are equipped with ventilation facilities and specify technical requirements in according with characteristics of substance</li></ul>
 <b>Management Measures</b> <ul style="list-style-type: none"><li>• Provide employees with training to better understand the risk associated with hazardous chemicals and its exposure</li><li>• Evaluate exposure level of chemical substance on a regular basis</li><li>• Offer risk-specific health assessment for employees in specific-job position</li></ul>	 <b>Individual Protection</b> <ul style="list-style-type: none"><li>• Provide appropriate personal protective equipment (“PPE”) based on the result of risk exposure and risk evaluation</li><li>• Ensure employees full compliance with PPE protection rules and requirements</li></ul>

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In addition to general health care, all employees particularly those engaging in job-position with higher OHS risk are provided with annual medical examination with specific assessment scopes according to the job-specific OHS risk identified for early detection of occupational and work-related diseases and injuries. Upon any abnormal examination result received, responsible departments will arrange a second medical examination for more refined health assessment. Moreover, new joiners and transferred employees are also required to undergo mandatory health check-up to identify if any relevant occupational contraindication before work onboard and post-employment medical examination is also provided for employees to leave their position.

To ensure our employees are fully aware of the potential OHS risks at work, we provide employees with a wide array of safety training, including fire safety, use of firefighting equipment, occupational hygiene, medical emergency, safety laws and regulations, accident cases sharing, hazardous chemical safety, special equipment safety, to equip them with necessary safety knowledge and skills.

We also inform our new joiner of relevant OHS hazards in writing before work onboard with a safety induction and present the OHS hazards measurement results on on-site notice board with the objective of enhancing the OHS awareness of our employees.

## 5.2.2 Safety Production

Our strong safety culture extends to all seasons, COSCO Kansai Companies appoint an internal safety investigation team, bringing professionals in relevant fields of expertise such as electrical, mechanical and operational, to conduct seasonal safety inspection to evaluate the impact of changing environmental conditions on workplace safety. Any safety hazards identified will be reported to relevant departments and ensure appropriate measures taken to improve its safety performance. Our senior management also conducts regular safety inspection at plants to convey the importance the Group attaches to OHS.

To avoid accidents and create a safe working environment, Jotun COSCO formulates chemical safety technical specification to provide detailed information of the chemical hazards, including possible harm to environmental and human, chemical exposure limit for emission such as xylene, ethylbenzene, and comprehensive control measures including engineering controls, personal protection and hygiene, to direct proper hazardous chemical and toxic substances handling. In addition, the specification also provides comprehensive guidance and emergency response plan on how to handle different potential accidents such as first-aid for chemical contact, fire protection, chemicals leakage and waste handling to perform a comprehensive management approach.

Furthermore, the specification stipulates the coating transportation requirements according to international standards such as International Maritime Dangerous Goods Code (“IMDG Code”) of the United Nations, International Air Transport Association (“IATA”) and International Maritime Organisation (“IMO”) to ensure the sealed containers are held upright and fixed.



# Environmental, Social and Governance Report

## 5.2.3 Inspection and Evaluation of Safety Management

The Group has launched the safety management self-assessment system (“SMSA”) for coating business companies to qualify the effectiveness of safety measures since 2012. The system considered the respective coating business nature and developed in accordance with the national safety technical specification of coating industry such as the “Production Safety Law of the People’s Republic of China (安全生產法)”, the “Regulation on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例)”, “General Norms for Safety Standardization of Hazardous Chemical Enterprises (危險化學品從業單位安全標準化通用規範)”, “Guidelines for Work Safety Standardization of Coating Enterprises (塗料生產企業安全標準化實施指南)” and “Safety Technical Specification of Coating Manufacturer (塗料生產企業安全技術規程)”.

The system monitors ten safety management aspects, namely 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.

The Group conducts biannual SMSA examination using the Likelihood Exposure Consequences (“LEC”) method for risks identification and evaluation of 150 items in the checklist. Given the full score of the assessment as 150, if the score of assessment falls below 90, it will be deemed as disqualified, 90-105 as qualified, 106-135 as good and 135 and above as excellent. The system supports the multiple scorers and the average score will be taken as the final score of the assessment. In case of any potential hazards identified during inspection, the responsible departments are required to formulate remediation or corrective measures accordingly within the stipulated period.

### SMSA Evaluation of COSCO Kansai Companies

#### Summary Sheet of SMSA Evaluation of COSCO Kansai Companies in Previous Years

Year	Tianjin plant		Shanghai plant		Zhuhai plant		Average value
	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	
2019	137	140	140	141	136	137	139
Average value for the assessment from 2012 to 2019	135	134	136	133	137	137	135

### Work-related fatalities and injury cases during the reporting year of the Company

	For the year ended 31st December		
	2019	2018	2017
Work-related fatalities (No. of person)	Nil	Nil	Nil
Work injury cases (No. of case)	3	Nil	Nil



# Environmental, Social and Governance Report

## 5.3 Safety Management of Non-Production Segments

Despite the lower level of safety risks associated with the non-production businesses such as ship trading agency services, marine insurance brokerage services, supply of marine equipment and spare parts, and general trading services, we have formulated safety policy and adopted a series of safety measures to further eliminate the health and safety risks in offices.

Our offices are equipped with adequate fire-fighting equipment such as fire extinguishers and filtering self-rescue respirators and we require the maintenance service providers to carry out regular equipment inspection and replacement. Our designated staff also conduct regular patrols to keep all emergency exit routes clear of obstructions. To enhance employee safety awareness, we organised regular fire drills in “Safety Month” for their better understanding of the use and location of fire-fighting equipment and escape routes and safety training to improve employee emergency preparedness.



To develop a comfortable working environment through improving indoor air quality, we monitor the progress of regular air quality test carried out by air-conditioner provider of the property management company to ensure no hidden impact on employee's health.

## 5.4 Safety Accident Reporting and Investigation Mechanism

The Group has developed a safety accident reporting and investigation mechanism and implemented relevant accountability system. In case of any safety accidents, relevant personnel are required to report to dangerous occurrences and industrial accidents and occupational injuries to the head of relevant department at once and then notify the Safety Committee Office within 60 minutes from accidents occurrence and submit a complete accident report. The Safety Committee Office conducts preliminary accident verification and analysis and then report to the Safety Committee of the Group. Based on the severity of the accident, the Group sends out a specific investigation team to conduct an internal investigation and involves internal and external experts when necessary to thoroughly examine into root causes and induced loss of such accidents, identify the responsible parties and propose effective improvement suggestions. According to our accountability system, relevant employees shall be subject to admonitory interview and admonition or warnings based on the severity of the event. Upon detection of any concealment of facts, delay report and omitted report or failure to demonstrate immediate and sustained improvement, the consequence may be subject to disciplinary action.

In 2019, the Group received no recorded incidents of non-compliance with relevant laws, regulations and standards with significant impacts. The Group also maintain zero work-related fatalities (2018: Nil), nor any significant production safety accidents.

# Environmental, Social and Governance Report

## 6. CARING FOR OUR PEOPLE

The Group always adheres to the people-oriented strategy and has formulated four management principles, namely, managing by regulations, establishing a fair and open system, meritocracy and emphasizing the coexistence of rights and obligations.

Employees are the cornerstone of the Group's sustainable development. We believe treating employees is the key to retain talents and enhance their sense of belonging. To this end, we strive to establish an inclusive and engaging working environment for our employees. We promote a continuous learning culture and provide them with competitive compensation and benefits. The Group also takes various initiatives to ensure the health of employees and communicate with them.

### 6.1 Talent Training and Development

We value the contribution of employees. The performance assessment is a key way to evaluate their contribution. During the year, the Group has upgraded the online performance assessment system to streamline the assessment process. The system will send reminders and anonymous accounts to employees to evaluate their colleagues. Employees are better evaluated and recognized under the upgraded system.

The Group has formulated "Management Methods for Setting Up of Professional Talent Pool (專業人才庫建設管理辦法)" which guides the talent pool management. Leading by the Human Resources Division, we have established a dedicated team to implement the policy. The team is responsible for setting standards and procedures. After that, they will select employees for talent pools. The pools are regularly reviewed and categorized by various businesses and industries. There is also an incentive mechanism. We provide the talents with bonus and development opportunities such as training courses, exchange programs and academic conferences. It helps motivate and retain our outstanding employees.

To better adapt to the rapidly changing business environment, we promote a continuous learning corporate culture. The Group has established a comprehensive training and development system with four training categories to satisfy the needs of various employees. First, we provide induction training for all new employees so that they can better adapt to the corporate environment. The training content covers our corporate strategic plan, human resource policy, financial policy, logistics rule, special operation training as well as occupational health and safety training. Second, our Human Resources Division would conduct regular assessments with various divisions and identify the key training topics. Relevant experts and professionals are then invited to conduct tailored training programs to the corresponding division. Third, we organise general training for employees. Finally, we provide subsidies to encourage employees to participate in external training programs such as certificates, diplomas, degree courses, lectures, seminars and conferences. We believe the growth of employees can drive the success of the Group. We will continue to enhance the training system and provide better programs for employees.





# Environmental, Social and Governance Report

In 2019, the Group provided training programs for general management and specialists. In December, we held training programs for young and middle-aged cadre (香港中遠海運中青年幹部素質能力提升培訓班). The training covered political theory, leadership, financial management knowledge, safety, integrity, etc. The program aimed to improve their quality and ability to become the future leaders of the Group. In October, we invited an international accounting firm to organise a training program for our financial specialists. It aimed to provide them with a deeper understanding of the latest Hong Kong and PRC accounting standards and tax regulations.



Young and Middle-Aged Trainee Program



Financial Specialists Training Program

	For the year ended 31st December		
	2019	2018	2017
Total no. of training hours received	<b>16,254 hours</b>	13,911 hours	15,599 hours
Average no. of training hours per employee/rate of employees trained by employee category			
Senior	<b>35 hours/89%</b>	18 hours/81%	31 hours/80%
Middle-level	<b>27 hours/49%</b>	24 hours/55%	19 hours/41%
General	<b>19 hours/97%</b>	16 hours/88%	14 hours/70%
Average no. of training hours per employee/rate of employees trained by gender category			
Male	<b>18 hours/90%</b>	13 hours/84%	11 hours/65%
Female	<b>29 hours/79%</b>	32 hours/76%	33 hours/75%

## 6.2 Employees' Well-being

### 6.2.1 Employee Communication

The Group has established communication channels to collect employees' feedback. The "Implementation Award Measures for Reasonable Recommendations (合理化建議獎勵實施辦法)" is a mechanism through which employees can submit suggestions to the management. The suggestions received are then directed to the Company's recommendation team for review and approval. Employees will be praised and rewarded according to the impact of the approved suggestions. This is a win-win approach where employees can express their opinions and the group can benefit from them.

# Environmental, Social and Governance Report

The Group also set up a human resources mailbox on the homepage of the office system as a long-term communication mechanism. The Human Resources Division collects the mail and directs it to the relevant departments for follow-up actions.

Faced with the coronavirus outbreak in 2019, we created a mobile phone group to share emergency measures and preventive knowledge to keep information flowing freely. Also, we have established a daily reporting mechanism to track the health status of our employees. We also abide by the Hong Kong government's announcements on office disinfection, release of protective equipment, flexible working arrangements, temperature measurement, etc..

## *Response to the coronavirus outbreak*



## **6.2.2 Employee Work-Life Balance**

We attach great importance to the work-life balance and well-being of employees. Thus, we provide them with a wide variety of employment benefits such as annual health checks and insurance. We also organise recreational and teambuilding activities such as sports activities and interest classes. Through the activities, employees will have higher morale and deeper connections with each other. This not only improves the physical and mental health of employees but also promotes work efficiency.

The Group has established the employee association with a constitution clarifying the position and duties. The association aims to promote more effective exchanges between employees by building a volunteer team and organising various employee activities.

In order to enrich the amateur life and improve the physical fitness of employees, we have organised "Fitness Walk Event (徒步健身活動)" for four consecutive years and more than 40 employees participated in the event. It offered them a wonderful opportunity to embrace nature and enjoy the scenery of spring. This event not only reduced the pressure on employees but also promoted communication between them.



# Environmental, Social and Governance Report

We participated in the 2019 badminton competition held by the Hong Kong Chinese Enterprises Association. After two days of fierce competition, our team won two awards among the 50 participating teams. Our employees exerted the sports spirit and played at their best level, that showcased the eagerness as a member of COSCO SHIPPING.



Fitness Walk Event



Badminton Competition

## 6.2.3 Employee's Family Life

Harmony in family can support employees mental health. The Group has taken steps to strengthen the bonds between employees and their families. We organise various activities for employees and their families so that they can have more interactions with each other.

We held a hiking competition for employees and their families in 2019. They encouraged each other and completed the tough challenges together. It helps promote the team spirit and strengthen the cohesion.

## 6.3 Inclusive and Engaging Working Environment

The Group strictly complies with the employment laws and regulations, including “Employment Ordinance”, the “Employees’ Compensation Ordinance” and the “Occupational Safety and Health Ordinance” in Hong Kong and the “Labour Law of the People’s Republic of China”, the “Labour Contract Law of the People’s Republic of China” and the “Law of the People’s Republic of China on the Protection of Disabled Persons” in the PRC. We also adhere to internal recruitment procedures, including the “Administrative Measures on Recruitment and Employment” and the “Administrative Measures on Labour Contract”, to ensure no employment of child labour and forced labour. The Group will regularly review the employees’ information to ensure there is no violation of any regulations and policies.

We provide fair and competitive remuneration packages, including basic salary, incentive bonus, mandatory provident fund. We also provide benefits such as healthcare benefits, further education and training subsidies. In addition to providing basic benefits such as paid annual leave, paid sick leave, and medical insurance, additional vacation options such as paid wedding leave and employee paternity leave are provided to attract and retain outstanding talents. We have formulated the “Flexible Working Time Policy” for employees with special needs.

# Environmental, Social and Governance Report

Details of workforce of the Group are as follows:

	For the year ended 31st December		
	2019	2018	2017
<b>Total Number of Employees</b>	901	876	846
<b>By gender</b>			
Male	669	652	662
Female	232	224	184
<b>By region</b>			
Hong Kong	168	196	110
Mainland China	697	644	701
Oversea	36	36	35
<b>By age group</b>			
Below or equal to 30	79	110	174
31 to 50	649	627	594
Over 50	173	139	78

Employee turnover rate of the Group (%):

	For the year ended 31st December		
	2019	2018	2017
<b>Overall Turnover Rate of Employee</b>	7%	10%	5%
<b>By gender</b>			
Male	7%	10%	4%
Female	7%	11%	7%
<b>By region</b>			
Hong Kong	14%	24%	19%
Mainland China	6%	6%	2%
Oversea	0%	0%	9%
<b>By age group</b>			
Below or equal to 30	13%	5%	3%
31 to 50	5%	10%	4%
Over 50	13%	14%	10%

# Environmental, Social and Governance Report

## 7. DRIVING OUR BUSINESS DEVELOPMENT

Business development is crucial for sustaining the operation of a company. The Group believes that only through the collaboration of different stakeholders can achieve sustainable business development. Any breaches of our code of conduct or mistake in handling sensitive information can create significant impacts to our business development. We cooperate with our employees to safeguard business ethics and reduce the operational risk to the minimum level. The Group also emphasises the quality of our products and services. We pay extra effort in managing our supply chain to ensure our customers are satisfied with our products and services, hence ensuring the reputation of our company.

### 7.1 Supply Chain Management

#### 7.1.1 Sustainability Procurement

The Group has been closely working with our suppliers to strengthen our sustainability portfolio and minimise risks throughout the supply chain. We are committed to promoting sustainable and responsible operational standards. In this regard, the Group formulated a series of sustainable procurement policies, including the “Procurement Management Measures”, “Tendering Procurement Management Measures”, “Non-tendering Procurement Management Measures”, “Centralized Procurement Management Measures”, “Supplier Management Measures”, “Special Affiliated Enterprises Management Measures” and “Procurement, Outsourcing and Supplier Management Supervision Measures”. With these policies in place, we are able to select and assess our suppliers with standardized procurement principles and procedures. It also encourages our colleagues to cooperate with suppliers who have considered environmental and social impacts in their products or services, so as to control our risks and maintain the quality and the healthy development of our supply chain. The Group imposed special management procedure to regulate products which are material to our operation. For example, we implemented the “Asphalt Supplier Management System” to monitor the conduct of asphalt suppliers. We require them to provide relevant supporting documents with respect to fire prevention and environmental assessment to minimise the safety and environmental impacts.

The Group has set out a standardised supplier selection approach in the “Procurement Management Measures” and the “Supplier Management Measures”. In the stage of selecting suppliers, all potential suppliers must comply with the Group’s requirements on health, safety, and environmental protection. To ensure our suppliers fully realized our requirements, we incorporated relevant policies in the contract terms. Suppliers can be listed in the Group’s procurement supplier database once we confirm their compliance so that each purchasing unit can select suppliers from the database. The Group constantly monitors the compliance status of our suppliers, the database is updated every three years. Suppliers who fail to comply with our standards will be excluded from the database.

#### 7.1.2 Supplier Evaluation and Supervision Mechanism

We have set out a supplier evaluation mechanism to review our suppliers’ performance every year according to a series of quantitative indicators, which included fundamental capability, cost competitiveness, delivery fulfilment, quality control, customer service, business innovation, and safety and environmental protection, etc. Suppliers who fail to obtain professional qualifications, involve in safety and environmental incidents, as well as commit bribery, will be scored as zero points and the contractual relationship will be terminated with immediate effect.



# Environmental, Social and Governance Report

In addition, the Group has established the supplier rating system which ranked our suppliers according to the evaluation result. Under this system, our suppliers will be classified into five levels. They are “A — Strategic Suppliers”, “B — Quality Suppliers”, “C — Qualified Suppliers”, “D — Negative suppliers”, and “E — Eliminated Suppliers”. We prioritize cooperation opportunities with suppliers who have a higher rating in order to maintain a long-lasting partnership with outstanding suppliers. The rating is jointly reviewed by supplier purchasing departments and the user departments annually to ensure the effectiveness of our supplier rating system. Suppliers who are either absent or fail in the annual inspection, or have not been partnered for three consecutive years will be excluded from the database.

The Group is committed to promoting localisation of the supply chain in order to shorten the delivery time, boost the local economy, as well as minimise the vehicle emission. We will continue to explore business opportunities with local suppliers in the future.

The number of the Group’s suppliers by region:

	For the year ended 31st December		
	2019	2018	2017
Mainland China	857	686	813
Hong Kong	290	223	118
Other Countries	761	619	733

## 7.2 Product Quality and Responsibility

Being a responsible enterprise, the Group is committed to providing high-quality, healthy and safe products and services to our customers. In addition to following international standards regarding product quality, we abide by the internal principles to secure the safety and quality of our products. The Group strictly monitors the entire lifecycle of our products, from sourcing raw material to product recall, return and replacement, so as to ensure the execution of technical standards, operational safety, as well as product and service quality.

Our subsidiaries which involve in chemical productions have established the internal policies on health, safety, environment and quality (“HSEQ”) in line with international standards. In the manufacture of marine coatings, we provided a detailed control procedure to monitor and measure the quality of the coatings. We also conduct tests and inspections for the intermediate and final products to check whether they satisfy our quality control requirements. We have fulfilled the technical requirements of the State Administration of Work Safety, and also have strictly complied with 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 of the People’s Republic of China on Administration of Precursor Chemicals”, and the “Provision on the Environmental Administration of New Chemical Substances of the People’s Republic of China”. During the reporting period, the Group was not aware of any non-compliance with relevant standards, rules and regulations that had a significant impact on the Group.





# Environmental, Social and Governance Report

With respect to the new IMO regulation on sulphur limit which became effective in 2020, the Group provides shipowners with talks and seminars regarding the latest regulatory requirements. Vessels that cannot comply with the regulation may be refused entry by the port. On the other hand, shipowners started to be more conscious about the environmental risks that result in fines and penalties. In this regard, we offered environmental liability insurance, widened underwriting scope to include the ransom payment, as well as provided professional consulting services to protect our customers' interest. The Group also provides a range of on-demand services for our customers, including training on specific topics, panel discussion on trending issues, so as to satisfy our customers' needs.



We provide regular trainings and seminars to our customers on trending industrial issues.

To further strengthen our leading position in terms of technological level in the asphalt market, the Group have reformed the organisational structure and setup the Asphalt R&D Center. Leading management of the Group, the Center provided the core driving force of the technological development of asphalt. Meanwhile, our technical staff from the Center cooperated with the front-line staff to carry out the technical support to our customers. They are actively engaged in the development to ensure the supply and quality of our product and service.

## 7.3 Customer Care

### 7.3.1 Customer Satisfaction

The Group endeavours to provide our customers with high-quality, healthy and safe products and services. We treasure all the opinions in order to ensure the continued improvement of our business. The Group has established the procedure for handling complaints regarding our products and services. Once we receive complaints from customers, we will delegate relevant personnel to investigate the issue and take appropriate measures to prevent the recurrence of similar issues. During the reporting period, we have not received any major products and services related complaint.

COSCO Kansai Companies and Jotun COSCO have established the “Administrative Procedure for Customer Feedback” to manage complaints in a systematic approach, the standardised procedures ensure the complaints can be resolved in a fair, consistent and expeditious manner. We also specified in the “Process for Paint Return” that our management is aware of the quality of the products we sold, products are subjected to recall if any defects are identified. We take further measures to prevent the re-occurrence of the issue in order to safeguard the interest of our customers. During the reporting period, there was no product subject to recalls for safety and health reasons.

# Environmental, Social and Governance Report

## 7.3.2 Customer Privacy

The Group emphasises customer privacy in all of our business operations. We established internal policies regarding information confidentiality to prevent the leakage of sensitive information of our stakeholders. We formulated the “Administrative Measures on the Protection of Trade Secrets” following the “Anti-Unfair Competition Law of the People’s Republic of China”, the “Interim Provisions on the Protection of Trade Secrets of Central Enterprises” promulgated 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”, to protect all trade secrets and customer information of the Group. We also specified in the “Staff Management Measures” that leakage of customer information and strategic cooperation agreements to third parties is strictly prohibited. Besides, the provision of “Information Management Method” affirms “truth, accuracy, completeness and timeliness” as the basic principles in disseminating the information.

We strictly comply with all applicable local and international laws and regulations on data privacy to ensure that all customer information is handled properly and securely. In addition to the Personal Data (Privacy) Ordinance (Hong Kong), Jotun COSCO also abides by the General Data Protection Regulation (“GDPR”), the Group established the “Binding Corporate Rules (BCR)” which requires the employees to comply with the same system on privacy protection. During the reporting period, there were no complaints regarding breaches of customer privacy or loss of customer data.

## 7.4 Anti-corruption

### 7.4.1 Anti-corruption Policy

The Group has zero tolerance for corruption and bribery in any form. We strictly abide by 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”. To maintain a high standard of corporate ethics and anti-corruption, we incorporated business ethics and code of conduct into the Group’s risk management framework. With respect to our latest “Professional Ethics and Code of Conduct for the Staff of COSCO SHIPPING International (Hong Kong)” (the “Code”) and “Whistleblowing Policy for COSCO SHIPPING International (Hong Kong)” (“Whistleblowing Policy”) have become effective, we required all employees to understand and strictly follow all the provisions to maintain high integrity and moral standards. The Code clearly stated that no staff should use their authority to engage in bribery or receive improper benefits, seize business opportunities from the Group, use company assets in any form to secure personal interests, and engage in any other activities which may impair the interests of the Group. Disciplinary punishment, including termination of employment, will be imposed on the employees who breach the Code. If any breaches involving the violation of laws and regulations of the jurisdiction, the Group will report the case to relevant authorities and cooperate with their investigation.

To achieve and maintain the highest standards of openness, probity and accountability, the Group established the Whistleblowing Policy which allows our employees to report whistleblowing matters anonymously. With the terms set out to protect the confidentiality of the whistleblower, the identity of the individual employee making the allegation will not be divulged without the employee’s consent. Any attempt by individuals to interfere with the investigation process is deemed to be a severe disciplinary breach.





# Environmental, Social and Governance Report

## 7.4.2 Anti-corruption Training

The Group emphasises on precautions of corruption practices. In this regard, we offer regular anti-corruption training to our employees to strengthen their awareness of anti-corruption. In 2019, the Group organised the anti-corruption conference in four locations in China, including Hong Kong, Beijing, Shanghai and Shenzhen. Middle management or above were invited to the conference in order to enhance their awareness. Furthermore, the Group has been working closely with the Hong Kong Independent Commission Against Corruption (ICAC) to provide training on integrity management. Through this training, our employees have had a deeper understanding of the importance of business ethics, common integrity risks, the relevant provisions of the Prevention of Bribery Regulations, and issues that may be encountered in daily business operations.



The Group invited officers from Hong Kong ICAC to provide training seminar on corruption prevention.

## 7.4.3 Anti-corruption Supervision

The Audit & Supervision Division of the headquarters of the Company supervises the anti-corruption affairs of the Group, while the delegate of each business unit is responsible for carrying out the anti-corruption initiatives. According to the Group's procurement and supply chain management policies, each department is responsible for supervising, inspecting, and assessing its suppliers, while the Audit & Supervision Division oversees and inspects the implementation status. The Group restricts corruption activities of all kinds which include but not limited to receives benefits and rebates from suppliers, colludes with suppliers, commits fraud and forges business volume. We adopted the principle of "whoever takes charge should be responsible (誰主管誰負責)", not only the individual(s) who commits the above activates is liable, the relevant managers shall also be responsible thereof.

The Measures for Managing Special Affiliated Enterprises specifies that the Audit & Supervision Division should focus on the supervision of special affiliated enterprises through various channels, such as special examination, efficiency supervision and audit in a regular or irregular manner. When the transfer of benefits behaviours are identified, we investigate not only the responsibility of the liable person, but also the whole unit, including the responsibilities of supervision and "One post double duty". In addition, the Measures for Managing Performance Examination of Companies under Direct Management sets out restrictive indicators on management transactions, risks and internal control and other staff ethics and anti-corruption requirements, these indicators are tracked and evaluated in our business assessment guidelines.

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To review the implementation of the Code and further enhance employees' awareness of integrity management, all departments and subsidiaries of the Company need to conduct an annual employee self-evaluation survey. The areas of evaluation include integrity and fairness, acceptance and provision of interest, conflict of interest, handling confidential information or company's property, as well as the relationships with customers, suppliers and contractors. In 2019, all of our employees have completed the self-evaluation survey.

During the reporting period, the Group complied with all the relevant standards, rules and regulations, and there was no legal case regarding corruption practices brought against us.

## 8. RESPONSIBILITY TO OUR COMMUNITY

The Group has always adhered to the spirit of "giving back to the community with what they get from the community". We are committed to fulfilling our corporate social responsibility. To this end, we have formulated Charitable Donation Policy, established a volunteer team and offered volunteer holidays to encourage employees to actively participate in various charitable activities. The Group wishes to build a better and harmonious community together with our employees.

### 8.1 Charity Donation Policy

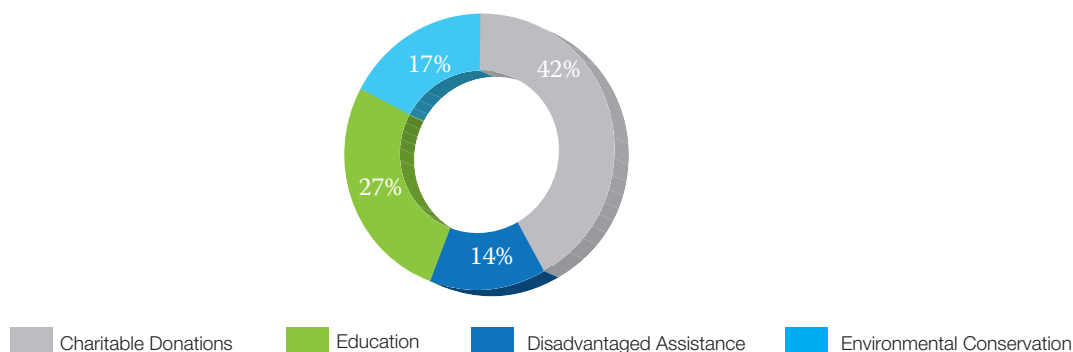
The Group has formulated a Charity Donation Policy since 2014 which requires the Group and its subsidiaries to establish partnerships with the local NGOs and other charitable bodies. The policy provides clear guidelines for the Group on how to determine the amount and method of donation. According to the policy, the annual charitable donation budget covers the direct donations and indirect expenses to all charitable events and related community services for the year.

The Group has offered volunteer holidays to encourage and praise employees who are enthusiastic about serving society. Employees in Hong Kong participating in recognised volunteer activities for more than 2 hours but less than 4 hours on the day are granted with half-day paid leave. If the volunteer activities last for 4 or more than 4 hours, they are entitled to one-day paid leave.

### 8.2 Contribution to Community

The Company has taken the team slogan of "Our Passion to Serve" to participate in community volunteer services. In 2019, the Group's community involvement is mainly focused on four major areas: charitable donations, environmental conservation, education and disadvantaged assistance.

Resources Distribution to the 4 Major Areas



# Environmental, Social and Governance Report

## 8.2.1 Charitable Donation

The Group continues to donate to various charities as a direct way to support the community.

Donation Organisation	Month	Donation Amount (HK\$)
World Wildlife Fund for Hong Kong	May	50,000
Sowers Action	August, October	203,500
Christian Action	July	17,500
The Neighbourhood Advice-Action Council	May, August, December	23,000

## 8.2.2 Environmental Conservation

The business operation of the Company relies on the sea. It is our responsibility to reduce marine pollution and protect the environment. The Group has launched a series of activities called “Contributing to the Ocean, Cheering for China (為海洋出力 為中華喝彩)”. In May of 2019, we organised employees and their families “Tung Ping Chau Environmental Protection Tour (東平洲環保行)”. Everyone wore gloves and carried environmentally friendly garbage bags to pick up all kinds of garbage along the trail of the island.



Tung Ping Chau Environmental Protection Tour

## Environmental, Social and Governance Report

We sponsored the “World Ocean Charity Run 2019” and organised 2 events in 2019. The parent-child workshop of “Free Ocean World” held in the D • PARK was the first event. 40 low-income families and children were invited to this workshop. Guided by our volunteer team, the children were introduced with the concept of green shipping and ocean protection. During the workshop, they walked through the marine art tunnel with photos of precious marine life and explored the ocean world with VR technology. The families also made art and craft together. Through the event, the participants gained a deeper understanding of ocean protection and learned that human is inseparable from the ocean.



Parent-child Workshop of Free Ocean World

The second event of the “World Ocean Charity Run 2019” was the beach cleaning event held at Lung Kwu Tan, Tuen Mun in October 2019. A total of 50 bags of garbage including plastic, foam plastic, glass bottles, cigarettes, slippers and fishing nets, etc. were cleaned out in the event. All rubbish was then transported to the refuse collection points provided by the Food and Environmental Hygiene Department.



Lung Kwu Tan Cleaning Event





# Environmental, Social and Governance Report

The Group maintains a long-term relationship with Christian Action. It is a non-profit social organisation that aims to seek welfare for the poor and disadvantaged in society. We cooperate with Christian Action to organise the “Green Collection Day” annually. It encourages employees to donate recycled items to people in need. It helps the discarded items to re-gain value and reduces waste. In 2019, 38 employees actively participated the event and donated a total of 11 bags and 1 box of items including clothes, toys, books, shoes, stationery, small electrical appliances and housewares. The recycled items were then sent to families in needed, ethnic minorities and children in Qinghai Province of China.



Green Collection Day

## 8.2.3 Education

Since 2008, we have sponsored the charity marathon for 12 consecutive years. In 2019, 68 employees and their families formed 17 teams to participate in the 12km marathon. The group also donated directly to mainland students, benefiting more than 951 students in Sichuan, Yunnan, Gansu and other regions.



Sowers Action Challenging 12 Hours Charity Marathon



# Environmental, Social and Governance Report

## 8.2.4 Assisting Disadvantaged Community

The Group has cooperated with the “Neighbourhood Advice-Action Council” since 2011. We have actively participated in the “Inheriting Love Deep Care Plan” organised by Sham Shui Po District Elderly Community Centre of Neighbourhood Advice-Action Council. We send the volunteer team during the winter days and festivals such as the Dragon Boat Festival and Mid-Autumn Festival to visit singleton elderly.

In August 2019, 41 volunteers carried moon cakes, fruits and daily necessities to visit 62 elders living alone in Sham Shui Po. The volunteer team and the elderly celebrated the Mid-Autumn Festival in advance with care and blessings.



Inheriting Love Deep Care Plan

We have also organised “Walk with the Elderly (與耆同遊)” with The Neighbourhood Advice-Action Council for three consecutive years. In December 2019, our volunteers accompanied the elders to visit the Yuen Long Tai Tong Organic EcoPark and Kam Sheung Road Flea Market. They also tasted the well known “Yuen Long Poon Choi” during the event.



Walk with the Elderly

# Environmental, Social and Governance Report

	For the year ended 31st December		
	2019	2018	2017
<b>Community Investment</b>			
Corporate charitable donations & sponsorships (HK\$)	294,000	293,000	285,000
<b>Volunteer Participation</b>			
Participants	401	283	93
Service hours	2,818	1,335	388
<b>Beneficiaries</b>			
Number of beneficiaries	224	158	132

## 8.3 Awards and Recognition

The Company has made remarkable contributions in many aspects such as marketing, safety management, product technology, energy conservation and emission reduction, employees' professional ethics. We are fortunate to be recognized by the communities.

The Group won The Asset's "ESG Corporate Gold Award" and "Best IR Team Award" in 2019. It demonstrates the Group's continuous efforts in environmental protection, social responsibility, corporate governance. It is also a recognition from the capital market.

In 2019, we were awarded "10 Year Plus Caring Company Logo". "Caring Company" is a program organised by the Hong Kong Council of Social Service. It encourages partnerships between the business community and the social welfare community to jointly promote corporate social responsibility. We have received this award for 2 consecutive years to recognize the company's contribution and commitment to caring for employees, the environment and society for 10 years or more.

In addition, the Company was granted Corporate Citizen Logo in the Enterprise Category and Volunteer Category in "The 10th Hong Kong Outstanding Corporate Citizenship Logo" by Hong Kong Productivity Council in recognition of our efforts in fulfilling its social responsibility.

