

# 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 trading and supply of marine fuel and related products and other shipping services. The general disclosure of this report includes the above business segments, and the company scope covered by the key performance indicators includes all wholly-owned 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 will focus 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 2018 and 31st December 2018.

### 1.3 Reference to Hong Kong Stock Exchange ESG Reporting Guide

This report aims to review the performance and achievements of COSCO SHIPPING International’s implementation of sustainable development strategies in 2018 and is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 resource use efficiency, reducing emissions, reducing our environmental impact, strengthening the safety culture, awareness of employee safety and environmental risk. COSCO SHIPPING International 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 fulfills our corporate social responsibilities.



# Environmental, Social and Governance Report

## 2. PHILOSOPHY AND POLICIES OF CORPORATE SUSTAINABLE DEVELOPMENT

### 2.1 Environmental, Social and Governance Management Strategies

The Group has the Corporate Governance Committee that develops and reviews the Group's internal corporate governance policies and practices, as well as reviews the compliance status of Corporate Governance Code of the Group. The details are set out in the corporate governance report in the annual report of the Company.

Meanwhile, the Board can delegate the company's management to discuss environmental, social and governance issues on a regular basis and review the governance codes from time to time to enable the Company to keep abreast of and comply with the latest regulatory requirements. This system monitors the management to design, implement and continuously monitor risk management and internal control systems and to ensure the suitability and effectiveness of the relevant systems. In addition, in order to ensure the timely implementation of the Group's sustainable development measures and to ensure the accuracy and reliability of the data presented in this report, this report has been approved by the Board.

### 2.2 Our Sustainability Management Policies

COSCO SHIPPING International developed sustainable management strategies and integrated environmental, social and governance-related considerations into our daily operations. We have developed appropriate policies responsive for the particular business models and segments, while the operations for production and in office have also been independently assessed for sustainability risks. COSCO SHIPPING International reviewed and updated our sustainability policies from time to time to cling to the market trend and business development and to adapt to possible changes the regulatory supervision.

In terms of environmental protection policies, the Group strictly complied with the management measures listed in the Environmental Management System Certification established by the International Organization for Standardization ("ISO"). Among them, COSCO Kansai Companies and Jotun COSCO are engaged in the production and sale of coatings and successfully minimize the environmental impact during the production process through efficient waste reduction measures and energy-saving and emission reduction technologies. During the year, the Group developed environmentally-friendly products and achieved breakthroughs in the innovation of water-based container coatings and waterborne heavy-duty anti-corrosion coatings and various series of water-based container coating products to satisfy the regulatory authorities and market demand for the environmentally-friendly coatings.

In terms of corporate operation and occupational safety and health management, the Group obtained and passed the Quality Management System Certification (ISO9001), Occupational Health and Safety Management System Certification (OHSAS18001) and Environmental Management System Certification (ISO14001) recognised by the International Organization for Standardization, and has provided a healthy, safe and stable working environment. We have also established the dedicated Safety Committee to monitor the safety risks of the daily operation of the Company, the management system and work reports of related measures.



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## 3. DETERMINATION OF MATERIALITY

### 3.1 Stakeholder Engagement

We attach great importance to the opinions of stakeholders on the Group's sustainable development work and regard it as a reference for the formulation of long-term strategic planning. During the year, we continued to interact with stakeholders through comprehensive communication channels (details as below) to value their opinions and respond to their concerns. The participation of stakeholders is very important for the development of the Group's strategic goals, and creating the corporate cultures and fulfilling the corporate social responsibility commitments.

Communication with stakeholders in daily operation are listed as follow:

Stakeholder	Communication channel	Purpose	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>• employment 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 Organizations ("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

The Company engaged third-party professional consultants to conduct questionnaires and telephone interviews to our internal and external stakeholders (including the Group’s employees, management, government agencies, industry associations, suppliers, contractors, shareholders and investors and NGOs) to understand the stakeholder’s opinions on the Company’s sustainability performance and their expectations, thus helping us to assess the materiality of ESG topics on stakeholders and to determine the scope of disclosures in this report.

Through the stakeholder engagement, we made more detailed disclosures of our efforts and performance for the material issues in this report, in order to enhance the Group’s management level of sustainable development and meet the expectations of various stakeholders for the continuous improvement of sustainable development performance by the Group.

## 3.3 Materiality Assessment

The content of this report based on a materiality assessment and review of stakeholders’ concerns which includes the processes of (a) identifying the ESG topics and the related stakeholders; (b) determining and prioritising the reporting issues; (c) collecting the information and validating the report; and (d) addressing stakeholders’ expectation.

We identify 26 ESG topics from the stakeholder engagement, which 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.

**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. ENVIRONMENTAL PROTECTION AND MARINE CONSERVATION

In the process of promoting business development, COSCO SHIPPING International attached great importance to its impact on and responsibility to the environment, through green shipping operations to establish environmental sustainability in the long run and promote a green and healthy development of the industry. In particular, our coatings production and trading business have established prudent environmental control measures for proactive energy conservation and emission reduction, optimization of resource use and conservation of marine ecosystem. In the meantime, the Group continuously enhanced its scientific and technological capability for the sake of market exploration into environmentally-friendly products. In respect of the development of corporate culture of sustainable development, the Group further reinforced environmental awareness of employees with different training.

The Group formulated its environmental management system and the related policies and measures with reference to the environmental protection measures certified by ISO14001 of the International Organization for Standardization. In coordination with the identification of environmental factors of our internal risk management and control, overseeing the Company's environmental risks with a top-down approach with an aim to minimise environmental damage and pollution from production activities. The remaining subsidiaries related to trading business also comply with the environmental protection framework established by the Company's headquarters, to formulate their own ordinance, thereby enhancing the environmental benefits of the daily business operation.

The Company strictly complies with the environmental laws and regulations related to its business, including the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on the Prevention and Control of Water Pollution", the "Law of the People's Republic of China on Promotion of Cleaner Production", the "Law of the People's Republic of China on Environmental Impact Assessment", the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste", the "Law of the People's Republic of China on Prevention and Control of Pollution by Environmental Noise" and the "Environmental Protection Tax Law of the People's Republic of China", as well as different local rules and standards in respect of prevention and control of environment pollution by discarded dangerous chemicals, standards of air pollutants and integrated wastewater discharge standards. During the reporting year, we were not aware of any violations of relevant standards, rules and regulations.

#### 4.1 Green Operation by Energy Conservation, Carbon Emissions Reduction and Optimization of Resource Use

Through continuous environmental management, we have identified the energy inputs, wastes and emissions from the production and trading operations, established and implemented comprehensive management measures and continued resources investment in strict compliance with the aforesaid laws and regulations, so as to reduce the air emission and waste, and actively promote energy conservation and emission reduction.



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### **Gas Emissions**

The air emissions generated during the coating production process include volatile organic compounds (“VOCs”), benzene, toluene and xylene volatiles and particulate matters, which have a negative impact on the air quality, as well as employee and public health. As such, we promoted the replacement of solvent-based coatings with water-based coatings, upgrading production techniques and adopted high-quality raw materials, while using advanced equipment to capture VOC emissions in the production process. For example, the plants of COSCO Kansai Companies adopted confined production system and required all workshop entrances are completely closed. For this purpose, a dedicated forklift induction automatic access control system is installed. The said measure has effectively reduced the emissions of VOCs.

We also strictly monitored the process of processing organic exhaust gas. The VOCs were captured through a centralized pipe network and processed with regenerative thermal oxidizers (RTO) technology to decompose the exhaust gas before emission which achieve a purification degree of 99.5%, so that the emissions can comply with national and local environmental protection indicators. For example, during the reporting year, the plants of COSCO Kansai Companies were equipped with a device which heats and catalyses the combustion of VOCs with the use of natural gas. The device runs 24 hours on every weekday, reducing the time required for the exhaust gas processing and achieve a combustion efficiency of above 97%. Also, the TPM training dedicated to the reinforcement of equipment standardisation so as to enhance employees’ awareness of environmental protection. At the same time, the plants are subject to the supervision and inspection by government agencies from time to time to ensure their compliance with legal and regulatory requirements on environmental protection emissions.

In the plant of Jotun COSCO, under the guidance of the “Technical Guidelines for Large-scale Organic Pollution Control in Qingdao Key Industry Association (《青島市重點行業會大型有機物污染治理技術導則》)”, we adopted the confined production systems and set up filtering systems to eliminate all unnecessary openings in the equipment and processes generating VOCs such as raw material storage, dispersion systems and toning, and installed curtains, the suction hoods connecting ventiducts and honeycomb ducts of exhaust gases for operating units such as semi-automatic packaging units and unloading systems to properly direct organic exhaust gas to the processing units to avoid evaporation or venting.

### **Waste Treatment**

The activities of coating production of the Group may produce hazardous and non-hazardous wastes. Hence, we attach great importance to relevant waste processing with a responsible attitude. Hazardous wastes include residues from exhaust gas treatment facilities, wastes from manufacturing workshops and R&D laboratories, cleaning solvents, chemical raw materials and their packaging, etc.. We recycle, reuse such wastes at best efforts and improve our production management to minimize waste generation, ensure proper storage of the wastes and entrust qualified third parties to process them subsequently. During the year, both of COSCO Kansai Companies and Jotun COSCO recycled raw material packaging drums for such as solvents and resins in the production process, and refined their production models in order to diminish the usage of raw materials effectively and to reduce hazardous wastes. In addition, the Company hosted specific training workshops to enhance its staff’s awareness and knowledge of hazardous wastes and processing procedures, so as to ensure adequate prevention and measures are in place.





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### ***Resource Consumption and Greenhouse Gas Emissions***

The Group considers resource consumption as an important part of sustainable development. Enhancements in energy and material efficiency not only help the Company to achieve high performance in environmental protection and reduce the emission of greenhouse gases and pollutants, also lower our operational costs and address to the risks related to climate change in the long run.

The two coating manufacturing companies of the Group have been proactively practising energy conservation and environmental protection focusing on the development of energy-saving technology, further intensify their management in key energy-consuming equipments, and engaging in promotion of and training on energy conservation to bolster the energy-saving awareness among employees.

In all of our non-production business segments, we fully advocate energy and water saving as well as paperless office. Employees are strictly required to cooperate to deliver our vision of green and environmentally friendly office. The Company generally controls the temperature of its air conditioners within an appropriate range, with regular inspection on whether any power consumption equipment is operating with no staff presence. Employees are reminded to turn off the equipment if it is not used so as to reduce unnecessary power consumption. In addition, the Group supports green commuting by encouraging its staff to use public transport, executing travel management regulations rigorously, and recording the data on vehicle fuel consumption. On top of strict management, we post energy-saving labels and logos, encourage staff to use both sides of the paper and take other measures to improve the environmental awareness of our staff in daily life. All these efforts further improved the operational performance of the Company. During the reporting period, 72,304 litre of diesel, 50,427 litre of petrol and 42,413 cubic metre of natural gas were consumed by the Group, respectively.

In particular, Jotun COSCO's centralized incineration technology uses natural gas as fuel to avoid emissions from burning coal or oil, while reducing the energy consumption as well as operation and maintenance costs required for dispersed gas supply. In the non-explosion-proof factor areas, mercury-laden lighting equipments were replaced with LED light tubes, thus preventing the waste caused by poor energy efficiency, and the environmental pollution and health hazards from harmful substances.

### ***Water Consumption and Discharge of Sewage***

Owing to the nature of its business, the consumption of water and the generation of sewage in manufacturing operations are limited. Nevertheless, we are committed to protecting water resources. During the reporting period, the Group's coating plants purified and reused its sewage to mitigate the consumption of fresh water and reduce sewage generation.

In improving the awareness of water saving, the Company has posted water-saving labels in the staff lounge and conducted seminars from time to time, as constant reminders to the employees on the importance of water conservation.



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

	Unit	2018	2017
<b>Sewage</b>			
Sewage	metric tons	<b>20,227</b>	21,013
<b>Waste gas</b>			
Volatile Organic Compounds (“VOCs”) and Benzene <sup>Note</sup>	metric tons	<b>10.88</b>	4.73
Toluene	metric tons	<b>0.37</b>	0.12
Xylene	metric tons	<b>0.73</b>	1.70
Particulate matter <sup>Note</sup>	metric tons	<b>1.71</b>	20.14
Other exhaust gas emission	metric tons	<b>0</b>	2.4
<b>Wastes</b>			
Solid wastes (Hazardous)	metric tons	<b>1,332</b>	1,420
Solid wastes (Non-hazardous)	metric tons	<b>274.9</b>	363.2
<b>Package materials</b>			
Coating package materials	metric tons	<b>4,014</b>	5,036

Note: COSCO Kansai Companies re-examined the calculation method in 2018, and the difference against 2017 mainly contributes to the new method applied the coating plant of COSCO Kansai Paint (Shanghai).

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

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

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

Notes:

- In response to the environmental policy, COSCO Kansai Companies began to use natural gas to replace some of the fuel oil used in 2018. Therefore, the natural gas data is only applicable to 2018.
- In response to the regulatory requirements of environmental authorities, the coating plant of COSCO Kansai (Tianjin) and COSCO Kansai Paint (Shanghai) transformed their terminal facilities for exhaust treatment in 2018, which resulted in an increase in electricity consumption of facilities for exhaust treatment upon such transformation as compared with that of 2017.
- 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. For those locations that could not be identified, the calculation was made with estimated trip distance and relevant emission factors.

\* for identification purposes only



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### Energy Consumption of the Group

	Unit	2018	2017
<b>Energy consumption</b> <sup>Note 1 &amp; 2</sup>			
Total electricity consumption	KWh	<b>6,124,244</b>	4,620,545
Electricity consumption density per m <sup>2</sup> of floor area	KWh/m <sup>2</sup>	<b>136.84</b>	154.74
Electricity consumption density per employee	KWh/employee	<b>6,991.15</b>	5,676.35
<b>Water consumption</b> <sup>Note 3</sup>			
Total water consumption	metric tons	<b>27,523</b>	43,303
Water consumption density per m <sup>2</sup> of floor area	metric tons/m <sup>2</sup>	<b>0.73</b>	1.82

Notes:

- 1 In response to the regulatory requirements of environmental authorities, COSCO Kansai Companies transformed their terminal facilities for exhaust treatment in 2018, which resulted in an increase in electricity consumption of new treatment processes upon such transformation.
- 2 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.
- 3 Water supply in members of the Group was controlled by their respective property management offices or proprietors who did not provide sub-meters for the units that the members occupied. Hence, our reporting on water consumption amount and density in 2018 only covers COSCO Kansai Companies and Beijing COSCO SHIPPING Ship Trading.

#### 4.2 Valuing Biodiversity and Marine Environment, Reducing Emission of Hazardous Substances

Shipping industry has been struggling with biofouling, as ships attached with marine life and pollutants consume 40% more fuel and sail at a much slower speed than general cleaned ships. Meanwhile, according to the Performance Standard for Protective Coatings (“PSPC”) by the International Maritime Organization (“IMO”) which came into effect in 2006 and the International Convention on the Control of Harmful Anti-fouling Systems on Ships (the “AFS Convention”) which came into effect in 2008, on top of conform to the anti-corrosion criteria, all ships are required to stop using anti-fouling-and-wearing coatings that contain organotin; and countries have imposed restrictions on the pesticides used in anti-fouling-and-wearing coatings.

In accordance with the requirements stated in the soil pollution prevention responsibility that signed between COSCO Kansai Companies and the government of the People’s Republic of China, COSCO Kansai Companies engaged qualified third parties to assist in preparing the plan for corporate land use survey, and tested the ground-water quality, as part of its effort to pay attention to the impact of its operations on land use and ecosystem. In the future, COSCO Kansai Companies will continue its preservation efforts in the regions where it operates, and try the best to incorporate ecological planning into its business development.

Meanwhile, with an aim to protect marine life and provide customers with better energy-saving and consumption-reducing performance, while leveraging on its own research and development advantages, Jotun COSCO is committed to providing the shipbuilders and ship-owners with the best marine coating solutions.

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Furthermore, Jotun COSCO re-launched SeaQuest, a premium series of anti-fouling coatings in 2018, which is considered the world's leading anti-fouling coatings. Containing no pesticide or metal toxins, such coatings resist fouling through new polymer technology and surface physical characteristics, causing zero damage to marine environment while providing 60-month protection against filth. Our hull performance solutions and high-performance anti-fouling paint Sea Quantum continue to present efficient, environmental and energy-saving anti-fouling coating choices for the market. This highlighted our commitment to preserve marine life and ecosystem and comply with relevant regulations.

### 4.3 Innovating Green Product Technology and Leading the Industry Back to Nature

COSCO Kansai Companies and Jotun COSCO have always been committed to the research and development of green products to drive industrial development. Over the past year, COSCO Kansai Companies introduced bridge coating materials and technologies that demonstrated the environmental value during the renovation period and subsequent maintenance procedures, by reducing the maintenance demand and restricting VOCs and solvent emissions. We are honored to have entered into a supply contract with the other two companies in November 2018, in relation to anti-corrosion coatings for the steel case of the immersed tube tunnel of Shenzhen-Zhongshan Corridor. We also earned the title "Influential Anti-Corrosion Coating Brand of the Year" for the ninth consecutive year at China Coatings Summit Forum (中國塗料高峰論壇) cum China Coatings Brand Conference of HC360.com. These events have further cemented the position of COSCO Kansai Companies in the anti-corrosion coatings market and the firm's environmental concepts which are widely recognized across various sectors.

Jotun COSCO successively rolled out a series of environmental coating products, such as solvent-free coatings, water-based coatings, and removable coatings for temporary protection. In particular, new types of coatings were launched one after another, such as VOC-free epoxy general primer, waterfine topcoat and removable coatings for temporary protection. These products not just effectively shorten the time of coating works and provide better protection for ships, but also mitigate VOC emissions up to 78%, 26% and 14.6% respectively. In addition, we never cease to promote water-based workshop primer with characteristic of zero emissions, simple construction, optimized welding and cutting speed as well as better anti-rust functions, in the hope of achieving more extensive industrial application and minimizing the environmental impact of coating works.

## 5. HEALTH AND SAFETY

Occupational health and safety serve as the cornerstone for the long-term sustainable development of a company. Only with safe working environment and manufacturing procedures in place can work-related injuries be prevented and normal operation of a company be ensured. As an investment holding company, COSCO SHIPPING International faces with relatively low safety risk during its daily operations. However, COSCO Kansai Companies and Jotun COSCO, with relatively high safety risk, engage in the production of inflammable and explosive coating products in Mainland China. It is an important social responsibility of COSCO SHIPPING International to its shareholders, employees and the community where it operates, to ensure stable and safe production. Therefore, the Group has always regarded the assurance of safety production and compliance management as its priorities, and strictly abide by the relevant laws such as the Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Production Safety Law of the PRC (《中華人民共和國安全生產法》), and the Fire Protection Law of the PRC (《中華人民共和國消防法》).



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The Group has established safety production and supervision management policies, with the implementation of supervision and accountability system. The document sets out the basic principles of “Two Responsibilities in One Post, Joint Management and Accountability for Delinquency” and “Safety as an Essential Component in the Management of the Industry, Business, as well as Manufacturing and Operation”, thus defining occupational safety as the mutual responsibility for every employee. Hence, all divisions are accountable for their respective production safety, and supervised by the headquarters and integrated managed by safety production heads.

### 5.1 Safety Committee

The Safety Committee of the Group was established in 2006 with the mission of “Safety First, Precaution as Crucial and Consolidated Governance”. The Committee is composed of representatives from different departments, supervised by the Company’s major responsible officers, whereas the leaders in charge of production safety as the vice director of the Committee, and other leaders of the Company, such as the Head of Safety Committee Office and the General Managers of each subsidiary or department, shall be the member of the Committee. The Committee has three main functions. Firstly, the Committee makes an overall arrangement of the safety-related affairs of the Company and provide guidance for the safe production of the Group. Secondly, the Committee is responsible for the deliberation of annual safety work objectives of the Group, formulation of major measures for safe production, and solving major problems in the safe production. Thirdly, the Committee provides assistance for the Group in fulfilling the key work in safety production assigned by superior departments, the Safe Production Committee and its office.

### 5.2 Safety Management of Production Enterprises

Coating manufacturing plants may produce VOCs such as methylbenzene, xylene and formaldehyde, which will cause harm to human respiratory system, so we shall strictly manage the potential safety hazards during the production. For this end, we establish the “STOP” principle in the management strategy, and reduce the exposure of chemical substance by replacement, engineering control, management measures and individual protection, in order to reduce the risks of employees to suffer from diseases due to contact with the chemical substance. The Group formulates various measures to guarantee the safety of employees in terms of coating design, plant and warehouse management, production process, monitoring, inspection, and emergency response policies.

Replacement	Engineering Control	Management Measures	Individual Protection
<ul style="list-style-type: none"> <li>Use substitute products with less harmful substance or substance with low exposure risk, for instance, the powder is replaced with liquid substance or cream</li> <li>Use less harm, low-concentration liquid substance</li> </ul>	<ul style="list-style-type: none"> <li>Give priority to confined operation</li> <li>The exposure site be equipped with ventilation facilities, and technical requirements shall be added according to the characteristics of substance</li> </ul>	<ul style="list-style-type: none"> <li>Acquaint employees with hazardous chemicals and its exposure through training to reduce risk of chemicals</li> <li>Evaluate the level of exposure of chemical substance on a regular basis</li> <li>Offer personal health examinations for certain employees</li> </ul>	<ul style="list-style-type: none"> <li>Choose and use personal protective equipment (“PPE”) according to risk exposure and risk evaluation</li> <li>Ask employees to comply with PPE protection requirements</li> </ul>

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### 5.2.1 Protecting Employees' Health with Green Products

COSCO Kansai Companies have been actively participating in the formulation of technical specifications of water-based container coating, which promotes the industrial progress and development. Three patented water-based container coating products suitable for various construction environments have been successfully developed as the substitute of traditional oil-based coatings. With the integration of the concept of health and safety into the product design through R&D and innovation, in order to reduce employees' contact with poisonous and hazardous volatile organic compounds during the construction process. Since the volatile organic compounds produced in the production and usage of coatings have certain hidden risks to the human health, Jotun COSCO develops the patented product, solvent-free epoxy universal primer, in order to reduce the usage of VOC-contained coatings during the production process. This kind of primer does not include the volatile organic compounds, and the construction period of the ballast tank is reduced from seven days to four days. Meanwhile, the Company adopts water-based coatings in the product R&D, and successfully develops water-based finishing coat, which reduces the VOCs emissions by 26%. When such water-based finishing coat is used together with the water-based primer under R&D, the VOCs emissions can be reduced by 75% compared with the pure solvent solution.

### 5.2.2 Safety Production

#### "Safety Production Month" of COSCO Kansai Companies



In order to enhance employees' awareness and knowledge of production safety, COSCO Kansai Companies held diversified activities in the safe production month in Shanghai, Tianjin and Zhuhai plants with the theme of "life utmost and safe development" in 2018, greatly enhanced the capacity of management and control over the safety of hazardous chemicals, navigation safety, fire safety and

prevention from work-related accidents, thus improving the Group's safety control capacity.

In 2018, three plants of COSCO Kansai Companies signed the safety responsibility statements with 412 workers, organized and accepted 21 safety checks, and eliminated 92 potential safety hazards. Besides, the plants carried out 13 times of internal safety education and training with 477 employees participated, and organized six emergency drills, which were attended by 330 employees.

Meanwhile, Jotun COSCO formulates the chemical safety technical specification, stating cap amount of employee contact with emissions such as xylene, and the potential health risks caused by the coatings and relevant first aid measures. In addition, the specification also specifies the international transport standards of coatings during the production process such as the International Maritime Dangerous Goods Code (IMDG Code) of the United Nations, International Air Transport Association ("IATA") and International Maritime Organisation ("IMO"), in order to guarantee that sealed containers are used during the transportation of coatings, and such containers are kept upright and fixed. Considering that coatings are inflammable and poisonous liquid, the Company also formulates relevant emergency response measures for fire protection and leakage, so as to prevent potential industrial safety accidents. Moreover, in order to achieve industrial safety, Jotun COSCO further establishes the PPE management system, giving comprehensive governance on the purchase, usage, maintenance and storage of protective equipment.

## Environmental, Social and Governance Report

### 5.2.3 Inspection and Evaluation of Safety Management during the Production Process

In order to monitor the achievements of safety measures, the Group formulated and generalized the safety management self-assessment system ("SMSA") for coating manufacturers in 2012 based on the current situations of the subordinate coating manufacturer, in accordance with the safety management standardization specifications of the coating industry such as the Law of the People's Republic of China on Work Safety, Hazardous Chemical Safety Management Regulations, AQ3013 General Norms for Safety Standardization of Hazardous Chemical Enterprises, AQ3040 Guidelines for Work Safety Standardization of Coating Enterprises and AQ5204 Safety Technical Specification of Coating Manufacturers. The system covers the safety management mainly in ten aspects, i.e. organization structure, management of risks and environmental factors, laws, rules and management system, training and education, production facilities, operation safety, product safety and hazard notification, occupational health hazards, accidents and emergency response, inspection and self-assessment. The Group will carry out an inspection on the SMSA once biannually by using the LEC scoring of the hazard analysis of operation conditions, and make risk identification and evaluation through 150 items in the checklist. The full score of the assessment is determined 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 assessment may adopt the respective scoring by several persons, and the average score is the score of the assessment. Potential hazards found in the inspection shall be rectified within the stipulated period. In case of any potential problems in the inspection, relevant departments shall take improvement measures 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	
2018	135	136	137	140	137	138	137
Average value for the assessment from 2012 to 2018	135	133	135	132	137	137	135

Work-related fatalities and injury cases during the reporting year of the Company are as follows:

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

## Environmental, Social and Governance Report

### 5.3 Safety Management of Non-Production Enterprise

The businesses of COSCO SHIPPING International, such as ship trading agency services, marine insurance brokerage, agency of marine equipment and spare parts, and trading and supply of marine fuel products, have low safety risk. The Group still initiated the formulation of safety policies and measures equipped its office with proper fire-fighting facilities such as fire extinguishers and filtering self-rescue respirator, required the maintenance service provider to carry out regular inspection and replacement, and designated staff for regular inspections on property safety, in order to ensure the exit passageways clear and unblocked. In addition, we organized fire drills and lectures from time to time. New employees must participate in fire drills, recognize the usage and storage of firefighting tools, and familiarize themselves with escape routes. In terms of indoor working environment, we urged the air-conditioner keeper of the property management company to monitor data on a regular basis, in order to guarantee that the indoor air quality have no impact on employees' health.

### 5.4 Reporting and Investigation Mechanism of Safety Accidents

The Group has formulated the reporting and investigation mechanism for production safety accidents, and implemented relevant accountability system. It is stipulated by the Company that, upon the occurrence of any safety accidents, relevant personnel should forthwith report to the person in charge of the relevant department, and the representative of the relevant department shall notify the person in charge of the Safety Committee via phone within one hour, and submit a complete report. Upon receipt of the notification, the Safety Committee of the Group shall make verification and preliminary judgement of the event, and report to the leader of the Company in charge of the safety. The Company will establish a specific responsibility team for internal investigation based on the severity of the event, and invite internal and external experts to participate in the investigation, accurately find out the process, reason and losses of the accident, and raise improvement measures and accountability suggestions when necessary. After that, the Company will alert or admonish with relevant personnel of the production safety accidents according to the severity of the accident. In case of any concealment, delayed report, omitted report or failure to make emergency response and improvement, the Company will punish responsible persons in the headquarters and the leader of the unit related to the production safety accidents.

During the reporting period, to the best knowledge of the Group, the Group didn't have any incompliance with relevant standards, rules and regulations with significant impacts. In 2018, there were no work-related fatalities (2017: nil), work injury cases (2017: nil), nor any significant accidents in relation to production safety.

## 6. CARING FOR EMPLOYEES AND HARMONIOUS DEVELOPMENT

We are convinced that excellent talents are not only an important asset of the Company, but also an indispensable partner in the pursuit of sustainable development. Therefore, the Group has always adopted a "people-oriented" development strategy to take care of employees' needs in recruitment, training, retention, promotion and career development. Upon the management of employee affairs, the Group adheres to the four principles, namely managing in accordance with regulations, establishing a fair and open system, meritocracy and emphasizing the coexistence of rights and obligations. Through the above principles, we are committed to creating a pleasant, fair and meaningful working environment for our employees. At the same time, the Group regards employees' physical and mental health as its responsibility, pays attention to the emotional status of employees and their work-life balance, and promotes enthusiasm in the development of personal interests and potentials.





## Environmental, Social and Governance Report

### 6.1 Occupational Development and Training

COSCO SHIPPING International has attached importance to the career development of its employees and encouraged continuing education in order to adapt to the everchanging changes in commercial society. The Group understands that employees have different learning needs, and has developed the following four training categories for employees of different qualifications, duties and positions. Firstly, the Group's subsidiaries provide basic orientation training for all the new staff covering our human resources management policy, financial management policy, development strategic plans, logistics management rules, occupational health training, safety management training and special operation training. Secondly, according to the business development of the Company, the human resources department regularly discusses the Company's training needs with various departments to select key training topics, and invites relevant experts or professionals to give large-scale special training. Thirdly, the Company's human resources department is responsible for arranging employees to participate in training organized by the Group or other groups. Fourthly, employees can also take their own initiatives to participate in training programs organized by Hong Kong/overseas professional learning groups, such as short courses, lectures, seminars or conferences, certificates, diplomas and other degree courses. The Company encourages, supports and provides subsidies for such further training programs. In 2018, the Company held a total of 5 training sessions and supported a total of 22 employees for further training courses. In the future, the Company will continue to enhance the quality of its management personnel through systematic training, give employees more opportunities for development and promote the growth of each employee together with COSCO SHIPPING International.

In order to strengthen employees' understanding of the Listing Rules so that the Company can achieve good corporate governance and better conduct its business in compliance with laws, the Company held the "Listed Company Compliance Lecture" on October 2018 and invited lawyers to give lectures. A large number of employees from headquarters of the Company have participated with overwhelming responses.

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

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

## Environmental, Social and Governance Report

### 6.2 Caring Employees' Physical and Mental Health

#### 6.2.1 Employees Participation

The Group values the opinions of its employees and is committed to growing with its employees. In order to understand the employees and help them to relieve the pressures of work and life, the Group encourages employees to make reasonable proposals to the Company in order to enhance internal activities and improve economic benefits. To this end, the Group established the "Implementation Award Measures for Reasonable Recommendations" to encourage employees to make recommendations in the name of individual or team. After collecting the comments, the Company's recommendation team will review in the special meeting to determine the testing or practical application for the proposal. Once the recommendation is accepted, the team will provide appreciation and reward based on the score of such recommendation by assessing its importance, scope of application and impact at the end of the year. Through this approach, the Group encourages its employees to express their opinions to understand their ideas, thereby improving the Company's operational performance.

#### 6.2.2 Care Employees

COSCO Shipping International concerns the balanced lives of employees. In addition to arranging the annual free medical check-ups, employees are encouraged to participate in corporate activities such as various recreational and sports activities, health talks and interest classes to enhance employee's loyalty to the enterprise and the work morale and productivity, as well as to promote their physical and mental health and enhance the quality of their lives, so as to achieve "balance between work and life".

In order to organize employee activities in an effective way, the Company established the employee association with COSCO SHIPPING (Hong Kong) Group and formulated the constitution to clarify its position and duties and promote effective exchanges between employees. The functions of the association include building a volunteer team, organizing various activities and organizing employee caring and holiday activities.

#### Hiking Activities with Employees



Employees walk out of the urban areas and embarked on a trip to the mangrove pontoon to get in touch with nature.



Employees participated in the event of hiking on the Lion Rock and took pictures to recall fondness.

## Environmental, Social and Governance Report

### 6.2.3 Employees' Family Life

The Group concerns about the physical and mental healthy development of the employees. In order to increase the support on the employees' work from their family, we organised various mega-events to encourage the participation of the employees' family members, demonstrating that the Group attaches great importance to their family life. Meanwhile, the Group promotes its operating concept of loving the sea through such events. Therefore, the employees can balance their pressures from work and family, while their family can be proud of their work.

For example, in 2018, we held a large-scale children drawing competition, which gained overwhelming response. We received a total of 136 pictures, and a total of 2,010,000 members of public visited the official WeChat page and a total of 280,000 members of public participated in the voting. Themed by the marine conservation and ecological environment protection, we motivated the artistic creativity of the children and thereby promoted the Group's operating aim of marine conservation. For the sake of recognition and corporate promotion, we incorporated the drawings in this annual report and other internal publications.

**Come on, let's paint!**



Winning works of the children of employees.

### 6.3 Employment and Labor Standards, Equal Opportunities and Anti-Discrimination

COSCO SHIPPING International is committed to providing a fair and competitive compensation package, in the form of basic salary, incentive bonus, mandatory provident fund and other fringe benefits such as healthcare benefits, education and training allowances. Apart from basic fringe benefits such as paid annual leave and sick leave and medical insurance, we also provide additional leave options such as paid wedding leave and paternity leave to attract and retain quality talents. In response to special needs of our employees, we have "Flexible Working Time Policy" for employees with needs.

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The Group abides by the employment regulations of the places where it operates, including the “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. The Group strictly complies with the internal recruitment process including the “Administrative Measures on Recruitment and Employment” and the “Administrative Measures on Labor Contract”, to ensure no employment of child labour and forced labour. The Group has its internal procedures to report employees’ information regularly in order to review employment practices so as to avoid any non-compliance.

Details of workforce of the Group are as follows:

	For the year ended 31st December	
	2018	2017
<b>TOTAL NUMBER OF EMPLOYEES</b>	<b>876</b>	846
<b>By gender</b>		
Male	<b>652</b>	662
Female	<b>224</b>	184
<b>By region</b>		
Hong Kong	<b>196</b>	110
Mainland China	<b>644</b>	701
Oversea	<b>36</b>	35
<b>By age group</b>		
Below 30	<b>110</b>	174
30 to 50	<b>627</b>	594
Over 50	<b>139</b>	78

Employee turnover rate of the Group (%):

	For the year ended 31st December	
	2018	2017
<b>OVERALL TURNOVER RATE OF EMPLOYEE</b>	<b>10%</b>	5%
<b>By gender</b>		
Male	<b>10%</b>	4%
Female	<b>11%</b>	7%
<b>By region</b>		
Hong Kong	<b>24%</b>	19%
Mainland China	<b>6%</b>	2%
Oversea	<b>0%</b>	9%
<b>By age group</b>		
Below 30	<b>5%</b>	3%
30 to 50	<b>10%</b>	4%
Over 50	<b>14%</b>	10%



# Environmental, Social and Governance Report

## 7. OUR OPERATING PRACTICES

As a responsible enterprise, the Group believes that only through sustainable operational policies, strategies and methods can create the long-term value for the business and stakeholders. We do our best to understand the needs of our partners, comply with local and international legal trade practices and adopt a sustainable procurement policy of “Clean, Honest and Open Procurement” as well as the Health, Safety, Environment and Quality (HSEQ) policy.

### 7.1 Green Supply Chain Management

#### *Sustainable Procurement Policy*

The Group is committed to promoting sustainable and responsible operational standards. The sustainable procurement policies have been in place in the areas of business and supply chain. When selecting suppliers, the Group not only considers product quality and production efficiency, but also assesses the environmental and social impacts and risks in production and operation. We formulated a series of internal systems 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”, so as to clarify the procurement principles and processes, require suppliers to produce and operate in compliance with applicable laws and regulations, effectively monitor their working environment and quality, control risks and maintain the healthy development of the ecological supply chain. Asphalt is one of the products of COSCO SHIPPING International. We formulated and implemented the “Asphalt Supplier Management System”, which requires suppliers to provide relevant approval or acceptance of materials in respect of fire protection and environmental assessment to ensure the safety of asphalt storage and any resulting environmental impact. In terms of marine coatings, as the response to the concerns of stakeholders, in 2018, Jotun COSCO has added the evaluation and selection processes of external suppliers in the Procurement Control Procedures, and will evaluate qualified suppliers every year and strengthen the dynamic management of qualified suppliers.

According to the Procurement Management Measures and the Supplier Management Measures of the Group, as for selecting suppliers, potential suppliers must meet the Group’s requirements on the certification and standard systems for health, safety, environmental protection. Only the suppliers that have passed the review conducted by our dedicated review team can be listed in the Group’s procurement supplier database. In principle, each purchasing unit should select the majority of the suppliers from such procurement supplier database and its own procurement supplier list. The supplier database is updated regularly every three years. Suppliers who violate the commercial bribery commitment clause are not allowed to enter the Group’s qualified supplier database.



# Environmental, Social and Governance Report

## 7.2 Supplier Evaluation and Supervision Mechanism

We have established a supplier evaluation mechanism to evaluate and review the suppliers every year. The suppliers that do not meet our requirements will be delisted in our procurement database and the contractual relationship will be terminated immediately. Evaluation indicators included fundamental capability, cost competitiveness, delivery fulfillment, quality control, customer service, business innovation, and safety and environmental protection, etc.. Suppliers whose professional qualifications are invalid in causing safety and environmental protection incidents or commit commercial bribery will be scored as zero point.

The Group requires all units to formulate measures that based on the evaluation results, for example, giving priority to business, giving feedback to urge rectification or delisting from the database. In 2018, the Group evaluated a total of 78 services, materials and engineering suppliers. The total purchase amount involving these suppliers amounted to HK\$23,550,000, and the procurement being evaluated included office operations, renovation works, catering and cleaning services.

In addition, the Group and its business units have established a supplier rating system, ranked as A, B, C, D and E, representing strategic suppliers, quality suppliers, qualified suppliers, negative suppliers and eliminated suppliers respectively. Such supplier rating is performed on an annual basis and is jointly determined by the supplier purchasing departments and the user departments. We prioritize cooperation opportunities with A-level suppliers, and eliminate the qualified-supplier qualification for E-level suppliers, so as to actively promote stable and mutually beneficial partnerships with excellent, industry representative and innovative suppliers, striving for sustainable development together.

According to the internal systems and policies related to the supervision and administration methods on procurement, outsourcing and supplier, the Group strictly conducts tracking and inspection at all stages of supplier management, thereby achieving scientific management of the business execution process and establishing and improving the corresponding inspection and supervision mechanism. The Group's headquarters in Hong Kong and all units perform their own functions and fulfil their supervisory duties in accordance with the internal policy systems. The supervision and auditing departments of the Group's headquarters in Hong Kong and its subordinate units shall carry out necessary routine supervision and inspection on the implementation of the regulations and rules regarding the supplier management formulated by various departments and units, and propose corresponding rectification opinions. Adhering to the principle of "those in charge shall be responsible", for any unit or individual that violates internal system policies or regulations, their leaders shall be held responsible in addition to any punishment for such violating unit or individual.

The Group continues to promote the localization of suppliers. Under the same terms and conditions, we prioritized a mutually beneficial partnership with local suppliers. With the application of scientific technology in logistic management, we are committed to shortening material delivery time, while controlling warehouse storage and delivery pressure, reducing vehicle emissions and negative impact on the environment.

The number of the Group's suppliers by region:

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



## Environmental, Social and Governance Report

### 7.3 Management of Product Quality and Responsibility

#### 7.3.1 Product Safety and Health

With product safety and health as our top priority, the Group observes the relevant local and international laws and regulations as well as trade practices, in an effort to provide customers with high-quality, healthy and safe products. We abide by our principle as a responsible enterprise, and regard the quality and safety of products as the precondition for the Company's sustainable development of all business within the Group. From sourcing raw material to product recall, return and replacement, we monitor the processes pursuant to local or international standards, together with relevant internal regulations in place to scale up every part of our production and operation processes continuously.

COSCO Kansai Companies and Jotun COSCO, both as dangerous chemical production enterprises, have provided all their products with technical manuals on product safety and safety labels based on unified classification and format under the relevant 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" (集装箱行业降低油漆铅含量实施方案) 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.

In addition, relevant subsidiaries which are principally engaged in operating a series of high-performance marine coatings and solutions have established and implemented their internal policy on health, safety, environment and quality (HSEQ) in line with international standard systems, to ensure the execution and improvement of production technical standards, operation safety, as well as product and service quality. During the manufacturing of marine coatings, the company has a detailed control procedure on product monitoring and measurement, to monitor and measure the quality characteristics of coatings from the testing of raw and auxiliary materials, inspection on intermediate products, testing of finished products to product clearing, so that product requirements are satisfied. In particular, the testing sheets on raw and auxiliary materials as well as spot check records on technical processes are kept for a period of five years by the technicians responsible for raw material testing and technical processes respectively. In addition, the company has published its best operation procedures to save fuel and reduce greenhouse gas emissions. Such procedures are designed to guide its staff to be aware of resource conservation in their daily production and operation, so that they can maintain operation safety and protect resources and the environment whilst saving the cost for the company. For instance, at its factory in Qingdao, the company encouraged to turn the paint buckets upside down at night, save resin, and reduce the emission of toxic wastes and relevant treatment charges.



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### 7.3.2 Green Innovation for Environmental-friendly Products



For green shipping, Jotun COSCO supports marine conservation.

The Group has a particular advantage on the anti-corrosion business for the construction projects of the bridges. COSCO Kansai Companies managed to launch its R&D product, a new generation of coating products with superior weatherability, anti-corrosion and anti-fouling performance. The company also completed its mission to supply anti-corrosion coatings to the steel structure of the Hong Kong-Zhuhai-Macau Bridge, which was officially open for traffic in 2018, and provided quality management and technical support during its construction.

The Group consistently focuses on technological R&D and innovation. As an industry leader in marine coating products, Jotun COSCO was successful in providing marine coating solutions to “COSCO SHIPPING ARIES (中遠海運白羊座)” and “COSCO SHIPPING TAURUS (中遠海運金牛座)”. In particular, Hull Performance Solution, based on the big data of intelligent ship-handling systems and ISO 19030 international standard, is capable of reducing the extra loss of speed during ship operation through high-performance anti-fouling paint, which in turn leads to a drastic decline in fuel loss and fewer greenhouse gas emissions.

The 2018 World Transport Convention lifted its curtain at China National Convention Center in Beijing, where Jotun COSCO showcased the new generation of super wear-resistant topside paint at its booth. The coating product, specially designed for ships which sail in icy areas, has an ultra-solid surface and enhanced wear-resistance function, making it applicable to various harsh polar environments. In addition, its film boasts a highly smooth surface with no attachment of ice fragments, enabling ships to sail with less resistance and fuel consumption in icy regions and produce fewer carbon emissions to polar atmosphere. This product remains the sole coating product that contains no toxic phenol and is suitable for use in icy areas in the market. COSCO SHIPPING International has been dedicating itself to confronting the challenges in ocean engineering protection and driving the sustainable development of the industry.

### 7.3.3 Addressing Risks in New Environment

Technology brings us both convenience and problems. As growing attention to internet risks, to deliver proper risk prevention and control, the shipping insurance company under the Group has widened the scope of its underwriting to include the ransom payment for online blackmails, loss by operation terminals caused by system breakdown, data restoration costs, network security defense costs, etc. We hope that in the event of an online attack, customers can have their loss reduced under our insurance coverage and resume normal operation quickly. Not only that, we hosted training and symposiums for customers in Shenzhen, where we prepared training topics based on customer demand and heated issues on shipping. We also invited a number of experts from China Shipowners Mutual Assurance Association, Association of British Insurers and The Swedish Club to engage in special discussions on safe haven, nickel ore shipping risks and handling of damaged commodities, as well as compensation procedures. The Group will continue to follow the frequently discussed issues in shipping, insurance and laws, focus on the actual demand, and adopt a variety of channels such as regular customer sessions and door-to-door customised training service to enhance communication with such customers and promote sustained and robust development of its business.

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In tandem with R&D innovation, the Company attaches great importance to intellectual property rights and have relevant subsidiaries principally engaged in the development of coating products. The protection of intellectual property rights goes beyond coating products to include but is not limited to the manufacturing methods,



COSCO Kansai Companies Supplying Anti-Corrosion Coatings to the steel structure of Jiaxing-Shaoxing Sea Bridge.

equipment and facilities for coating products as well as their functions and characteristics. The term of patent protection is determined according to product sales cycle, as the Group sorts out its intellectual property structure on a regular basis.

### 7.4 Customer Care and Information Protection

The Group strives to provide its customers with high-quality, healthy and safe products and services, and stays highly attentive to customer satisfaction with products and services. With great importance attached to the complaints about the products and services concerned, the Group has established its procedure for handling complaints (including those about services and products). During the reporting period, the Company incurred 205 pieces of its products manufactured and sold being recalled due to safety and health concern. The designated personnel has carried out investigations and take measures to prevent such complaints in the future.

COSCO Kansai Companies have had its “Administrative Procedure for Customer Feedback” in place to bolster the management of its customer complaint system, standardise the process of customer satisfaction survey, and never cease to ramp up its supply service quality to raise customer satisfaction. In addition, COSCO Kansai Companies specified in its “Process for Paint Return” that the management is aware of such product returns to take necessary further measures for rectification and prevention, so as to prevent the re-occurrence of issues concerning disqualified products. During the reporting period, the Company received a total of 1 complaints about its products and services. The companies concerned have made adjustments to the manufacturing methods and products and replaced the goods. All complaints have been properly handled and settled.

Through the customer satisfaction survey, the Company studies customer satisfaction in terms of the quality of service by sales and technical service personnel, delivery, ordering and invoicing, as well as the overall service of the Company, taking customers’ views into account.

## Environmental, Social and Governance Report

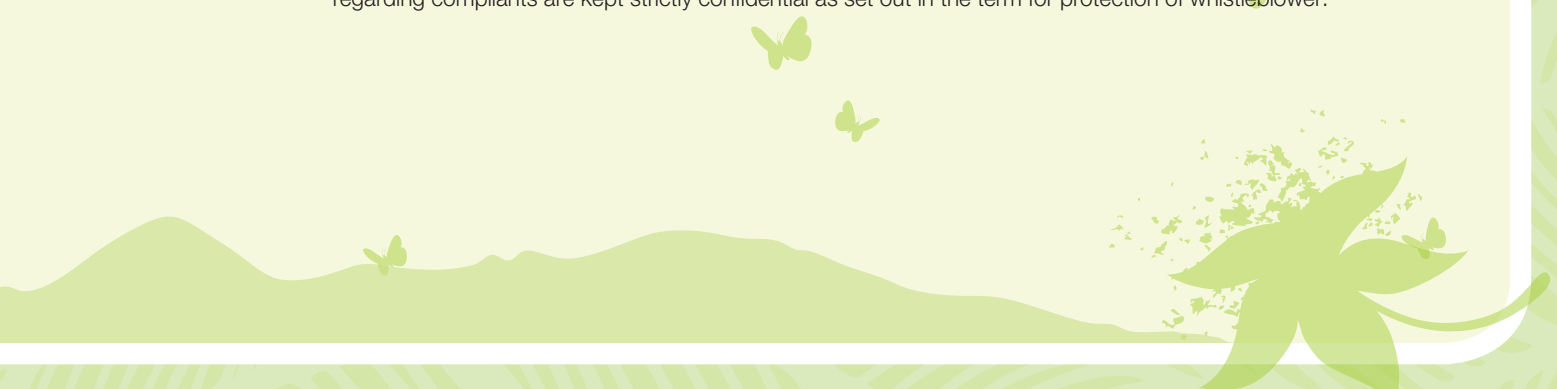
The Group observes local and international statutory standards on information confidentiality, to ensure that the information of its business and stakeholders (including customers) will not be leaked. Pursuant to the “Anti-Unfair Competition Law of the People’s Republic of China”, the “Interim Provisions 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”, the Group has put in place its “Administrative Measures on the Protection of Trade Secrets”, to strengthen its work on protecting the trade secrets and customer information of COSCO SHIPPING International. Apart from that, the Group has its “Administrative Measures on Inside Information” in place, and manages information in the basic principle of “truth, accuracy, completeness and timeliness”. In addition to complying with Personal Data (Privacy) Ordinance (Hong Kong), we specified in our “Staff Management Measures” that prohibited to leak important information such as customer information and strategic cooperation agreements with customers to any external party, unless stipulated otherwise under laws and regulations. Jotun COSCO also observes the new EU law on customer data protection, which came into effect in May 2018. The Company has established the “Binding Corporate Rules (BCR)” which requires all the units and employees to comply with the same system on privacy protection, staff being appointed for protecting global, regional and local information, and a global data protection regime (GDPR) to be established and improved.

### 7.5 Anti-corruption

#### 7.5.1 Anti-corruption Policy

Highly attentive to commercial ethics and anti-corruption, COSCO SHIPPING International has incorporated business ethics and code of conduct into the Group’s risk management framework, with the Board responsible for ensuring that an effective system is maintained in respect of risk management and internal control. The Group abides 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” and establishing the systems and has been improving its internal policies for the Punishment and Prevention System. In 2018, we updated our “Professional Ethics and Code of Conduct for the Staff of COSCO SHIPPING International (Hong Kong)” and “Whistleblowing Policy for COSCO SHIPPING International (Hong Kong)”, the implementation of which will commence in January 2019. We require the staff of our Group to maintain high integrity and moral standards, and meet the due ethical standards in handling various affairs. Staff shall remain honest and fair. No staff shall use their authority to engage in bribery or receive other illegal income, use their authority to secure illegal or improper benefits for themselves, their family members or others, to seize business opportunities from the Company (unless those that the Company is aware of and has confirmed to give up in writing), use the company assets in any form to secure personal interests, engage in other activities which may impair the interests of the Company. Any staff who breach the code of conduct are subject to disciplinary punishment, with possible termination of employment in serious cases. Given any suspicion that the breach involves corruption or other criminal offences, the Company will report to relevant authorities.

In the whistleblowing policy, the Company sets out the scope of compliant which can be reported and the protection terms of whistleblower. Any attempt by any individual to interfere with any compliant or investigation will be deemed to be severe disciplinary breach. Despite the channels for compliants are open, all information regarding compliants are kept strictly confidential as set out in the term for protection of whistleblower.





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### 7.5.2 Anti-corruption Trainings

The Group stressed on employees training (including the part-time and contractual) regarding the anti-corruption awareness and provide related training. The Corporate Governance Committee reviewed and monitored the relevant anti-corruption training for directors and senior management of the Group. The Group and its subsidiaries are also actively participated in anti-corruption trainings organized by COSCO SHIPPING Group, in a bid to enhance the anti-corruption awareness and education on integrity.



COSCO SHIPPING International held a specific training seminar on corruption prevention, and invited the senior community relations officer of the Hong Kong Independent Commission Against Corruption to elaborate.

### 7.5.3 Anti-corruption Supervision

Anti-corruption affairs of the Group are initiated by the Audit and Supervision Division of headquarters of the Company with the cooperation of the anti-corruption in charge of each business unit. According to the internal policies related to managing and supervising procurement, outsourcing and suppliers, departments in charge of procurement, outsourcing and supplier management are responsible for supervision, inspection and assessment, while Audit and Supervision Division is responsible for supervising and inspecting implementation status. All inspection, assessment and supervision are recorded in writing available for inspection. In the principle of “whoever takes charge should be responsible”, if any unit or individual receives benefits or rebates from suppliers, colludes

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with suppliers, plays, commits fraud and forges business volume, etc., not only such person(s) directly liable, the relevant managers shall be responsible thereof. It's specified in the Measures for Managing Special Affiliated Enterprises that special affiliated enterprises are the focus of Audit and Supervision Division for supervision through various channels such as special examination, efficiency supervision and audit in a regular or irregular manner, guarding against integrity risks. Apart from investigating responsibilities of the persons liable, entity responsibility, supervision responsibility and "One post double duty" responsibility of corresponding organization with benefit transfers are investigated. During the reporting period, the Group was not aware of any non-compliance with relevant standards, rules and regulations that have a significant impact on the Group. Furthermore, there was no legal case regarding corrupt practices brought against COSCO SHIPPING International or its employees during 2018 (2017: Nil).

In the Measures for Managing Performance Examination of Companies under Direct Management that newly revised in 2018, we set certain restrictive indicators for management transactions, risks and internal control and other staff ethics and anti-corruption requirements, and included them in the business assessment guidelines to achieve a dynamic tracking and evaluation.

### 8. FULFILLING OUR RESPONSIBILITY AND GIVING BACK TO THE SOCIETY

In the pursuit of "giving back to the community with what they get from the community" philosophy, COSCO SHIPPING International fulfill corporate social responsibility at our best effort. We have formulated Charitable Donation Policy, established a volunteer team and offered volunteer holiday to encourage employees to actively participate in social welfare activities, showcased our care to the society with actions and contributed the development of a better and more harmonious community.

#### 8.1 Formulating Charity Donation Policy

COSCO SHIPPING International formulated a Charity Donation Policy in 2014 to reinforce our commitment to building partnerships in the communities where the Company and its subsidiaries operate. The donation policy provides a guideline for the Group to make reasonable allocation of its capital in NGOs and other charitable bodies, and specifies the charitable methods. 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.



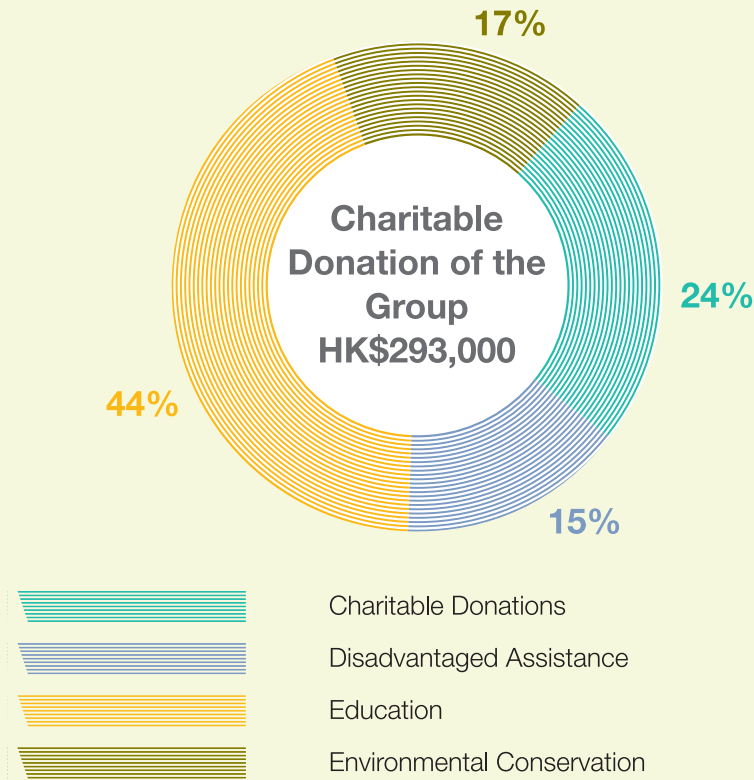


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## 8.2 Community Involvement

With the team slogan of “Our Passion to Serve”, COSCO SHIPPING International has been participating community volunteer services since 2011. The Group offers volunteer holiday to encourage and praise the staff with a passion for serving the society. The staffs in Hong Kong who has participated in volunteer services organized or referred by the Company for over 2 hours but less than 4 hours are entitled to a half-day paid leave and for those above 4 hours in one day are entitled to one-day paid leave, respectively, demonstrating that the Company strives to promote volunteer culture enterprise-wide.

In 2018, the Group’s involvement in the community mainly focused on the areas of charitable donation, environmental conservation, education and provide assistance to the disadvantaged.



### Supporting Education in Mountainous Areas

“Sowers Action Challenging 12 Hours” charity marathon is an annual large-scale fund-raising activity organized by Sowers Action, which aims to raise funds for education-aid project from the public, improve the quality of life of poor orphans and children, provide student aid and other education-aid projects, and enable participants to experience the hardships of students in the mountainous regions of China for walking to school in the activity.

Since 2008, COSCO SHIPPING International has sponsored the charity marathon, organized by Sowers Action, a non-profit making charitable organization, for 11 consecutive years, and provide subsidies to employees to encourage them to participate in the charity walk. On 21 October 2018, 62 persons of our employees and their family members, grouping into 16 teams, participated in the charity marathon of “Sowers Action Challenging 12 Hours 2018” for 12 kilometers. In the past 11 years, the Company has been persistently sponsoring the fund-raising activity of Sowers Action Challenging 12 Hours and in total funded 419 employees in fund-raising event, also, directly subsidize students in mountainous areas covering the beneficiary students from Sichuan, Yunnan and Gansu etc..

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### **Caring for the Disadvantaged** **Warm Visit to Inherit Deep Love**

Since 2011, COSCO SHIPPING International has cooperated with a non-profit organization, "Neighborhood Advice-Action Council", and actively participated in the "Inheriting Love Deep Care Plan" organised by Sham Shui Po District Elderly Community Centre of Neighborhood Advice-Action Council, sending its volunteer team during the winter days and festivals such as Dragon Boat Festival and Mid-Autumn Festival to visit singleton elderly. So far, we have served 2,024 hours in total and visited 519 singleton and household-elderly.

In particular, on 15 September 2018, 43 members of COSCO SHIPPING International volunteer team participated in the volunteer activity of "A Mid-Autumn Festival Visit to Inherit Love" held by "Neighborhood Advice-Action Council" to send mid-autumn festival gifts to 40 elderly persons who lived alone or in household, as well as care of the volunteers to jointly celebrate the festival. On the same day, volunteers also inspected the home safety for the elderly and for taking preventive measures against "Typhoon Mangkhut", a super typhoon increasingly approaching Hong Kong at that time, and promote the volunteer service spirit of "Our Passion to Serve".

### **Launching a Fund-Raising Activity on the "Poverty Alleviation Day"**

17th October marks not only the poverty alleviation day in China but also "International Day for the Eradication of Poverty" of the United Nations. In order to uphold the spirit of COSCO SHIPPING Group for helping the underprivileged and proactively respond to the national call for poverty alleviation, COSCO Kansai Companies and COSCO SHIPPING Insurance Brokers together with companies in four areas launched fund-raising activity on the theme of "Poverty Alleviation by You and Me". Nearly 300 persons participated in onsite donation and many employees travelling on business specially entrusted colleagues to donate on their behalf. The activity was aimed to help the low-income families and people in straitened circumstances in the targeted poverty alleviation plan with practical action, and make a contribution to poverty alleviation. Donations obtained in the activity would be used in the designated areas of five poor countries, including education support and other precise poverty alleviation projects and pair support.

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



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### ***Advocating Environmental Protection Protecting Marine Ecosystem***

Since joining WWF-Hong Kong and becoming a pure silver member in 2011, COSCO SHIPPING International has been funding the organization's environmental conservation work in Hong Kong.

COSCO SHIPPING International has shown support for WWF-Hong Kong's initiative of "Say No to Shark Fin" by ceasing the consumption of shark fins and known endangered marine species in the menu of large-scale dinners, and has strictly adhered to "Prohibition of Transportation of Shark Fin Policy", so as to show the determination of the Company to boycott the trade of endangered species and protected marine lives.

In order to reinforce our employees' awareness of the marine ecosystem conservation, the Company has arranged environmental guide tour activities for employees that organized by WWF-Hong Kong, such as the visit to the Mai Po Conservation Area, Hoi Ha Wan Marine Life Centre and the Tai Po Yuen Chau Nature Environmental Protection Research Centre in order to learn to protect the precious resources of nature and foster a sense of conservation of marine ecosystem and sustainable living.

### ***Green Printing***

During the year, the Company adopted environmentally-friendly paper accredited by a non-profit green body, Forest Stewardship Council ("FSC"), in the bulk printing of the Company's annual reports and other marketing collaterals. This helped curb the illegal logging, reduce the damage to the nature caused by consumption of papers, showcasing the Company's sustainable operation philosophy of undertaking environmental responsibility and bringing benefits to the society.

### ***Promoting Recycling***

The Company keeps a long-term partnership with Christian Action, a social organisation, which aims to seek welfare for the poor and the disadvantaged through education, vocational training, recreation, health and social services, entertainment and other projects. Since 2009, the Company would collaborate with Christian Action to organize "Green Collection Day" programme which aims to encourage the employees to donate recycled items to the people in need. This not only helps the discarded items re-gain values, but also helps reduce waste. In 2018, a total of 156 kilograms of clothes, toys and electric appliances were donated. The donated items were sent to those families newly migrated to Hong Kong, ethnic minorities, and the orphans and disabled children in Qinghai Province of China.

## **8.3 Awards and Social Recognition**

During the year, COSCO SHIPPING International made significant contributions by pursuing its management strategy and maintaining business operation, promoting sustainable development in many aspects, especially marketing, safety management, product technology, energy conservation and emission reduction, professional ethics of the staff and social participation further safeguards and balances the rights and benefits of shareholders, business partners, employees, customers and suppliers etc.. On the way to create a win-win situation for business and sustainable development, we are fortunate to be recognized and confirmed by the communities. In 2018, in terms of sustainable development, we were awarded "10 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service, awarded the Hong Kong Outstanding Corporate Citizenship by Hong Kong Productivity Council, honored with Gold Award in the Asset Corporate Awards by The Asset magazine, and won International ARC Awards Competition, while COSCO Kansai Companies were honored with "Contribution Award for China Coatings Industry Policy and Regulations".

