

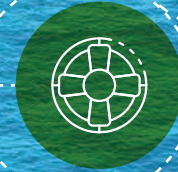


中遠海運國際(香港)有限公司

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

(Incorporated in Bermuda with limited liability)

Stock Code : 00517



Annual Report 2021

**WE COMPLEMENT
THE MARITIME
TRANSPORT FOR
BRIGHTER FUTURE**

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This report presents the contents of the environmental, social and governance (“ESG”) as well as our sustainable development, activities, achievements and performance of COSCO SHIPPING International and its subsidiaries (the “Group”) and the joint venture, Jotun COSCO, aiming to address the expectations of its stakeholders.

a. Reporting Period and Boundary

The Report covers the period from 1 January to 31 December 2021 (the “reporting period”). It covers the sustainability performance and measures of our key business segments, including ship trading agency, insurance brokerage, supply of marine equipment and spare parts, production and sale of coatings, and trading of other related shipping products and services. The general disclosure in this report reflects the ESG related strategies, policies objectives, management approach and initiatives adopted by the Group, unless otherwise specified, and the key performance indicators (“KPIs”) cover all subsidiaries of the Group, and are presented in aggregate figures. Meanwhile, even though the environmental and social figures of our joint venture Jotun COSCO are not consolidated, its relevant ESG initiatives are also included in this report. Overall, the reporting boundary remains the same as the prior year.

b. Reporting Standards and Principles

This report is prepared in accordance with the “mandatory disclosure requirements” and adhere to the “comply or explain” provisions outlined in the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) under Appendix 27 of the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), as well as the principles of materiality, quantitative, balance and consistency, taking into consideration the impacts on stakeholders and disclosure level of related issues.

As a responsible corporate social citizen, we continuously enhance our sustainable operating environment and practices with an aim to enhance long-term shareholder returns and striving to contribute the communities where we operate.

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

2.1 Sustainability Vision

Sustainability is embedded in our business model and day-to-day operations. We are aware of the challenges facing in our industry and understand the demands from the stakeholders we serve. We endeavor to capture the opportunity created by sustainability transformation by revisiting our strategy and operations to be more aligned with our vision.

As the COSCO Kansai Companies accounted for more than 90% of the Group’s energy consumption, we have formulated the following sustainability-related targets for the COSCO Kansai Companies and aimed to achieve these targets by 2030, measuring against a 2020 baseline:

- Reduce greenhouse gas (“GHG”) emission (scope 1 and scope 2) by 10%;
- Reduce Volatile Organic Compounds (“VOCs”) and Benzene emission by 5%; and
- Reduce energy consumption by 10%.

To achieve the above targets, the COSCO Kansai Companies have gradually increased the portion water-based coatings used in production to more than 50% in the past 3 years to reduce the overall VOCs emissions. The Group will continuously track and monitor its energy consumption and relevant emissions against the above sustainability-related targets and find ways to improve overall cost and production efficiency.





Environmental, Social and Governance Report

2.2 Environmental, Social and Governance Structure

The Group keeps abreast of the rising expectations on corporate sustainable development with respect to the latest ESG Guide issued by the Stock Exchange which puts great emphasis on the Board of Directors (the “Board”) involvement in the governance of ESG issues. We continue to remain anchored with the Group’s environmental and social commitments and defined clear responsibilities for the Board and the governance structure amongst the Group, laying a solid foundation for our sustainable development.

2.3 Board Statement

The Board acknowledges the significance of effective sustainability practices and actively integrating ESG stems in its key business decisions. The Board is ultimately responsible for our ESG strategy and reporting and oversee our management approach and strategy to monitor ESG issues. During the reporting period, an environmental, social and governance committee (the “ESG Committee”) was established to assist the Board in overseeing the Group’s ESG-related strategies, policies and development plans. The ESG Committee comprising an Executive Director, a Deputy General Manager and a representative from each of Shipping Services Division, Executive Division, Strategy Development Division, Human Resources Division and Public Relations Division.


Currently, the ESG Committee meets at least once a year and whenever necessary to identify and address ESG related opportunities, topics and risks. The Group’s ESG vision, strategies and targets will be formulated by the ESG committee to navigate the Group’s direction in ESG contribution and evaluate the performance. Under the ever-changing regulatory environment, the ESG Committee is held accountable for the coordination of preparing ESG reports and monitoring the Group’s compliance to relevant laws and regulations. Every year, the ESG Committee reports to the Board on its work, progress and/or recommendations on ESG-related matters.

2.4 Environmental, Social and Governance Management Approach

To boost the sustainable development of the Group, various ESG factors are taken into account when formulating different strategies of the Group. Considering the Group’s diversified business operations, our policies are tailor-made to better suit the business models of subsidiaries and the ESG risk assessments are conducted separately. As the business environment is rapidly changing, we continue to enhance our policies to ensure its suitability by reviewing our management approach and keeping abreast of the latest market trends and industry development, as well as the regulatory requirements.

To address the surging concerns on environmental protection of the public and tightening regulations, the respective subsidiaries of the Group has formulated their own environmental policies in compliance with the Environmental Management System Certification’s management measures from International Organisation for Standardisation (“ISO”). Apart from having accreditation from recognised bodies, we are committed to minimising the environmental impacts brought by our operations. We continue to invest and upgrade our equipment to reduce our emission of VOCs. Jotun COSCO, has formulated “One Factory One Policy” (“一廠一策”) that outlines the emergency procedures on tackling air pollutions in response to the regional contingency plan of Qingdao.

To address the concern in social perspective, we are dedicated to promoting occupational health and safety (“OHS”) and product quality in our operations, aiming to uphold the highest OHS and quality standards. We have continued our accreditations of Quality Management System Certification (ISO9001), Environmental and Energy Management System Certification (ISO14001) and Occupational Health and Safety Management Systems Certification (ISO45001:2018).



Having an extensive network of subsidiaries, the Group strives to enhance its internal coordination in order to foster its sustainable development. Every year, subsidiaries are required to submit their annual quantitative performance figures and highlights of their management approach, practices and initiatives to the headquarters, while the Group continues its strategic role to formulate the business development and sustainability plan. To foster efficiency, the status of strategy implementations and other ESG-related matters are closely monitored and reported.

Environmental, Social and Governance Report

3. DETERMINING MATERIALITY



3.1 Stakeholder Engagement

We hold a strong belief that stakeholders' opinions are the key to our future success. We value opinions from our stakeholder groups that have impacts and/or are potentially impacted by our operations as well as those external organisations that have expertise in aspects that we consider material. We engage with them through a variety of channels and collect their feedbacks and opinions on a regular basis. These opinions are crucial for our regular review, and the formulation of strategies and plans for our business and sustainable development.

Communication channels corresponding to the identified stakeholders at our daily operations are summarised as follow:

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



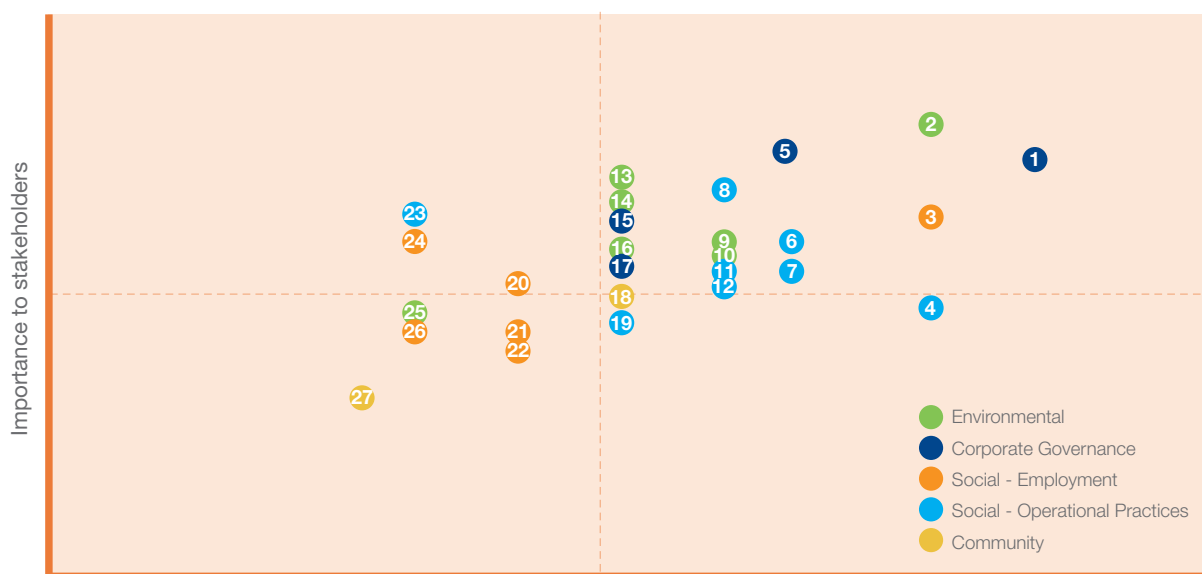
Environmental, Social and Governance Report

3.2 Materiality Assessment

We have reviewed our ESG material issues based on previous external professional consultancy results. With the stable diverse business nature and the continuing existence of COVID-19 pandemic, our materiality assessment has been prolonged and remains unchanged for this reporting period. Through this stakeholder engagement exercise, we have identified 27 ESG material topics, covering corporate governance, environmental, employment, operational practices and community welfare. These ESG material topics reflect the latest development of our ESG considerations in conducting our business, and were taken into thorough consideration for the preparation and compilation of this report.

The following materiality matrix summarises the ESG material issues that are relevant to us.

2021 Materiality Matrix of ESG Topics of COSCO SHIPPING International



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





4. ENVIRONMENTAL PROTECTION



The Group is dedicated to conducting our business in a more environmentally sustainable manner with an aim of minimising the negative environmental impacts brought by our operation. To advocate a greener and healthier shipping industry, we always go beyond legal compliance and take a proactive role in achieving emission reduction, resource optimisation and biodiversity conservation. We continue to investigate and develop new applications of innovative technology, and introduce products with more environmentally friendly features and considerations. Furthermore, through various trainings, we seek to build an environmentally-conscious workplace and raise our employees' awareness on conservation and sustainability.

The Group strictly abides with the applicable environmental laws and regulations, including but not limited to:

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

To achieve our internal environmental goals, the Group implemented a comprehensive environmental management system and devised a set of policies in line with ISO14001 requirements, to ensure that our subsidiaries adhere to the operating standards and devote more to continuous performance improvement. In 2021, COSCO Kansai Companies and Jotun COSCO remained certified with ISO14001 for their respective environmental management systems. Besides, the Group has set up a comprehensive internal risk control system and management framework, with a top-down approach to identify all the environmental risks arising from our daily operations, in order to ensure that all the risks are appropriately addressed at operational levels.

To better improve our performance, the Group also commissioned independent parties to perform regular audits on our performance and help identify improvement areas in various environmental matters, ranging from wastewater management to exhaust gas management to noise control. In this regards, COSCO Kansai Companies have employed additional measures in response to the tightening pollutant discharge standards as required in their operating permits.

In 2021, there was no case of non-compliance concerning our operating practices.



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4.1 Environmental-conscious Operations

4.1.1 Air Emission Reduction

The Group's major air emissions are VOCs produced from the coating production business in the form of benzene, toluene, xylene volatiles and particulate matters. With stricter national and local emission standards, we continue to explore different initiatives ranging from product development and material selection to production technologies and efficiency improvement to strengthen our control on our VOCs emissions. For instance, our transition from solvent-based to water-based coatings has contributed significantly to our VOCs emission reduction achievements.

Apart from the transition of coatings, COSCO Kansai Companies were equipped with multiple exhaust gas after-treatment facilities with an aim of establishing a more comprehensive emission control mechanism. For instance, the bag-type dust collector and the integrated exhaust gas treatment unit with spray filter, primary and medium filters, zeolite channel, and catalytic oxidation, help capture VOCs and particulates from production exhaust. Coupled with the forklift induction automatic access control systems and activated carbon absorbers, COSCO Kansai Companies were able to maintain a VOCs level below the requirements in "Emission Control Standard of Volatile Organic Compounds for Industrial Enterprises (工業企業揮發性有機物排放控制標準)". Moreover, the regenerative thermal oxidizers ("RTO") technology that both COSCO Kansai Companies and Jotun COSCO put in practice, facilitates the decomposition of VOCs from exhaust gas before emission, achieving a purification degree of 99.5%. In 2021, maintenance work was carried out on RTO equipment and the exhaust ducts of the laboratories in COSCO Kansai Companies and Jotun COSCO were redesigned and installed to improve the performance in capturing and decomposing VOCs.

To further reduce our GHG emission, COSCO Kansai Companies adopted employees' suggestions in 2021 from "Implementation Award Measures for Reasonable Recommendations (合理化建議獎勵實施辦法)" initiative. Our operation mode of the chiller system and water machine system was further enhanced by modifying their running time according to the cooling water temperature. This saved a total of 124,500 kilowatt-hours of electricity and further enhanced our energy efficiency. This suggestion won the first prize in our initiative and we will continuously encourage our employees to raise new suggestions to help the Group reduce energy consumptions.

From time to time, our factories are subject to the Government's periodic inspections. Our factories are committed to comply with the requirements stated by the Government. In 2021, our Zhuhai plant of COSCO Kansai Companies has passed the inspection of Department of Ecology and Environment of Guangdong Province for its compliance on VOCs emission standards.



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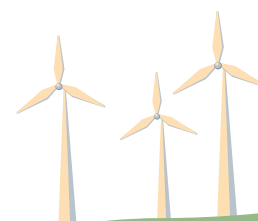
Breakdown of GHG emissions of the Group

| | Unit [#] | 2021 | 2020 | 2019 |
|---|------------------------------|--------------|-------|-------|
| Scope 1 | | | | |
| Total emissions ^{Note 1} | metric tonnes | 600 | 710 | 574 |
| Petrol | metric tonnes | 74 | 71 | 123 |
| Diesel | metric tonnes | 172 | 177 | 215 |
| Natural gas ^{Note 2} | metric tonnes | 354 | 462 | 236 |
| Scope 2 | | | | |
| Total emissions | metric tonnes | 5,423 | 5,218 | 5,457 |
| Electricity | metric tonnes | 5,423 | 5,218 | 5,457 |
| Scope 3 | | | | |
| Total emissions ^{Note 5} | metric tonnes | 374 | 347 | 488 |
| Business travel ^{Note 3} | metric tonnes | 225 | 191 | 337 |
| Paper consumption ^{Note 4,5} | metric tonnes | 149 | 156 | 151 |
| Total GHG emissions ^{Note 5} | | | | |
| Scopes 1, 2 and 3 | metric tonnes | 6,397 | 6,275 | 6,519 |
| GHG emissions per m ² of floor area (Scopes 1, 2 and 3) | metric tonnes/m ² | 0.14 | 0.14 | 0.15 |
| GHG emissions per employee (Scopes 1, 2 and 3) | metric tonnes/ employee | 7.55 | 7.53 | 7.24 |

[#] GHG emissions data are presented in carbon dioxide equivalent.

Notes:

- 1 The emission factors of Scope 1 GHG emissions was calculated based on the emission factors provided in "Appendix 2: Reporting Guidance on Environmental KPIs" in "How to prepare an ESG Report" published by the Stock Exchange.
- 2 The GHG emission contributed by natural gas was reduced significantly in 2021 due to the maintenance of RTO equipment in COSCO Kansai Companies.
- 3 The emission of Scope 3 GHG emissions contributed by business travel is calculated by International Civil Aviation Organization (ICAO) Carbon Emissions Calculator.
- 4 The emission factor of paper consumption in Scope 3 GHG emissions was calculated based on the emission factors provided in "Appendix 2: Reporting Guidance on Environmental KPIs" in "How to prepare an ESG Report" published by the Stock Exchange.
- 5 In order to provide a more comparable and accurate reflection of air pollutant emission generated from the paper consumption, the figures in 2019 and 2020 have been restated.



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4.1.2 Waste Management

Considering the nature of the coatings business, the Group is conscious of the waste generated from production and continuously seek for improvements on its waste management. COSCO Kansai Companies have devised a hazardous waste management plan by giving clear and appropriate guidelines to factories on hazardous waste treatment, disposal and recycling. Recyclable packaging drums are introduced by the Group to reduce packaging waste.

To further reduce our carbon footprint, COSCO Kansai Companies and Jotun COSCO adopted refined production models to practice active recycling and reuse of materials and waste, including residues from exhaust gas treatment, wastes from manufacturing workshops and R&D laboratories, cleaning solvents, chemical raw materials and their packaging. In 2021, our Production Department of COSCO Kansai Companies started recycling emulsions. After carrying out a series of testing, we developed an extrusion device that could extract the uncontaminated residue emulsions from liner bags. The extracted emulsions will be recycled and repackaged for our own use, which significantly reduced our paint hazardous waste. Moreover, Jotun COSCO has established Hazardous Waste Label Use and Packaging Standards (危險廢物標籤使用及包裝標準) in 2021. Facilitating the identification and improving the treatment of hazardous waste, this further prevents employees from having any unnecessary contacts with hazardous substances.

In addition, COSCO Kansai Companies set up a specific on-site warehouse with anti-seepage and corrosion prevention design for temporary and classified hazardous waste storage to prevent any mistreatment or unintended contact. Designated staff carry out regular management and counting on the waste collected and stored on-site, and qualified third parties are then engaged to arrange proper disposal of the hazardous waste. Whereas, non-hazardous waste is stored in a separate warehouse and handled on a monthly basis. Our Safety Management Department monitors the entire waste management process to see if the treatments are in line with all applicable laws and regulations.



Fire Safety and Solid Waste Management Competition Award Ceremony

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During the reporting period, Jotun COSCO has organised various trainings on waste management to allow their employees to better understand the Group's expectations and get familiarise with the existing waste handling practices.

4.1.3 Wastewater Management

Water scarcity is a pressing issue for many countries around the world and it is therefore everyone's responsibility to ensure this vital resource is conserved. Although we do not consume and discharge a significant amount of fresh water and wastewater respectively in our coatings production operations, we dedicated to managing our consumption and discharge of wastewater consciously.

In order to recycle and reuse wastewater, we conduct quarterly wastewater analysis to ensure that the quality of the discharged wastewater complies with the prescribed requirements listed in the relevant standards, such as "Integrated Wastewater Discharge Standard (污水綜合排放標準)". We also commissioned qualified service agencies to facilitate our wastewater treatment before discharging it into the environment.

4.1.4 Resources Optimisation

To promote sustainable operation in our production plants, the Group is devoted to ensuring the efficient use of different resources. Energy-saving technologies are increasingly adopted in our coatings manufacturing business. COSCO Kansai Companies have established "Energy Resource Conservation Control Procedure (能源資源節約控制程序)" to provide employees with clear guidelines on how to achieve optimal use of resources, including water, electricity, and steam in the production process. In Jotun COSCO, air compressors were installed to recycle residual heat for operational use and reduction of overall energy consumption. Furthermore, we introduced machinery powered by renewable energy such as solar and wind energy to gradually phase out traditional fossil-fuel powered electrical machinery. Employees are encouraged to optimise the use of resources, where reward and accountability system is set up to foster collaborative efforts.

For our non-production business, we are devoted to promoting a green office and working environment through various resource-saving measures. To avoid unnecessary consumption of electricity, the companies regulate air conditioners to maintain optimal indoor temperature and conduct regular inspections to switch off any unused electrical appliances. To support green commuting, we encourage employees to take public transport and consider environmental impacts when planning their overseas travels where possible, employees are encouraged to use of digital communication technologies as an alternative to business travels. We maintained clear record of vehicle fuel and other energy consumption to identify potential areas for reduction. Educational posters are displayed on prominent locations in our offices to raise our employees' awareness and promote responsible consumption behaviors.

4.2 Biodiversity and Marine Environment Conservation


Being one of the world's leading shipping service companies, the Group is committed to preserve the marine environment and biodiversity in different means as it is where our company creates value for our customers.

Our products strictly comply with all applicable laws and regulations, including the Performance Standard for Protective Coatings (PSPC) by the International Maritime Organisation (IMO), the International Convention on the Control of Harmful Anti-fouling Systems on Ships (AFS Convention), the International Convention for the Prevention of Pollution from Ships (MARPOL). The GB 30981 Limit of Harmful Substances of Industrial Protective Coatings has been a focus for us since its implementation in 2020. We arranged seminars to communicate the regulations for our R&D departments and revisited the formula of our products to ensure they are up to standards.





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To go beyond compliance, COSCO Kansai Companies offer tin-free proof coating products with detailed and comprehensive material safety data sheets (MSDS) for shipping companies' detailed considerations and use with confidence. Annual VOCs inspections and risk assessment were conducted by appointing third-party environmental protection agencies on our coatings products to ensure that the products do minimal harms to marine lives and biodiversity. While the Sea Quantum introduced by Jotun COSCO was recognised as one of the leading green anti-fouling coatings in the globe. The solvent-free and VOCs-free universal primer "Jotacote Universal S120" launched in 2020 was a product which strives to cause zero impact on the marine environment.

To reaffirm our commitments to biodiversity conservation, both COSCO Kansai Companies and Jotun COSCO signed the "Responsibility for Prevention and Control of Soil Pollution (土壤污染防治責任書)" and engaged third party consultant to devise corporate land use survey plans and carry out ground-water quality testing. Furthermore, Jotun COSCO also conducted assessments with respect to the "JCMC Soil Self-Testing Scheme (中遠佐敦土壤自行監測方案)" to monitor the potential risks of soil pollutions.

4.3 Green Products and Service Innovations

Being one of the key players in the market, we commit to providing customers with sustainable solutions to foster the sustainable development of the shipping industry.

Leveraging today's advanced technology, Jotun COSCO launched Hull Performance Solutions (HPS) supported by advanced big data analysis, real-time ship hull monitoring system and high-tech antifouling coating technology to maximise hull performance. Since 2011, the solution has been applied to over 1,100 vessels, contributing to over 40 million tonnes of carbon dioxide (CO₂) reduction. The Hull Skating Solutions (HSS) launched by Jotun COSCO in 2020, utilises the latest antifouling coatings technology, big data applications and underwater cleaning robotics to achieve significant energy saving and reduce carbon footprint.

At the same time, we also provide environmental liability insurance and professional consultation services in our insurance brokerage services segment, which help build customers' capacity in pursuing continuous improvement of environmental performance. Further, we organised seminars hosted by the Protection and Indemnity Club and lawyers for ship owners to gain insights into the development of international policies and industry best practices.

4.4 Climate-related Risk Adaption

The threats of climate change is imminent, we continue to study the impacts to our operations and make respective enhancement to our internal capacity to adapt the increasing climate-related risks, particularly with extreme weather like frequent typhoons, seasonal storms and abnormal precipitations. Therefore, we continue to enhance our precautionary measures to strengthen our business climate resilience and get prepared for any potential climate impact.

Our coatings production business have been closely monitoring on climate-related risks that may impact out business operations. COSCO Kansai Companies and Jotun COSCO have established a series of emergency management plans and a natural disaster contingency plan to address climate-related risks. We also carried out annual emergency drills to raise the awareness of our employees in the production plants and foster effective internal communication in response to different natural disasters. For instance, the Tianjin plant established flood prevention and extreme cold weather response plans, while the Zhuhai plant established response plans on storm, flood and heatstroke prevention. COSCO Kansai Companies also set up emergency response teams for the effective implementation of plans and close monitor to the climate situations.



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5. ENSURING OUR HEALTH AND SAFETY



The Group attaches the utmost importance to the health and safety of its employees. We have formulated a set of safety production and supervision management policies that adhere to two basic principles, namely “Share Responsibilities in One Post, Joint Management and Accountability for Delinquency (一崗雙責、齊抓共管、失職追責)” and “Safety as an Essential Component in Managing the Industry, Business, as well as Manufacturing and Operation (管行業必須管安全、管業務必須管安全、管生產經營必須管安全)”. We promote accountability among employees and divisions. All employees are responsible for cultivating a safe workplace culture and all departments are accountable to ensure occupational health and product safety. The heads of corresponding divisions and the Group’s headquarters will further oversee safety production.

We comply with applicable safety laws and regulations in Mainland China and Hong Kong, which includes but not limited to:

- Production Safety Law of the People’s Republic of China;
- Fire Control Law of the People’s Republic of China;
- Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases; and
- Occupational Safety and Health Ordinance of Hong Kong (Cap. 509).

During the reporting period, we did not violate any relevant laws and regulations in relation to occupational health and safety.

5.1 Safety Committee

“Safety First, Precaution as Crucial and Consolidated Governance (安全第一、預防為主、綜合治理)” has been our motto to promote and ensure occupational health and safety at the workplace. In 2006, we have established a Safety Committee for this objective. The Committee comprises of the Company’s senior management. The committee is headed by the Group’s director responsible for the production safety and consists of general managers from various divisions of the Company, including human resources, finance & accounting and audit & supervision, as members.

The primary responsibilities of the Safety Committee are as follows:

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



5.2 Production Safety Management

The Group believes that a robust production safety management system is the key to drive long-term business success. We uphold the long-term safety goal of achieving “zero casualties” and continuously measure our OHS performance. Every year, we review and update our internal OHS targets where necessary. We met our 2021 goals this year, with zero serious fires, traffic accidents, equipment accidents, and work-related fatalities, and an annual work-related injury rate of less than 5%.

The operations of COSCO Kansai Companies and Jotun COSCO, which are mainly engaged in manufacturing activities, are exposed to relatively significant safety concerns. COSCO Kansai Companies have formulated “Occupational Health and Safety Management Procedure” to stipulate the accountability for safety production in different divisions and to ensure the effective implementation of safety policies and standards. It also provides guidelines for the correct occupational health and safety procedures for various business activities. To further minimise OHS risk, COSCO Kansai Companies conduct regular OHS risk identification aiming to identify and control OHS hazards at an early stage. Besides, the local Government and appointed third parties environmental protection agencies pay regular visits and conduct safety inspections at our factories. Upon completion of the inspections, the government authority would send us enforcement documents on safety production, requiring the plants to address any risk points.

Both COSCO Kansai Companies and Jotun COSCO certified their production facilities with the latest ISO45001:2018 standards, to guide our daily practices up to international standards. We also formulated an OHS manual to prevent and control foreseeable workplace accidents. The management identifies and assesses potential OHS risks and then set out precautionary measures in the OHS manual. We compiled an OHS risk control handbook that set out measures to prevent employees from exposing to hazards including chemicals, dust, noise, extreme temperature, hygiene and manual lifting.

Employees working in manufacturing plants are at higher risks of chemical and toxic substances exposure. In addition to providing appropriate personal protective equipments, we adopt a “STOP” principle to minimise the adverse health impacts on our employees. The principle comprises four distinct aspects, namely “Substitution”, “Training and Precautionary Measures”, “Operation and Engineering Control” and “Protection of Individuals”.





5.2.1 Production Safety at Manufacturing Plants

The Group pays extra attention to protecting the employees working in plants. Jotun COSCO has formulated the “Chemical Safety Technical Specification” which provides detailed information on chemical hazards and records the potential risks of chemicals used in our production operations to the environment and humans. Employees are provided with clear instruction on the production procedures in accordance with guidelines, such as limiting the exposure to xylene and ethylbenzene, to ensure hazardous chemical and toxic substances are handled in a professional and proper manner. We also require our plants to develop comprehensive control measures including a high-degree engineering control and personal protection. Besides, we formulated emergency response plans for handling different incidents such as first-aid for chemical contact, fire protection, chemicals leakage and waste handling. We formulated our operational specifications in compliance with international standards, such as International Maritime Dangerous Goods Code (IMDG Code) of the United Nations, International Air Transport Association (IATA) and International Maritime Organisation (IMO) to ensure appropriate paint transportation requirements.

Meanwhile, COSCO Kansai Companies appointed an internal safety investigation team to conduct safety inspections quarterly. It is composed of professionals in relevant fields such as electrical, mechanical and operational. In case of any safety hazards identified, the team reports to the relevant management departments and ensures appropriate follow-up measures are taken to improve address the concerns. Our senior management also guides regular safety inspections at plants to further ensure production safety. During the year, the factories of COSCO Kansai Companies have conducted over 600 inspections on OHS. We have achieved a 100% rectification rate by addressing all of the 906 risk points identified across the year.

The VOCs level of our production areas has drawn our attention and inputs for continuous improvement. Meanwhile, Jotun COSCO invited external experts to examine on their production procedures. The level of VOCs was one of the graded criteria and subject to in-depth measurement. We took the suggestions given by the experts seriously to further improve our workplace environmental quality.

On the other hand, COSCO Kansai Companies procured numbers of explosion-proof trucks with higher protective features. These trucks do not produce any spark during operations and thus eliminate the risks of explosion and fire hazards inside our factories. Meanwhile, we require all employees to hold relevant certificates or attend training before operating any machineries, including but not limited to the certificates for operating trucks, electricians and electric welders.



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5.2.2 Safety Management Self-Assessment System

Since 2012, the Group has adopted the Safety Management Self-Assessment System (“SMSA”) for its coatings business companies to measure the effectiveness of safety measures. The SMSA was developed in accordance with the national safety technical specification of coating industry such as the “Production Safety Law of the People’s Republic of China”, the “Regulation on the Safety Management of Hazardous Chemicals”, “General Norms for Safety Standardization of Hazardous Chemical Enterprises”, “Guidelines for Work Safety Standardisation of Coating Enterprises” and “The Safety Technical Specification of Coating Manufacturer”.

Particularly, the SMSA helps monitor the major 10 safety management aspects, namely governance structure, risk and environmental factors control, laws and regulations and management policy, training and education, production facilities, operation safety, product safety and hazard notification, OHS hazards, accident and emergency response as well as inspection and self-assessment. The Group conducts SMSA examinations biannually based on the Likelihood Exposure Consequences (LEC) method. If any potential hazards are found during the inspection, the relevant departments must formulate corresponding remedial measures or corrective measures within the specified time.

The following rating scale is used in the SMSA evaluation:

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

Summarised in the table below are the results of the SMSA Evaluation of various production plants of COSCO Kansai Companies in the prior years:

| Year | Tianjin Plant | | Shanghai Plant | | Zhuhai Plant | |
|--|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|
| | First half of the year | Second half of the year | First half of the year | Second half of the year | First half of the year | Second half of the year |
| 2021 | 138 | 140 | 139 | 140 | 141 | 139 |
| Average value for the assessment from 2012 to 2021 | 135 | 135 | 136 | 135 | 136 | 134 |

5.2.3 Occupational Health and Safety at workplace

Being a responsible employer, the Group aims to build a safe working environment and promote safety culture. We strive to protect employees’ health and raise their understanding of the importance of following safety operating procedures. Apart from obtaining ISO45001 accreditation in 2021, we have adopted a series of measures to ensure that our employees are always healthy and safe.

Prevention is better than cure, the Group has been providing employees with a series of extensive trainings and fire drills (e.g. fire drills) throughout the year with an aim to minimise workplace injuries and accidents and raise the safety awareness of the employees. These trainings cover fire safety, use of firefighting equipment, occupational hygiene, medical emergency, safety laws and regulations, accident cases sharing, hazardous chemical safety, special equipment safety etc.. We also share with newly joined employees the OHS matters that required their extra attention in written documents prior to their report of duties.

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Fire drill

Safety of our employees is always the top priority of Group. Due to the COVID-19 pandemic, we conducted online trainings instead of on-site trainings, where we upload the latest information and training materials regarding workplace and production safety, including videos, questions and related documents, to our online training platform. Employees can attend these trainings via their personal computers or mobile devices at any places and anytime. In order to advocate and encourage employees' innovative thinking, we introduced various interactive training, virtual reality (VR) technologies, cloud classroom and safety knowledge competitions to make our trainings become more memorable and fun experience to our employees.

On top of the basic medical care, we offer all employees annual physical examinations. Employees engaged in duties with higher OHS risks are provided with a specific medical assessment, aiming for early diagnosis of occupational diseases and potential injuries. When abnormal examination results obtained, responsible departments will offer the employee a follow-up examination for a refined assessment on the particular issues. Meanwhile, newly joined employees and transferred employees are required to undergo health check-ups prior to their onboarding days, as well as post-employment medical examinations for employees leaving their positions.

5.3 Non-Production Safety Management

Our non-production businesses such as ship trading agency services, insurance brokerage services and the supply of marine equipment and spare parts, are exposed to lower health and safety risks. Upholding our deep-rooted spirit of "safety first", we adopted a series of safety measures to further eliminate OHS risks in the offices across our non-production businesses.

"Safety Month" is held during the year for non-production employees to raise their safety awareness should emergency events occur. Apart from the fire safety training, we also arranged a team for safety inspections to ensure proper measures are adopted within our properties and offices.

During the year, different business segments organised educational events to promote fire safety awareness among employees and conducted inspections to identify fire risks of the offices. We also ensured the fire-fighting equipment within the office area and escape route are in good conditions.





Beijing Public Fire Safety Education Consulting Centre held fire safety lecture for our employees

5.4 Reporting and Investigation Mechanism

The Group established a reporting and investigation mechanism for safety incidents. We adopted an accountability system and clarified the duties of responsible personnel. In case of any safety accidents, the relevant personnel are required to immediately report to the head of relevant departments and then notify the Safety Committee Office within 60 minutes and submit a complete accident report. The Safety Committee Office conducts preliminary verification and inspection on the accident and further report the Group's Safety Committee. Based on the severity of the incident, the Group sends out a specific investigation team for internal investigations and, if necessary, invite internal and external experts to conduct in-depth investigation on the root causes and losses of the incidents. They also help identify the accountable parties and provide effective suggestions for risk mitigation.

According to our accountability system, relevant employees shall be subject to admonitory interview or warnings based on the severity of the incident. Upon detection of any concealment of facts, delay report and omitted report or failure to demonstrate immediate and sustained improvement, the personnel may be subject to disciplinary actions.

In 2021, the Group received no recorded incidents of non-compliance with relevant laws, regulations and standards with significant impacts. The Group also maintains zero work-related fatalities (2020: Nil), nor any significant production safety accidents.

5.5 COVID-19 Pandemic Responses

The COVID-19 pandemic has indisputably posed significant health and safety risks on our employees and therefore, a variety of measures have been adopted by the Group to cope with the situation and reduce the infection risks borne by employees in the workplace. We uphold a high-level standard of environmental hygiene and provide employees with sufficient resources to protect themselves.

We have established a pandemic prevention and control leading group at Group level. According to the relevant requirements from COSCO SHIPPING and the superior units, the Chairman of the Board and the Deputy General Managers of the Company are responsible for overall leadership of various pandemic prevention and control work and have formulated a COVID-19 prevention and control emergency plan, implementing a three-level response mechanism and providing employees with clear guidelines for emergency response and operation during the pandemic. At the same time, the Company has also established a pandemic prevention and control working taskforce, which is responsible for the full implementation of the pandemic prevention and control work in accordance with the requirements from the management and the instructions of the leading group.

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As a responsible and caring employer, we actively source various pandemic prevention supplies and personal protective gears, such as gloves, masks and sanitisers, for distribution to employees. We closely monitor the inventory levels of these pandemic prevention supplies on a daily basis to ensure that sufficient inventory and effective distribution of resources. Meanwhile, the Group keeps abreast of the development of the pandemic and complies with local regulations when making work and operational arrangements.

To create a safe working environment and prevent cross infection among employees, employees are required to wear masks at all times and measure their body temperature before entering the offices. Additional masks, thermometers, disinfectants and other prevention materials were prepared for them. We commissioned a third party to carry our disinfection work at our workplace and ordered lunch for employees during severe pandemic to reduce chance of infection when dining out. Employees returning from high-risk areas are required to undergo quarantine according to the regulatory requirements internal protocols. In response to the social distancing rules and measures, we allowed flexible working hours, work from home arrangement or “A/B Shift” arrangement, by which employees can avoid commuting in rush hours and thus reduce close contact with people.

During the year, COSCO Kansai Companies, Jotun COSCO and Yuantong have organised various vaccination programmes to encourage employees in receiving vaccination to get better protect themselves during the COVID-19 pandemic. As of 31 December 2021, more than 90% of the employees in COSCO Kansai Companies, Jotun COSCO and Yuantong were vaccinated.

6. EMPLOYEE EMPOWERMENT

Human capital is the most valuable asset of the Group and one of the crucial factors that contributes to our long-term business success. Therefore, we formulate people-oriented strategies according to four management principles: managing by regulations, establishing a fair and open system, meritocracy and emphasising the coexistence of rights and obligations.

To attract and retain talents, we offer comprehensive and competitive compensations and benefits, together with great development opportunities based on a well-established appraisal and recognition system. We are keen on nurturing future talents to develop their potentials and create a continuous learning culture that help employees unleash their great potential.

We are committed to quality, professionalism and integrity throughout our business. The Group strictly comply with applicable employment laws and regulations, which includes but not limited to:

- Employment Ordinance of Hong Kong (Cap. 57);
- Employees’ Compensation Ordinance of Hong Kong (Cap. 282);
- Labour Law of the People’s Republic of China;
- Labour Contract Law of the People’s Republic of China; and
- Law of the People’s Republic of China on the Protection of Disabled Persons.

In 2021, there is no non-compliance case reported regarding our employment practices.



6.1 Inclusive and Supportive Workplace

We are committed to fostering an inclusive and supportive workplace where every employee is fairly treated and respected regardless of their gender, age, family status, race, religion, nationality, sexual orientation or disability. We offer competitive remuneration packages, including basic salary, incentive bonus, and mandatory provident fund. Our comprehensive benefits include paid annual leave, paid sick leave, medical insurance, healthcare benefits, further educational opportunities and training subsidies. Also, additional leave options such as paid wedding leave and employee paternity leave are available subject to employees' specific needs. In view of the changing working and lifestyles of the modern societies, we formulated the "Flexible Working Time Policy" to enable employees' pursuit of diverse personal development and cope with the situation of COVID-19 pandemic.

We prohibit any use of child labour and forced labour in our operations by setting our standardised recruitment procedures with comprehensive employment related policies in place, including the "Administrative Measures on Recruitment and Employment" and the "Administrative Measures on Labour Contract". We also regularly update and verify employees' personal information to ensure no violation of any regulations and policies.

We advocated the United Nations Children's Fund ("UNICEF") and participated in the "Say Yes to Breastfeeding" campaign to show our gratitude and support to working mothers. Furthermore, Jotun COSCO has organised a "Diversity and Inclusion" campaign in 2021 by holding various seminars and trainings among the managers and staff to promote the importance of diversity and build a more inclusive workplace environment.

6.2 Employee Training and Development

Equipping employees with skills and knowledge is always the key to our long-term business success. We, therefore, formulated a set of "Management Methods for Setting Up of Professional Talent Pool (專業人才庫建設管理辦法)" to enhance our employees' capabilities and equip them with relevant skills and professional knowledge. The Group offers a structured leadership development plan, which is managed and reviewed by a dedicated team under the leadership of the Human Resources Division. We regularly review the talent pool categorized by various businesses and industries. We have an incentive mechanism in place to offer bonus and development opportunities, including training courses, academics conferences, and exchange programmes, to accelerate the growth of talented individuals.

To promote continuous learning to enrich our employees' capabilities, we have developed a comprehensive training and development system with four training categories to cater their specific training needs:

- **Induction training:** We provide induction training for all newly joined employees to introduce corporate strategic plans, policies, and logistics rules to ensure that they are aware of the Group's OHS standards, standard operating procedures, as well as our expectations on their workplace behaviours, so as to better integrate them into our organisation;
- **Regular assessments:** Regular assessments are conducted by the Human Resources Division and various divisions to identify key training aspects tailored to our business needs. Relevant experts and professionals may also be invited to host training programmes and give presentations;
- **Regular trainings:** We provide regular trainings to general employees so as to keep them abreast of the related market and regulatory information; and
- **External training programmes:** Employees are encouraged to participate in external training programmes such as certificates, diplomas, degree courses, lectures, seminars and conferences by providing training subsidies.





"Production Safety Law" lecture

To recognise and motivate employees with outstanding performance, we conduct regular performance assessments to evaluate employee contribution and provide them with timely feedback. We employed an updated online performance assessment system to streamline and facilitate the assessment process. The system also creates anonymous accounts to collect and consider feedback from other members of the teams in the evaluation process to make comprehensive and fair assessment on participating employees.

With an aim to enhance the professional and career development of our employees, we have introduced new training or workshop to provide a greater variety of training activities. For instance, Jotun COSCO has organised a new "Collaboration Workshop" (合作工作坊) to encourage employees to reflect the way they cooperated with team members in the past and enhance their collaboration skills through sharing and takeaways. We believe such training could further strengthen the bonding and collaboration between our employees.

6.3 Employee Well-being

6.3.1 Employee Communication

The Group recognises frequent and open dialogues with our employees as the key of building mutual trust and respect. Therefore, we constantly collect employees' feedback and opinions via diverse communication channels. Under our "Implementation Award Measures for Reasonable Recommendations (合理化建議獎勵實施辦法)", employees are encouraged and incentivised to submit their recommendations to management. Our recommendation team are responsible for assessing and reviewing the proposals and then approving the provision of monetary incentives for employees' outstanding suggestions based on the actual benefits brought to the companies. The programme aims to foster an open and dynamic culture that encourages the internal improvement driven by employees' observations and open sharing.

Besides, a human resources mailbox was also set up on the Group's internal system homepage, serving as a regular platform for employees to voice out their concerns. The Human Resources Division helps gather the incoming mails and transfer enquiries to relevant departments for the formulations and implementations of follow-up actions for the wellbeing of all employees.

6.3.2 Employee Work-Life Balance

It is the Group's commitment to improving the health and wellness of its employees by creating a workplace with work-life balance. We provide them with recreational and team-building exercises such as sports activities and interest classes to improve their wellbeing. We aim to motivate employees to attain higher morale and build stronger team bonding, thereby increasing productivity and sense of belonging at work.



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To facilitate the interactions between employees, we established an employee association, which helps bring employees together by setting up a volunteer team and coordinating different volunteer services.

COSCO Kansai Companies held a variety of activities to promote work-life balance. In 2021, COSCO Kansai Companies held various activities to their employees, including photography, fishing, hiking, as well as weekly table tennis and badminton competition to promote employee well-being and team building. 2022 Beijing Winter Olympics Games is a big event, COSCO Kansai Companies and 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited*) have organised fitness-walking and welcoming activities respectively in the end of 2021 to express our excitement to this world-class event.



Welcoming of the Beijing Winter Olympics Games activities



Fitness-walking activities for welcoming Beijing Winter Olympic Games

During the year, Jotun COSCO has regularly organised “Happy Friday and Weekend Series” and other family day activities to contribute to the well-being of our employees as well as our care to their family members.



Jotun COSCO “Family Day”

* for identification purposes only





7. BUSINESS DEVELOPMENT AND COLLABORATION

The Group values the collaboration with its business partners and the quality of products and services as fundamentals of our sustainable business development. We devote effort to build a responsible supply chain and ensure customer satisfaction towards the products and services we deliver. With an aim of upholding business ethics in our operations and keeping potential risks at a minimum level, relevant policies and standards supervising our business conducts and operations are in place to maintain a high standard of integrity.

7.1 Supply Chain Management

7.1.1 Sustainable Procurement

To fulfil our duty of corporate citizenship, we aspire to build a green and responsible supply chain with carefully selected suppliers that meet our high-standard requirements on sustainability. A set of standardised procurement procedures were set out to facilitate the selection and assessment of suppliers with consideration of their environmental and social impacts. We select supplier in accordance with the specifications outlined in the “Procurement Management Measures” and the “Supplier Management Measures” which require potential suppliers to meet the Group’s expectations on aspects namely environmental protection, health and safety. In addition, we have other sustainable procurement policies in place to facilitate the selection and engagement with suppliers, including the “Tendering Procurement Management Measures”, “Non-tendering Procurement Management Measures”, “Centralised Procurement Management Measures”, “Special Affiliated Enterprises Management Measures” and “Procurement, Outsourcing and Supplier Management Supervision Measures”.

These internal procurement policies, coupled with our initial screening with relevant accreditations such as ISO9001, ISO14001 and ISO45001 at the early stage of selection, allow us to carry out careful selections of suppliers for our coatings business. Relevant terms are also incorporated in the contracts to further ensure their compliance. Only selected suppliers are added in the Group’s procurement supplier database where purchasing units reach out to the suppliers that fulfil the specific requirements.

To ensure our sustainability performance and reputation along the supply chain, we continuously monitor the compliance status of shortlisted suppliers and update the database every three years to exclude suppliers who fail to comply with relevant laws and regulations. In case of any non-compliance with the safety regulations, we shall terminate our relationships or contracts with the concerned suppliers and, when they have properly addressed and resolved the matters, we assess the effectiveness of their measures and the readiness to re-establish partnership.

Apart from the standardised supplier selection measures, we customise and implement special management procedures on our suppliers whose product or service supplies are particularly material to our operations. For instance, the “Asphalt Supplier Management System” has been implemented to evaluate the sustainability performance of asphalt suppliers, including their initiatives in fire prevention and environmental assessment.

7.1.2 Supplier Monitoring and Supervision Mechanism

Through our supplier monitoring mechanism, suppliers’ performance is evaluated and reviewed on a yearly basis in accordance with a comprehensive set of quantitative indicators, including fundamental capability, cost competitiveness, delivery fulfilment, quality control, customer service, business innovation, and safety and environmental protection. We provide preventive and improvement suggestions to suppliers based on their evaluation results and supervise their implementation in attempt to enhance their product and service quality. Penalties and immediate termination of the contractual relationship will be given to suppliers who fail to maintain professional conducts or qualifications on safety and environmental protection, and those committed bribery and other commercial misbehaviours.



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To prioritise suppliers with outstanding sustainability performance, the supplier rating scale has been established to rank and classify suppliers based on their evaluation result.

Below is the rating scale of our supplier evaluation:



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

Ratings are jointly reviewed by the supplier purchasing departments as well as the user departments every year to ensure credibility. Partnership opportunities or extensions are favourably given to suppliers receiving higher ratings. Suppliers being absent or failed in the annual inspection or have not maintained a partnership with the Group for three consecutive years shall be excluded from the database. Besides, the Group takes a proactive role in supporting the localisation of supply chain to reduce the delivery time and environmental footprints due to transportation and to boost local economic development.

7.2 Product Quality and Responsibility

Being one of the market leaders in our industry, we commit to deliver high-quality, healthy and safe products and services to our customers. In adherence to both internal procedures and international guidelines on product safety and quality, we strictly monitors the execution of technical standards and ensure the product and service quality throughout the lifecycle of our products from sourcing raw materials, production, sales and marketing to recall, return and replacement.

Internal policies on Health, Safety, Environment and Quality (HSEQ) have been developed in line with international standards focusing on subsidiaries involved in chemical productions. A comprehensive set of control procedures are in place to monitor and evaluate the quality of our coating products. Tests and inspections are carried out for intermediate and final products to determine their compliance with our quality control requirements. To ensure that our products are safe and environmentally conscious, we have been abiding to the following technical requirements set out by the Ministry of Emergency Management of the People's Republic of China:

1. The notice of the "Implementation Plan for Reducing Lead Content in Coatings of the Container Industry" issued by China Container Industry Association;
2. The "Rules for Classification and Labelling of Chemicals" under the GB30000 national standard series of the People's Republic of China;



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3. The “Product Quality Law of the People’s Republic of China”;
4. The “Regulations of the People’s Republic of China on Administration of Chemicals subjected to Supervision and Control”;
5. The “Regulations on Administration of Precursor Chemicals”; and
6. The “Measures for Environmental Management of New Chemical Substances”.

During the reporting period, the Group was not aware of any non-compliance with relevant standards, rules and regulations that imposed any significant impacts on the Group.

Apart from implementing our internal policies and adherence to industry standards, raising the awareness and promoting technical knowledge exchange on product responsibility among suppliers, customers and the industry are equally essential to foster a responsible market. COSCO Kansai Companies and Jotun COSCO continue to get in touch with customers regularly to exchange of suggestions and feedbacks on technical knowledge of our products with customers to understand the user experience and explore rooms for improvement.

One step further, we continued to explore opportunities in making effective use of the latest technologies to provide innovative solutions to satisfy customers’ demands systematically. Jotun COSCO applied ship coating solutions for the first auto-cargo ship in China. Upon understanding the coating needs of the new types of ship, we attempted to lower the risk of corrosion and thus to reduce the frequency of ship maintenance. Jotun COSCO utilised the world’s leading coating techniques and took reference from the cases of auto-cargo ships in other countries. We will keep up with the latest market of auto-cargo ships and to claim the leading position in the expanding market.



Jotun COSCO “Safety Day” Event

7.3 Customer Care

7.3.1 Customer Satisfaction

The Group values the opinions from customers as an important driver for its continuous business improvement. We keep close monitoring of our customer satisfaction through survey that delves into the multiple facets of customer experience, covering the quality of service by sales and technical service personnel, delivery, ordering and invoicing, and the overall experience in contact with us.

Procedures for handling complaints are in place to address customers’ concerns about our products and services. COSCO Kansai Companies and Jotun COSCO stipulated the “Administrative Procedure for Customer Feedback” to enable systematic management of complaints and to guarantee complaints handling in a fair, consistent and expeditious manner. Upon the receipt of complaints, relevant personnel are delegated to investigate the case and take corresponding measures as appropriate to avoid reoccurrence of similar issues. Meanwhile, our “Process for Paint Return” spells out the management’s awareness of the return of disqualified products and the necessary measures to be taken to address the issues.



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During the reporting period, there was no unresolved complaint relating to service-related complaints and recall of products due to safety and health reasons.

We continue to cultivate and maintain close customer relationships to better understand their needs, thereby delivering products and services with satisfactory feedback. COSCO Kansai Companies continued to pay monthly visits to the customers in Mainland China every month in order to promote exchange of ideas on technical knowledge and carry out promotions for new products. However, for certain high-risk areas in Mainland China and other overseas countries, online video conferencing systems would be used to maintain relationships with ship owners and production plants and minimise the impacts induced by the pandemic on our trading businesses, such as irregular delivery dates and longer quotation periods. Our insurance brokerage services also visited the clients to discuss on the relevant measures in business continuity under the pandemic, the shipping market and other concerned topics, committed to offering comprehensive risk management advise from an insurance perspective.



Technical exchange with ship owners and ship manufacturers

7.3.2 Customer Privacy

The Group stresses the importance of customer privacy in our business operations with strict compliance with applicable local and international laws and regulations, including the “Personal Data (Privacy) Ordinance (Cap. 486)” of Hong Kong. Jotun COSCO also adheres to the “European Union (EU) General Data Protection Regulation (GDPR)”. The “Binding Corporate Rules (BCR)” is also established to call for employees’ compliance with the same system on privacy protection.

In close observation of international statutory standards, we put in place a series of internal policies to ensure information confidentiality and to avoid the leakage of sensitive information of stakeholders. The “Information Management Method” affirms the four basic principles — “Truth, Accuracy, Completeness and Timeliness” — in our approach of information dissemination. To securely protect all trade secrets and customer information, we formulated the “Administrative Measures on the Protection of Trade Secrets” following the Anti-Unfair Competition Law of the People’s Republic of China”, the “Interim Provisions on the Protection of Trade Secrets of Central Enterprises” promulgated by the SASAC, and the “Administrative Measures on the Protection of Trade Secrets of China COSCO Shipping Corporation Limited”. Our “Staff Management Measures” are in practice to prohibit any leakage of customer information and strategic cooperation agreements to any third parties.





Cyber Security Knowledge Seminar

To further enhance our employees' awareness on data privacy and protection, the Group has participated in the Cyber Security Knowledge Seminar (both on-site and virtual) held by our immediate holding company, COSCO SHIPPING (Hong Kong), in December 2021. This seminar covered topics on phishing activities, cyber viruses, APT attacks, and provided safeguard measures regarding password safety, network safety and data safety to our employees. More than 700 employees from different subsidiaries of our Group have participated in this seminar. With greater consciousness on cyber security, our employees are more well prepared in providing the greatest protection on customer data and avoiding any leakage by any means.



Cyber Security Knowledge Seminar

During the reporting period, there was no complaint regarding breaches of customer privacy or loss of customer data.

7.4 Anti-Corruption

7.4.1 *Anti-Corruption Policy*

The Group has zero tolerance towards any forms of corruption and bribery. We strictly abide to the “Criminal Law of the People’s Republic of China”, the “Anti-Unfair Competition Law of the People’s Republic of China” and the “Bidding Law of the People’s Republic of China”. In view of the importance of corporate ethics and anti-corruption, elements in relation to business ethics and code of conduct have been incorporated into the Group’s risk management framework and were subject to close monitoring.

The Group established the “Professional Ethics and Code of Conduct for the Staff of COSCO SHIPPING International” (the “Code”) to require employees’ acknowledgement and adherence to the provisions listed in order to practise high integrity and moral standards. We also offer guidelines for employees’ appropriate behaviours in occasions that they may encounter. In particular, the Code highlights that any staff should not use their authority to engage in bribery behaviour or to receive inappropriate benefits, seize any business opportunities from the Group, use company assets in any form for personal interests, and engage in other activities that may potentially compromise the interests of the Group. Employees are also expected to maintain long-lasting relationships with our suppliers, contractors and customers that rest on mutual trust. For any breaches of the Code, the concerned personnel shall be subject to disciplinary punishment, including the termination of employment. For any breaches suspected of regulation and law violations, the Group shall report the relevant cases to corresponding authorities and cooperate for the further investigations.

7.4.2 *Whistleblowing Policy*

To promote probity and maintain transparency and accountability, a Whistleblowing Policy of COSCO SHIPPING International (“Whistleblowing Policy”) was established to lay down the details of the reporting channels for employees to raise their concerns on any suspected corruption behaviours anonymously. Upholding confidentiality, the Whistleblowing Policy ensures that the identities of employees making the allegation are not disclosed or accessed without consents. Any attempt by individuals to intervene the investigation process is regarded as a severe disciplinary breach. The Board is accountable for ensuring effective implementation and enforcement of this policy, and maintaining a high degree of corporate justice.

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7.4.3 Anti-Corruption Supervision

The Group strictly forbids any kinds of corruption activities, including but not limited to receiving benefits and rebates from business partners, colluding with suppliers, committing fraud and forging business volume. Adopting the principle of “whoever takes charge should be responsible (誰主管誰負責)”, managers in relation shall be responsible while the individuals who commit the mentioned activities remain liable. In case of any identified behaviour of transferring benefits, we shall undergo investigation involving not only the liable personnel, but the entire business unit. As set out in the “Measures for Managing Performance Examination of Companies under Direct Management”, restrictive indicators on management transactions, risk and internal control and other requirements on employee ethics and anti-corruption are closely tracked and evaluated in our business assessment guidelines.

Supervising the implementation of anti-corruption policies, dedicated divisions and business divisions exert extensive efforts in preventing any unethical business behaviours. The Audit & Supervision Division of the Company oversees the related matters at the Group level. As specified in the “Measures for Managing Special Affiliated Enterprises”, the Audit & Supervision Division also supervises special affiliated enterprises via a range of channels, namely special examination, efficiency supervision and audit on either a regular or irregular basis. The delegates of each business division shoulder the responsibilities of rolling out anti-corruption initiatives, also are in charge of guiding their own suppliers to provide products and services in accordance with the Group’s procurement and supply chain management policies, while the Audit & Supervision Division oversees the inspection and assessment in relation to the implementation of practices. Further, the subsidiaries are responsible for reporting employees’ compliance with the policies to the Audit & Supervision Division.

We seek to enhance employees’ awareness on business integrity and honesty. Thus, departments and subsidiaries conduct an annual employee self-evaluation survey that examines a wide array of areas covered in relation to the Code, namely integrity and fairness, acceptance and provision of interest, conflict of interest, handling confidential information and company’s property, and relationships with customers, suppliers and contractors. During the reporting period, more than 860 person-time of the self-evaluation survey were completed.

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

7.4.4 Anti-Corruption Training

Anti-Corruption Training is indisputably the most important precautionary measure to strengthen employees’ awareness on anti-corruption.

ICAC Anti-bribery and Integrity Training

In October 2021, we invited the Hong Kong Independent Commission Against Corruption (“ICAC”) to deliver an anti-bribery and integrity training to the employees of COSCO SHIPPING International. A total of 120 employees, including senior management have attended this training. Through this training, they have developed a deeper understanding on business ethics, integrity, and the Listing Rules of the Stock Exchange regarding anti-corruption, acknowledging greater importance to maintain corporate probity.



Anti-bribery and Integrity Training delivered by ICAC



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Job Crime Prevention Seminar for COSCO Kansai Companies

In November 2021, COSCO Kansai Companies also invited People's Procuratorate of Jing'an District (上海市靜安區檢察院) to deliver a seminar on the prevention of job crime. This seminar shared deep analysis of past cases of job crimes and corruptions to enhance the awareness of the 106 participants.



Job Crime Prevention Seminar

8. COMMUNITY INVESTMENT

We are committed to promoting and investing in the development and betterment of the communities where we operate. In 2014, we have established the Group's Donation Policy, which was revised as the "External Donations Management Method" in 2018, to address the local needs and the interests of people in each community. The policy details our partnership strategies with local NGOs and charitable bodies, and the manners in which our philanthropic efforts are handled. The policy provides clear guidelines on determining the amount and method of community investment or donation events, together with information related to the annual charitable donation budgets.

We established volunteer teams and coordinated employees who are enthusiastic about serving the community to join us in sharing love and care with people in need. To encourage our employees to actively participations and appreciate their ongoing support and enthusiasm, we offered volunteers with a half-day holiday or a one-day paid leave when they contributed more than 2 but less than 4 hours or 4 or more hours on the event day respectively.

8.1 Contribution to Community

"Our Passion to Serve" has been the team slogan to reaffirm the devotion to community investment of the Group when participating various volunteering services. The Group also regularly review the community investment strategies in order to maximise the contribution of the Group in the community. In 2021, our community contribution mainly focused on five major areas: charitable donations, environmental conservation, education, disadvantaged assistance and community support in response to the COVID-19 pandemic.

8.1.1 Charitable Donation

During the reporting period, we have donated to various charities directly to support the community with details as below:

| Charitable Organisations | Donation Amount (HK\$) |
|--|------------------------|
| Sowers Action | 140,000 |
| The Neighbourhood Advice-Action Council | 23,000 |
| UNICEF Hong Kong | 50,000 |
| World Wide Fund For Nature Hong Kong ("WWF") | 50,000 |
| Total donations | 263,000 |





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Certification of Appreciation from the Neighbourhood Advice Action Council for elderly visits in Dragon Boat Festival 2021



Certification of Appreciation from the Neighbourhood Advice Action Council for elderly visits in Mid-Autumn Festival 2021

8.1.2 Environmental Conservation

As a shipping services company, we recognise that our primary responsibilities for the environment begin with the sea and extend beyond the horizons. We are aware of the growing societal concerns on marine pollutions and other environmental issues. Thus, we are determined to alleviate the adverse impact brought by human activities.

We continued to support the good cause of WWF by donating HK\$50,000 during the year and became a Silver member of WWF. Under the Corporate Membership Programme, the Group is committed to the partnership with WWF and funding its environmental preservation projects to transform Hong Kong into a more sustainable city.

Apart from the donations, we also contributed to the community by delivering seminars to convey the importance of environmental protection and conservation. In December 2021, the Technical and Market Director of Jotun COSCO, delivered a seminar on environmental protection to the secondary school students in Yunnan. In particular, we discussed today's environmental issues related to the marine with students. As a shipping services company, we aspire to raise the public's awareness on marine conservation, as well as waste reduction and environmental protection.



Jotun COSCO held a lecture on environmental protection for a secondary school of Yunnan

8.1.3 Education

Young people are the future pillars of our society and the Group believes that everyone deserves equal opportunities to learn. Playing a crucial role to empower future generations, we continue to invest in youth education and development in order to inspire individuals and nurture future talents.

In 2021, we continued to sponsor and support the underprivileged students in both Hong Kong and Mainland China under partnership with Sowers Action. The Group donated HK\$80,000 to the Education Assistance Programs (內地助學項目) to improve the learning conditions of 43 students living in impoverished mountainous areas. Since 2008, we have donated approximately HK\$2,190,000 to various educational support programmes with more than 1,200 students benefited.



Jotun COSCO also donated a total of RMB 120,000 this year to subsidise the purchase of computer equipment and establish “Jotun COSCO Chunlei Class” in a junior secondary school to allow underprivileged students to receive proper education.



Jotun COSCO Chunlei Scheme

8.1.4 Disadvantaged Assistance

We embrace individual's uniqueness and understand that people face different obstacles in their daily lives. With this in mind, we are committed to fostering greater social integration and inclusion in the community and working closely with local NGOs and mobilise our resources to respond to a variety of community needs.

Since 2011, we have established partnership with Neighbourhood Advice-Action Council and organised volunteering activities to visit the elderly during different festive seasons. Our dedicated volunteering team continued to participate in the “Inheriting Love Deep Care Plan” hosted by the Sham Shui Po District Elderly Community Centre of Neighbourhood Advice-Action Council.

At the Dragon Boat Festival, we gathered a total of 36 employees and their family members to share their love with the elderly people living in Shek Kip Mei and distributed Dragon Boat Festival lucky bags containing rice dumplings, fruits and other items. At the Mid-Autumn Festival, we further gathered another 59 employees and their family members to send the warmth to the elderly with lucky bags distributed. A total of 570 service hours have been contributed. Our employees are grateful to have warm chats with the elderly people and the elderly also expressed their gratitude to the volunteers for visiting.



Distributing lucky bags activity

During the reporting period, we donated HK\$50,000 to UNICEF Hong Kong to promote the rights and well-being of children. Our donation will support UNICEF works to help children to live free of illness and preventable diseases such as HIV and AIDs, have better access to clean water, benefit from quality education, live free from exploitation and violence, etc.. Children are the future pillars of society and every child should deserve equal care and opportunity. We will continue to contribute more on child protection work in the future.

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8.1.5 Community Support in Response to COVID-19 pandemic

Under the COVID-19 pandemic, many elderly people forced to stay at home with limited outdoor activities. In November 2021, the Group co-organised a “Have Fun with Seniors and Get in Touch with Nature” (與耆同遊系列之親親大自然) event with the Sham Shui Po District Elderly Community Centre of Neighbourhood Advice-Action Council. 15 volunteers brought a group of 36 elderly people to visit different places in New Territories, including the Reptile House in Tuen Mun Park and vineyard in Yuen Long, and had seafood lunch in Lau Fau Shan. These elderly people were elated for having such outdoor activity safely during the COVID-19 pandemic.



Visiting a Vineyard in Yuen Long

9. AWARDS AND RECOGNITIONS

In 2021, the Group continued to prioritise sustainability in our business operations and achieved significant business successes. We are proud and honored to receive recognitions and awards from different parties in the market in diverse aspects.

Certificate of Excellence

The Group has once again received the “Certificate of Excellence” from the Hong Kong Investor Relations Association. The award recognises the Group’s dedication to maintaining high standard investor relationship management despite the challenges brought by the COVID-19 pandemic.

Honoured with the “10 Years Plus Caring Company Logo”

For the 4th consecutive year, the Group has received “10 Years Plus Caring Company Logo” awarded by Hong Kong Council of Social Service (HKCSS) to recognise our contribution and commitment to caring for employees, the environment, and society. The programme encourages business to partnership with the social welfare communities to promote corporate social responsibility.



2021 Gold Award for Outstanding Corporate Participation in the Challenging 12 Hours’ Marathon

Continued from the participation in the event, the Group was awarded the “2021 Gold Award for Outstanding Corporate Participation in the Challenging 12 Hours’ Marathon” hosted by Sower Action. Since 2008, we have sponsored the event for 14 consecutive years and continued to support Sower Action’s vision in promoting equitable wealth distribution and improving the learning conditions of underprivileged children. We are glad to receive this award from our long-standing community partners and look forward to the future collaborations.





PERFORMANCE DATA SUMMARY – ENVIRONMENTAL

| | Unit | 2021 | 2020 | 2019 |
|--|------------------------------|------------------|-----------|-----------|
| Energy Consumption | | | | |
| Indirect energy consumption | | | | |
| Electricity consumption | kWh | 6,647,174 | 6,409,646 | 6,437,058 |
| Electricity consumption intensity per m ² of floor area | kWh/m ² | 145.11 | 142.60 | 143.44 |
| Electricity consumption intensity per employee | kWh/employee | 7,847.90 | 7,694.65 | 7,144.35 |
| Direct energy consumption | | | | |
| Diesel | liter | 66,545 | 66,620 | 80,805 |
| Petrol | liter | 27,082 | 26,060 | 45,271 |
| Natural gas | cubic meter | 163,606 | 213,273 | 108,863 |
| Water Consumption | | | | |
| Total water consumption ^{Note 1} | metric tonnes | 41,806 | 41,463 | 37,707 |
| Water consumption intensity | metric tonnes/m ² | 1.14 | 1.14 | 1.03 |
| Waste Management | | | | |
| Solid wastes (hazardous) | metric tonnes | 1,464 | 1,439 | 1,484 |
| Solid wastes (non-hazardous) | | 261.4 | 246.4 | 277.5 |
| Wastewater | | | | |
| Wastewater | metric tonnes | 21,520 | 23,726 | 27,374 |
| Waste Gas | | | | |
| VOCs and Benzene | | 3.98 | 3.91 | 3.38 |
| Toluene | | 0.44 | 0.53 | 0.13 |
| Xylene | metric tonnes | 0.49 | 0.65 | 0.19 |
| Particulate matter | | 0.14 | 2.31 | 1.38 |
| Other exhaust gas emission ^{Note 2} | | 0.48 | 0.1 | 0 |
| Packaging Materials | | | | |
| Coating package materials ^{Note 3} | metric tonnes | 6,902 | 5,442 | 5,100 |

Notes:

- 1 The members of the Group had their water supply controlled by their respective property management offices who did not provide sub-meters for the units that they occupied. Thus, the data relating to water consumption and intensity in 2021 only covers COSCO Kansai Companies.
- 2 The figure for "Other exhaust gas emission" in 2020 was restated as the disclosed emission figure of 3.91 included emission of "VOCs and Benzene".
- 3 The increase in the consumption of coating package materials is mainly due to the increase in the production volume of Jinshan plant of COSCO Kansai Companies.



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PERFORMANCE DATA SUMMARY – SOCIAL



| | Unit | 2021 | 2020 | 2019 |
|--|------------------|---------------|--------|--------|
| Total Workforce | | | | |
| Employee | number of person | 847 | 833 | 901 |
| Employee by employment type | | | | |
| Full-time (Permanent) | | 827 | 833 | 901 |
| Contract or short-term employment | number of person | 20 | Nil | Nil |
| Employee by Gender | | | | |
| Male | | 636 | 616 | 669 |
| Female | number of person | 211 | 217 | 232 |
| Employee by Region | | | | |
| Hong Kong | | 176 | 185 | 168 |
| Mainland China | number of person | 639 | 611 | 697 |
| Overseas | | 32 | 37 | 36 |
| Employee by Age Group | | | | |
| Below or equal to 30 | | 51 | 58 | 79 |
| 31 to 50 | number of person | 597 | 598 | 649 |
| Over 50 | | 199 | 177 | 173 |
| Overall Turnover Rate of Employee | | | | |
| Turnover rate | % | 9 | 12 | 7 |
| Turnover Rate by Gender | | | | |
| Male | | 8 | 9 | 7 |
| Female | % | 10 | 15 | 7 |
| Turnover Rate by Region | | | | |
| Hong Kong | | 15 | 6 | 14 |
| Mainland China | % | 7 | 13 | 6 |
| Overseas | | 6 | 3 | 0 |
| Turnover Rate by Age Group | | | | |
| Below or equal to 30 | | 31 | 17 | 13 |
| 31 to 50 | % | 8 | 8 | 5 |
| Over 50 | | 5 | 18 | 13 |
| Employee Development and Training | | | | |
| Total training hours received | hours | 11,449 | 12,254 | 16,254 |
| Percentage of workforce trained by Gender | | | | |
| Male | | 82 | 84 | 90 |
| Female | % | 86 | 96 | 79 |



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| | Unit | 2021 | 2020 | 2019 |
|---|--------------|---------|---------|---------|
| Percentage of workforce trained by Employment Category | | | | |
| Senior Management | | 75 | 86 | 89 |
| Middle-level Management | % | 91 | 94 | 49 |
| General Employee | | 81 | 85 | 97 |
| Average training hours by Gender | | | | |
| Male | hours/person | 15 | 15 | 18 |
| Female | | 19 | 14 | 29 |
| Average training hours by Employment Category | | | | |
| Senior Management | | 23 | 23 | 35 |
| Middle-level Management | hours/person | 19 | 16 | 27 |
| General Employee | | 15 | 14 | 19 |
| Supply Chain Management | | | | |
| Total number of suppliers | number | 1,606 | 1,568 | 1,908 |
| Number of suppliers by geographical region | | | | |
| Mainland China | | 797 | 766 | 857 |
| Hong Kong | number | 243 | 245 | 290 |
| Other Countries | | 566 | 557 | 761 |
| Employee Health and Safety | | | | |
| Work-related fatalities (person) | number | Nil | Nil | Nil |
| Work injury cases (case) | number | 1 | Nil | 3 |
| Lost days due to work injury | day | 84 | Nil | 487 |
| | | 2021 | 2020 | 2019 |
| Community Investment | | | | |
| Corporate charitable donations & sponsorships (HK\$) | | 263,000 | 269,000 | 294,000 |
| Volunteer Participation | | | | |
| Participants | | 121 | 91 | 401 |
| Service hours | | 712 | 546 | 2,818 |
| Beneficiaries | | | | |
| Number of beneficiaries | | 251 | 177 | 224 |

