



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



COSCO SHIPPING International practises the philosophy of corporate social responsibility of COSCO SHIPPING Group, abides by the scientific development of people-orientation and pursues comprehensive, coordinative and sustainable development. COSCO SHIPPING International takes its responsibilities with respect to workplace quality, environmental protection, operating practices and community involvement as an integral part of the Company’s development strategies, operations and management. The existing internal policies, rules and regulations of COSCO SHIPPING International, such as Staff Code of Conduct (the “Staff Code”) and Whistleblowing Policy provide guidances on our operations.

## REPORTING FRAMEWORK AND SCOPE

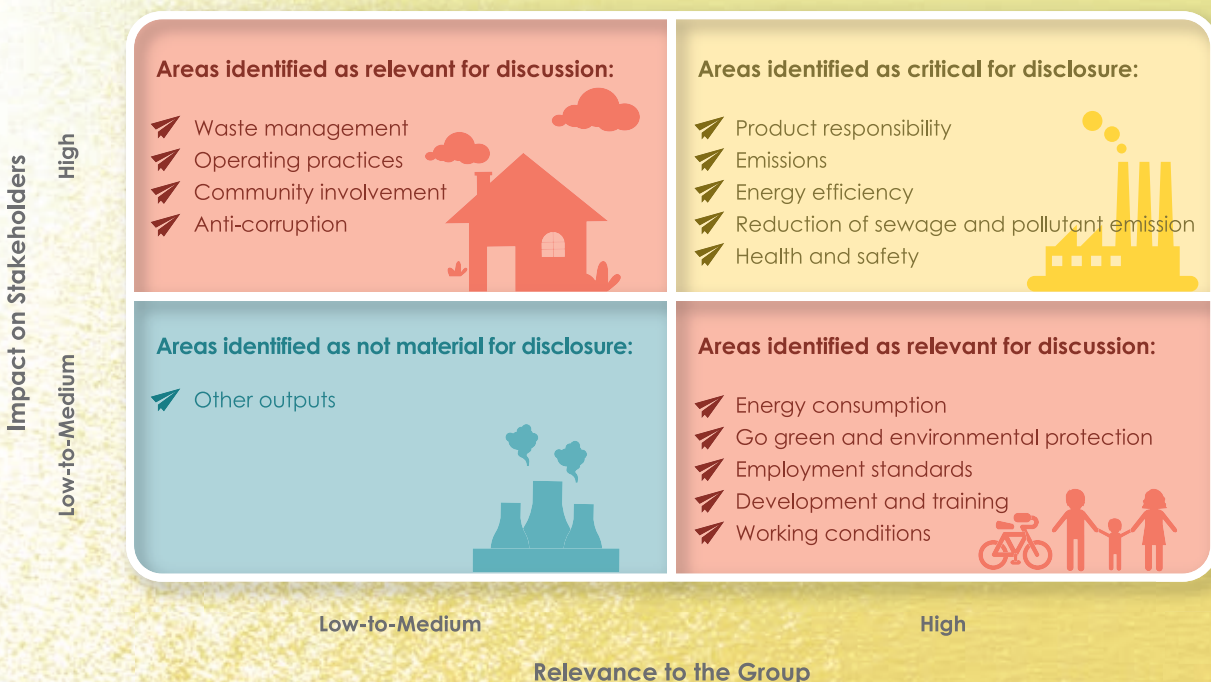
This report aims to review the performance and achievements of COSCO SHIPPING International’s implementation of social responsibility strategies in 2016 and is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules (the “Guide”). This Report has complied with the “comply or explain” provisions and reported on all recommended disclosures of the Guide.

The scope of this report covers workplace quality, environmental protection, operating practices and community involvement that enhance our job fulfillment, reduce our environmental impact, reinforce our class-leading safety culture and mitigate safety and environmental risks and promote responsible engagement in the community where we operate. For the governance aspect, please refer to the Corporate Governance Report in this annual report. Among the segments of shipping services of COSCO SHIPPING International, certain key performance indicators from the coatings segment are relatively important. In this report, we focus on reporting the operations of head office and the business units of the core business of shipping services, especially the coating manufacturing enterprises.

## MATERIALITY ASSESSMENT

The determination of the content of this report is based on a materiality assessment and a review of stakeholders’ concerns which includes the processes of a) identifying the sustainability issues and stakeholders; b) determining and prioritising the reporting issues; c) preparing the reporting issues and validating the report; and d) reviewing and addressing stakeholders’ expectation.

### Materiality Matrix



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### Stakeholder Engagement

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

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

Recognising the necessity to build trust and productive relationships with our stakeholders, we interact regularly and irregularly with them through various communication channels. During the year, Q&A session had been provided to the Shareholders to raise their concern at the 2016 annual general meeting and three special general meetings of the Company. Besides, the Company maintained two-way communication with Shareholders, potential investors and sell-side analysts by holding results announcement press conferences, analyst meetings, post-results roadshows, general meetings, and organising or participating in investors' conferences or industry forums held by securities firms, one-on-one meetings and responding to email inquiries, so as to enable Shareholders and investors to understand the latest developments and future direction of the Company. In addition to day-to-day contact with customers, we arranged regular visits to key customers who provide valuable opinions about the Group's operations and ways we can improve. Internally, employees raised their concerns through two-way appraisal.

## WORKPLACE QUALITY

### Working Conditions

COSCO SHIPPING International believes that quality talents are important assets of an enterprise and also the cornerstone for sustaining corporate development. We are committed to providing a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits, such as healthcare benefits, education and training allowances. In order to encourage employees feedback and free expression of ideas on different aspects of workplace, such as employee benefits and communication channels, COSCO SHIPPING International has conducted survey to collect employees' opinions that are therefore taken into consideration when management formulates employee caring programmes.

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

As at 31st December 2016, the Group had a total of 829 (2015: 969) employees, all of them are permanent full-time employees.





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Details of workforce of the Group are as follows:

	As at 31st December	
	2016	2015
<b>TOTAL NUMBER OF EMPLOYEES</b>	<b>829</b>	969
By gender		
Male	<b>646</b>	784
Female	<b>183</b>	185
By region		
Hong Kong	<b>100</b>	102
The PRC	<b>692</b>	829
Outside Hong Kong and The PRC <sup>(Note)</sup>	<b>37</b>	38
By age group		
Below 30	<b>175</b>	200
30 to 50	<b>579</b>	684
Over 50	<b>75</b>	85
<b>EMPLOYEE TURNOVER RATE (%)</b>	<b>17%</b>	8%
By gender		
Male	<b>17%</b>	7%
Female	<b>15%</b>	15%
By region		
Hong Kong	<b>7%</b>	22%
The PRC	<b>18%</b>	6%
Outside Hong Kong and the PRC <sup>(Note)</sup>	<b>19%</b>	24%
By age group		
Below 30	<b>6%</b>	10%
30 to 50	<b>22%</b>	8%
Over 50	<b>7%</b>	4%


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

### Health and Safety

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



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

COSCO SHIPPING International firmly adheres to “Absolute Safety with Three Zeros” as the general objective of the safety management. “Absolute Safety” refers to the safety of overall production environment be ensured and “Three Zeros” refers to zero number of reports in accident, injury and pollution be ensured. The coating manufacturing subsidiaries of COSCO SHIPPING International had obtained Quality Management System Certification (ISO9001), Occupational Health and Safety Assessment Series Certification (OHSAS18001) and Environmental Management System Certification (ISO14001) formulated by the International Organisation for Standardisation (“ISO”) and they were certified, thus effectively guaranteeing the establishment of a healthy, safe and stable work environment. Daily operations are inspected by relevant departments, according to the occupational health and safety requirements of the respective company. Any non-compliance will also be identified and rectified on a timely basis.

In 2016, there was no work-related fatalities (2015: nil) nor work injury cases (2015: nil). During the year, the Group did not record any significant incident in relation to production safety so that safe and stable production was ensured.



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During 2016, the Group adopted various safety and health measures as follows:

## Safety measures adopted

## Work implemented and monitored in 2016

1

Full-range hidden hazards rectification in various forms on multi-levels by means of “Three Inspections”:

- self inspection
- wide inspection
- supervisory inspection

➤ To take precautions at an early stage, the Group carried out safety inspections of each operating unit regularly and irregularly so as to track the hidden hazards and make rectifications accordingly.

➤ COSCO Kansai Companies launched three activities, namely “Safety Self-assessment Campaign”, “I Am Safety Supervisor Campaign” and “Dangerous Experience and Hidden Hazard Report Campaign”. During the year, COSCO Kansai Companies implemented various safety checks for 72 times (2015: 171 times), found 528 (2015: 1,183) hidden hazards, all of which have been rectified.

2

Increased the number of unannounced emergency drills and raised the number of examination and renewal of the contingency equipment

➤ Safety Committee conducted a total of 37 (2015: 22) on-site safety inspections in the Group.

➤ Coating manufacturing subsidiaries of COSCO SHIPPING International held a total of 32 (2015: 20) large-scale comprehensive and special emergency drills with 1,617 attendances (2015: 914 attendances).

3

Promotion and education on occupational safety and health

➤ Set different safety and health training goals for different safety management tasks and organised a variety of training activities.

In addition, COSCO Kansai Companies have enhanced their management in work sites and adopted new technologies and processes to reduce the use of materials hazardous to occupational health. Jotun COSCO has adopted fundamental measures on occupational health and safety. For engineering control, it has taken considerations of and implemented production facilities with relatively high level of occupational health protection at the stage of plant design. For individual protection, it has equipped its employees with labour protection appliances of relevant level based on exposure hazards of different jobs. Safety Committee also conducted 2 (2015: 2) on-site safety inspections in the plant of Jotun COSCO during the year.

### Development and Training

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

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During the year, the Company also organised working seminars or meetings in relation to business development, thus increasing the opportunities for the different levels of staff and professionals from different regions to exchange and explore issues through active discussion of and expression of views, thereby achieving a better result for exchange and learning from each other during trainings. In addition, the Group's employees also attended seminars held by professional bodies from time to time to enrich their business knowledge. Frontline sales staff would also enhance their skills through sales technique training. In future, the Company will continue to enhance the quality of the management staff and provide more advancement opportunities through systematic training to motivate each employee to grow together with COSCO SHIPPING International.

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

	For the year ended 31st December	
	2016	2015
<b>TOTAL NO. OF TRAINING HOURS RECEIVED</b>	<b>15,648 hours</b>	18,621 hours
Average no. of training hours per employee/rate of employees trained by employee category		
Senior	<b>26 hours/84%</b>	24 hours/82%
Middle-level	<b>28 hours/84%</b>	28 hours/84%
General	<b>15 hours/79%</b>	15 hours/64%
Average no. of training hours per employee/rate of employees trained by gender category		
Male	<b>13 hours/80%</b>	13 hours/64%
Female	<b>33 hours/80%</b>	35 hours/82%

### EMPLOYMENT STANDARDS

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

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





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

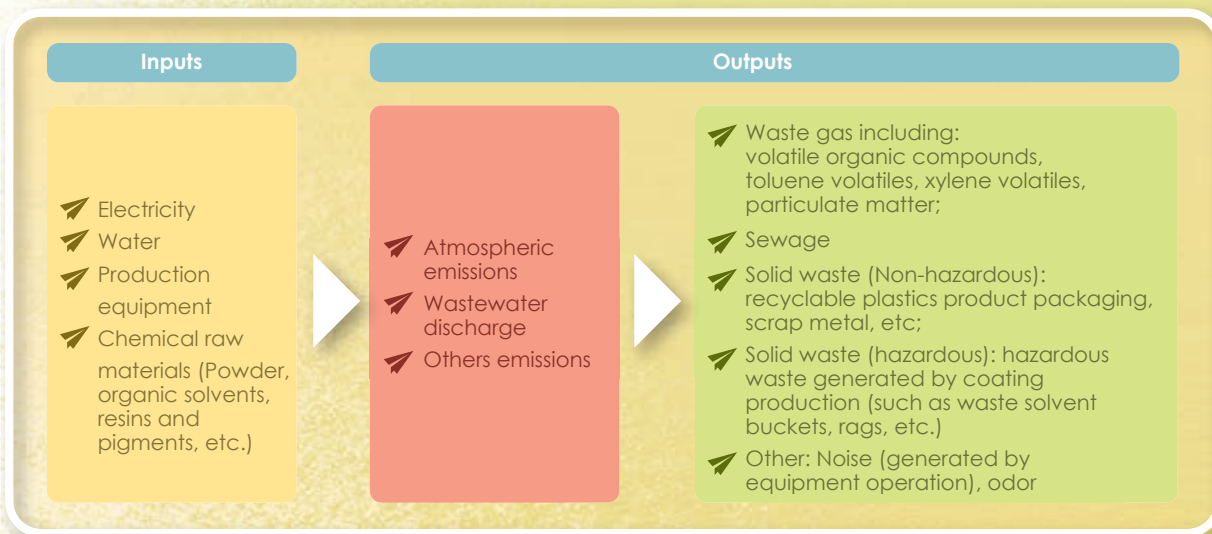
## ENVIRONMENTAL PROTECTION

The Group is committed to promoting green operation and actively implementing energy saving, emission reduction and recycling. Especially, the coating manufacturing subsidiaries of the Company have strictly implemented the various systems and management measures stated in the Environmental Management System Certification formulated by ISO, and developed new technologies and skills for the promotion of energy saving and emission reduction, in order to minimise the environmental damage caused during the production process. Internally, we encourage our employees to adopt environmentally responsible behaviour and continue to improve our environmental management practices and measures to reduce the use of other resources, minimise wastage and increase recycling.

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

### Emissions

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



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

	Unit	2016	2015
Sewage	metric tons	<b>17,611</b>	43,873
Waste gas:	metric tons	<b>17.71<sup>note</sup></b>	1.63
Volatile Organic Compounds ("VOCs") and Benzene	metric tons	<b>11.55</b>	0.18
Toluene	metric tons	<b>3.17</b>	0.18
Xylene	metric tons	<b>1.63</b>	0.26
Particulate matter	metric tons	<b>1.36</b>	1.01
Solid waste (Hazardous)	metric tons	<b>1,026</b>	1,165
Solid waste (Non-hazardous)	metric tons	<b>134.3</b>	101

note: Due to the cessation of production of the coating plant in Baoshan, Shanghai in 2015 and the full production of the coating plant in Jinshan, Shanghai in 2016, the waste gas emission was increased in 2016 as compared to 2015.

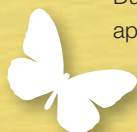
### Greenhouse gas ("GHG") emissions data<sup>note 1</sup> of the Group

	2016	2015
Total GHG emissions (Scope 1 and 2) (metric tons)	<b>4,349</b>	4,098
Total GHG emissions (Scope 1 and 2) per floor area (metric tons/m <sup>2</sup> )	<b>0.15</b>	0.14
Total GHG emissions (Scope 1 and 2) per employee (metric tons/employee)	<b>5.25</b>	4.23
Total GHG emissions (Scope 1, 2 and 3) (metric tons)	<b>4,719</b>	4,447
Total GHG emissions (Scope 1, 2 and 3) per floor area (metric tons/m <sup>2</sup> )	<b>0.16</b>	0.15
Total GHG emissions (Scope 1, 2 and 3) per employee (metric tons/employee)	<b>5.69</b>	4.59
Direct emissions (Scope 1) (metric tons)		
Petrol <sup>note 2</sup>	<b>384.17</b>	220.29
Diesel <sup>note 2</sup>	<b>206.70</b>	230.95
Indirect emissions (Scope 2) (metric tons)		
Electricity <sup>note 3</sup>	<b>3,758</b>	3,647
Indirect emissions (Scope 3) (metric tons)		
Business travel <sup>note 4</sup>	<b>205.09</b>	188.54
Paper consumption	<b>165.11</b>	160.02

notes:

- GHG emissions data is presented in carbon dioxide equivalent.
- Emissions data relating to petrol and diesel are arising from company vehicles.
- As disclosed in note 2, under the section headed "Energy Consumption" of this report, emission data relating to electricity excludes COSCOSHIP Beijing Company Limited.
- Business travel refers to business travel by air. Emission data relating to air travel was largely based on the International Civil Aviation Organisation Carbon Emissions Calculator. Such emission data relating to business travel in 2015 excludes COSCO Kansai Companies but includes COSCO Kansai Companies (except the management nominated by Japanese shareholder) in 2016.
- The intensity is calculated based on the total floor area (plants and offices) and total number of employees of the Group.

During the year, total packaging materials used for coatings by COSCO Kansai Companies were approximately 3,905 tonnes (2015: approximately 3,869 tonnes).







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### Reduction of Sewage and Pollutant Emission

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

- Cleaned the environmentally friendly sewage treatment sedimentation tank on a regular basis, inspected the condition of water pump and aeration tank and made corresponding records, and enhanced the management on sewage treatment in order to meet the sewage discharge requirements of environmental protection department.
- Used pipelines, central ventilation system and dust filtration equipment to reduce waste.
- Promoted proactively the replacement of solvent coatings by water based coatings to reduce the emission of VOCs.
- Carried out energy saving and emission reduction measures to reduce the consumption of energy, water and electricity in order to avoid resources wastage.
- Strengthened the management and supervision of on-site operation to reduce wastes.
- Adopted measures to increase the utilisation of wastes and packing materials, including replacing the small packages by large packages.
- Engaged new hazardous waste treatment services provider.
- Produced supports for turning the material bucket upside-down to avoid material left in the bucket so as to maximise the savings of materials.
- Recycled use of the wooden pallets.

### Waste Management

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

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

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

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

### Energy Efficiency

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

The Group held diversified trainings and educational activities through cooperation with different environmental protection organisations to raise its employees' awareness of environmental conservation, enhance the application and knowledge of energy saving and emission reduction, energy efficiency, thereby further establishing a corporate culture of low-carbon office. COSCO SHIPPING International launched environment-friendly campaign of "Saving a drop of water, a kilowatt of power and a piece of paper" by encouraging staff to reduce office consumables such as printing papers; to save energy by turning off the computers or electrical appliances and equipment when not in use, using energy efficient bulbs, and adjusting the air conditioning temperature to 25°C at office, so as to build up conservation awareness among all staff and save energy.



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

- Launched Total Productive Maintenance (“TPM”) campaign for all staff, organising regular TPM training for staff in workshops to enhance staff’s awareness on regulated operation of equipment so as to reduce equipment failure and impairment, improve operation efficiency and ensure the safe operation of equipment.
- Replaced old lighting with highly energy efficient light-emitting diode (“LED”) lights. This measure not only increases the brightness but also reduces electricity consumption and saves energy. On average, one LED light can save up to 150 kWh per year.
- Through the promotion activities of energy savings by the channels of network, billboards, television in canteens, employees can better understand the significance of energy saving. In addition, a number of energy conservation promotional banners and posters were posted up in various places to remind workers. Through catchy slogan and posters, everyone paid high attention to environmental protection and resources conservation.
- Strengthened energy conservation training and education. During the off season, the companies organised trainings on the knowledge of energy conservation and hazardous wastes, to improve the awareness of energy conservation and the waste disposal specification.
- Utilised new technology to reduce energy consumption.
- Carried out energy saving and emission reduction measures to reduce the consumption of energy, water and electricity in order to avoid resources wastage; further reinforced publicity and education through posting small stickers about saving electricity beside the switches of the meeting rooms and office etc.; regulated the temperature of air-conditions to be not lower than 26°C in summer and not higher than 20°C in winter; carried out patrol inspection by the logistics department to further ensure that the electrical equipment in public area are powered off on a timely basis; upgraded the water heating system in bathroom with time-to-temperature linkage function, which sets up the time of heating according to the user number and water consumption and heats up automatically during the electricity slack hours at night; and further specified the work schedule of production equipment in workshop like sanders and sanding blenders as per our standard production accessions.

### Energy Consumption

The following is energy consumption of the Group by type:

	2016	2015
Total water consumption (metric tons) <sup>note 1</sup>	<b>78,375</b>	95,936
Total water consumption per floor area (metric tons/m <sup>2</sup> ) <sup>note 1</sup>	<b>3.29</b>	4.03
Total electricity consumption (kilowatt hour) <sup>note 2</sup>	<b>4,337,874</b>	3,973,025
Total electricity consumption per floor area (kilowatt hour/m <sup>2</sup> ) <sup>note 2</sup>	<b>148.38</b>	135.90
Total electricity consumption per employee (kilowatt hour/employee) <sup>note 2</sup>	<b>5,355.40</b>	4,195.38

notes:

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



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### **Go Green and Environmental Protection**


#### ***Development and Promotion of Green Coating Products***

In respect of the promotion of green coating, COSCO Kansai Companies and Jotun COSCO have made great efforts in the research and development and promotion of green coatings for years. In 2016, COSCO Kansai Companies focused on promoting the application of green coating products. The China Container Industry Association and various local regulators introduced policies to promote the application of water-based container coatings and relevant technical standards in 2016. COSCO Kansai Companies actively participated in the formulation of such standards to push forward the advancement and development of the industry and actively promote the application of water-based container coatings in the container coating industry by dedicating to research and develop water-based container coating product series applicable to various work environment. During the year, COSCO Kansai Companies developed water-based zinc-rich coatings, water-based inorganic zinc coatings and solvent-free epoxy coatings applying to large tanks and vessels; and also completed the development of CAP series coatings applying to the third generation of nuclear power plants (also known as clean energy), which passed the expert review and was put into sales. Moreover, it finished the development of protective coatings applying to the solar panels project of solar vessels initiated by the Ministry of Industry of Information Technology.

In 2016, Jotun COSCO continued to enhance the promotion of Hull Performance Solution and the high performance antifouling coating, Sea Quantum X200. As such product can lessen the roughness of the vessel body, enhancing saving energy and accelerating the speed. Theoretically, it can save up to 13.2% fuel consumption, as compared with market average level, which greatly reduces the fuel cost of shipowners and reduces emission of greenhouse gases. During the year, the Sea Quantum X200 anti-fouling coatings were successfully applied in over 20 large vessels. Hull Performance Solution of Jotun COSCO has gained increasing recognition from the industry.

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

Green coating is an important component in the development of green shipping. The Company actively promotes the development of green coating in an effort to protect the global climate. With its professional experiences and techniques in developing and using green coatings over the years, and the promulgation of the international standard, namely "ISO 19030: Measurement of changes in hull and propeller performance" led by Jotun COSCO which allows both purchasers and sellers to clearly understand the fuel-saving techniques and solutions, the operating efficiency and environmental effectiveness within the overall industry will indeed be enhanced and it is expected to save up to US\$30 billion fuel cost for the shipping industry each year. Jotun COSCO has actively developed products with high solid content and low VOCs in order to reduce VOCs emissions. Such efforts of Jotun COSCO can support the effective and sustainable development of shipping enterprises.



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### OPERATING PRACTICES

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

#### Supply Chain Management

Suppliers management measures govern the engagement of suppliers. The Group implements supplier management in accordance with internal guidance. Suppliers are chosen according to screening and evaluation procedures among the suppliers, based on the quality as well as price. In addition, to ensure supplier capability in quality assurance, safety and other aspects of environmental management, field investigation will be conducted on their production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications if needed. Only the highly qualified suppliers complied with regulatory requirements are eligible for the selection by the Group.

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

Number of suppliers of the Group by geographical region are as follows:

Year	China Mainland	Hong Kong	Other Countries
2016	826	118	726
2015	791	122	765

#### Product Responsibility

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



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



The Group continuously strives to provide customers with quality products and services, high attention is paid to complaints about products and services. Procedures for handling complaints are in place to deal with complaints in relation to the services and products. Specific person(s) is (are) responsible to investigate and take certain corrective measures to avoid such complaints in the future. During the year, the Group has received 10 (2015: 12) products and services related complaints and the companies concerned have made adjustment on the production methods and products and replacement of goods. All complaints have been properly handled and settled.

To ensure the product safety and quality, quality assurance process and recall procedures were established. In the production process, sampling and laboratory testing would be conducted regularly. Any product that fails to meet the standards would be classified as inferior-quality product for further investigation. Recalled products would be tested and in case the products meet with the standards, they would become stock, otherwise adjustments would be made. If the products fail to meet with the standard after adjustment, they would be destroyed. During the year, no product manufactured by the Group sold was subject to recalls for safety and health reasons (2015: nil).

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

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



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



### Anti-corruption

In order to ensure the Company's reputation be enhanced by the honest, loyal and ethical behaviours of staff, the Group has in place a formal Staff Code and Whistleblowing Policy. Staff Code serves as a clear and complete guideline to monitor the code of conduct of the employees of the Group during daily operations. Every year, the Group reviews the implementation status of the Staff Code within the Group through a self-inspection process by the Company and each of its subsidiaries, in order to ensure that the Staff Code had been thoroughly applied throughout the actual operations and management practices, so as to balance and safeguard the interests of the Group and the stakeholders and build up a long-term partnership. Whistleblowing Policy provides a channel and guidelines to report any misconduct, malpractice or impropriety concerns within the Group. Employee who has a malpractice concern can inform the relevant designated superiors or take the complaint directly to the chairman of the Audit Committee. Electronic reporting mailbox and a hotline were established, all reporting is treated as confidential and in a sensitive manner. The chairman of Audit Committee would review the complaint and decide how the investigation should proceed. In addition, the subsidiaries of the Company in China Mainland also developed relevant systems to prohibit commercial bribery, and strictly complied with relevant laws including the "Criminal Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China" and the "Bidding Law of the People's Republic of China". Each subsidiary attached importance to contract and strictly obliged the terms and strictly complied with relevant laws and requirements during the operating activities. Meanwhile, great importance was attached to the construction of prevention and punishment systems. In addition, the Group continued to advance its comprehensive risk management. On precautions, the Group focused on enhancing incorruptibility education, refining the procurement tender system and improving the system of selection and appointment of key staff, as well as implementing the key personnel rotation system. For the channel of whistleblowing, the reports were mainly delivered to the general manager's mailbox and the Internal Audit Department. On monitoring methods, there was routine audit by external professional institutions and internal special audit as well as daily review on systems. During the year, the Company was not aware of any non-compliance with relevant standards, rules and regulations that have a significant impact on the Group. Furthermore, there was no legal case regarding corrupt practices brought against COSCO SHIPPING International or its employees during 2016 (2015: nil).

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

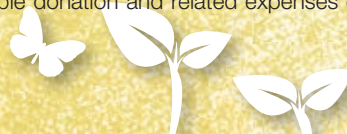
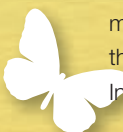
## COMMUNITY INVOLVEMENT

### Community Investment

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

### Formulating Charitable Donation Policy

In 2014, COSCO SHIPPING International has formulated a Charitable Donation Policy. The donation policy is intended to provide a guideline for the Group in allocating the fund to the non-governmental organisations and other charitable bodies. It formalises the manner in which its philanthropic efforts are handled and to ensure its commitment to building partnerships in the communities in which the Company and its subsidiaries operate. In accordance with the policy, the Company would, in principle, set the charitable donation budget as about 0.1% of the profit attributable to the shareholders of the previous financial year for all direct donations and indirect expenses to all charitable events and related community services for the year. The actual amount of the charitable donation may be adjusted appropriately in line with the profit performance, and the charitable donation budget plan has to be submitted to the senior management for final approval every year. In 2016, the charitable donation and related expenses of COSCO SHIPPING International amounted to HK\$272,000. (2015: HK\$270,000)





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

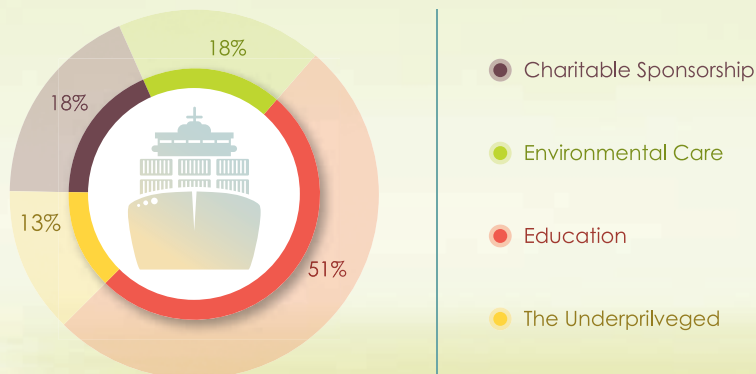


## Offering Volunteer Holiday

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

In 2016, the Group's involvement in the community continued focusing on the areas of education, environmental care and volunteer services for the underprivileged.

**Breakdown of Allocation of Charitable Donations in 2016**



## Education

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

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

In 2016, COSCO SHIPPING International sent 60 employees and their family members, totaling 18 teams, to participate in the fund raising activity of "Sowers Action Challenging 12 Hours Charity Marathon 2016". This was the ninth consecutive year that COSCO SHIPPING International supported the event. All participating teams completed the 12km race of run for education within the designated time, in which two Open Teams won the 4th and the 10th place respectively. COSCO SHIPPING International received Gold Award of "Corporate Participation Award" in the Sowers Action Challenging 12 Hours Charity Marathon 2016 by Sowers Action for appreciation of active participation.

## Environmental Care

### Supporting Marine Conservation

As a corporate member of WWF-Hong Kong, COSCO SHIPPING International always supports its conservation work for protecting the environment. In 2016, COSCO SHIPPING International, with its headquarters in Hong Kong, supported the WWF-Hong Kong's annual eco-event, "Earth Hour", to discharge our responsibility to save the planet by turning off all non-essential lights to minimise carbon emission.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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

The Company supported green printing. During the year, the Company adopted printing paper accredited by a non-profit green body namely Forest Stewardship Council (known as FSC) in the Company's annual reports and other promotional collaterals with bulk printing. This helped reduce the damage to the nature caused by large number of deforestation, showcasing the commitment of the Company's sustainability operating philosophy which undertakes environmental responsibility and benefits the society.

To educate its staff to know the importance of marine conservation, the Company arranged its staff to participate in environmental protection activities organised by WWF-Hong Kong. During the year, COSCO SHIPPING International joined the "Mai Po and Ting Kok Wetland Discovery Programme". Guided by the instructor of WWF-Hong Kong, the Company's staff and their family members visited Mai Po Marshes and Ting Kok Wetland in Tai Po. They learnt protecting the marine resources, cultivating the awareness of conserving marine ecology and sustainable living.



### Promoting Recycling

Every year, the Company partnered with Christian Action to organise "Green Collection Day" programme, which aimed to encourage the employees to reduce waste by donating recycled items for the people in need. In 2016, a total of 139 kilograms of clothes, toys and books were donated. The donated items were sent to those families newly migrated to Hong Kong, ethnic minorities, and the orphans and disabled children in Qinghai province, China, or sold for charity to finance various charitable services of Christian Action.

### Caring for the Underprivileged *Showing Concern to the Elderly Living Alone*

COSCO SHIPPING International volunteer team's service targets are mainly the underprivileged including the elderly living alone or in poverty, and the low-income families. Every year, the Company collaborated with a non-profit organisation, Sham Shui Po District Elderly Community Centre of Neighbourhood Advice-Action Council by sending its volunteer team during the festive seasons and the winter to visit the elderly living alone, and sponsored the gift bags. In 2016, a number of 73 elderly persons who live alone and who live together were visited. The volunteers gave their regards to the elderly and asked about their recent condition to revert their needs to the social workers for follow up. COSCO SHIPPING International was awarded a certificate of commendation by Neighbourhood Advice-Action Council in recognition of its active participation in volunteer services.







# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



## Giving Assistance to Low Income Families

To provide more opportunity for the underprivileged including the new arrivals and low income families to adapt to the society, COSCO SHIPPING International organised activities such as outdoors visits or farm workshop from time to time, with the accompany of the Company's volunteers. During the year, COSCO SHIPPING International co-operated with Christian Action to organise the "Ngong Ping Cultural Educational Tour". Led by the volunteers, a total of 24 children from the low income families went to the Lantau Island to take the Ngong Ping 360 Cable Cars and visited the Buddha and the Wisdom Path. The activity helped the children to learn more about the traditional culture of Buddhism and importance of protecting the environment.



In 2016, the number of volunteers participating in volunteer services amounted to 76 attendances while 376 volunteer hours were recorded. A total of 97 persons benefited from the above activities, reflecting that COSCO SHIPPING International's spirit of social responsibility in active community services and caring for the underprivileged.

### Year ended 31st December

	2016	2015
<b>Community Investment</b>		
Corporate charitable donations & sponsorships (HK\$)	272,000	270,000
<b>Volunteer Participation</b>		
Number of attendance	76	69
Service hours	376	344
<b>Beneficiaries</b>		
Number of beneficiaries	97	104

