




COSCO SHIPPING Lines Co., Ltd.
2018 Sustainability Report



中远海运集装箱运输有限公司
COSCO SHIPPING LINES CO., LTD.

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Time frame:

January 1, 2018 to December 31, 2018

Organization Name:

COSCO SHIPPING Lines Co., Ltd.

Release cycle:

The Social Responsibility Report is released annually. The previous version was issued in May 2018, and the issue date of this Report is July 2019.

Guidance:

This report is in line with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange and is based on the Global Reporting Initiative (GRI-2016) Sustainability Reporting Standards and prepared by referencing the Core option.

Scope:

The Report covers the headquarters of COSCO SHIPPING Lines Co., Ltd and 39 subsidiaries in the financial reports. If there are special circumstances, there will be a description of the specific data statistics in the corresponding Chapter.

Definitions:

For the sake of readability, in this Report

COSCO SHIPPING Lines Co., Ltd. is referred to as "COSCO SHIPPING Lines", the "Company" or "We",

China COSCO SHIPPING Corporation Limited is referred to as "COSCO SHIPPING Group" or the "Group",

COSCO SHIPPING Holdings Co., Ltd. is referred to as "COSCO SHIPPING Holdings"

Data Description:

The data sources used in the report include public data of government departments, relevant internal statistical reports of COSCO Shipping Lines, third-party questionnaires and interviews, etc.

Access Channels:

You can visit the website of COSCO SHIPPING Lines' website (<http://www.coscon.com>) to download the electronic versions in both Chinese and English.

Contact:

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Statement of General Manager



In the year of 2018, we have realized rapid growth for two consecutive years through four strategies: large-scale and globalization, dual brand, digitalization and end-end, making an achievement above the average level within the industry and laying a solid foundation for the future development.

In 2018, combined with OOCL, the container fleet was over 3 Million TEU, making us a world first-tier company. On basis of the scale, we are marching in the emerging market with a more balanced and globalized capacity.

We have cooperated with COSCO SHIPPING Holdings to successfully acquire OOIL, which is unprecedented in the liner industry and launches the dual brand collaboration.

We have made due contributions to economy and trade of China and its neighbor countries, in response to the Belt and Road Initiative.

We have committed to customer-centered approach and improved service quality. COSCO SHIPPING Lines won the LINER TRADE FROM AUSTRALIA TO NORTH EAST ASIA AWARD presented by Lloyd's List Australia in 2018. We have also been awarded as Best 10 SHIPPING LINES WITH INTEGRATED SERVICE and other 3 honorary titles. The customer satisfaction keeps rising.

We have acted with courage to pursue reform and break new ground, accelerated the building of digital shipping, and made a constant improvement on customer service experience by using block chain, big data and AI.

We have been meeting the customer demand globally and improving the end-to-end logistic solutions progressively.

We have been always caring about each staff, providing elaborate career planning and addressing their concerns in both work and life.

Looking forward to 2019, the challenges may vary from time to time under uncertainties of the global economy. However, our mission---We deliver value---never changes.

We will practice Ocean & Plus to focus on quality of shipping services, forge the most competitive service network and optimize the service coverage and delivery date in the OCEAN Alliance.

The most premium resource and services will be provided to Key Accounts customer by dedicated team while other customers will obtain standardized services. We will also offer small and medium customers more convenient End-End services.

We will further improve schedule reliability, transshipment, booking, container usage and other touch points, find and eliminate the pain points, and provide superior professional services.

We will keep up with the cutting-edge frontier technologies. A further rise in digital technology will be seen in needs response and efficiency increase.

We will strictly conform to the criterions formulated by IMO and use low sulfur oil from 2020, to protect the earth, our common home.

We will endeavor to rigorously guarantee the smooth fleet operation, reduce the marine accidents and ensure the safety of crew life and goods.

We will keep fostering a healthy atmosphere with mutual trust and benefit, take into consideration the interests of shareholder, enterprise, staff and society, and meet various parties' expectations for a better life.

Follow the trend and we maintain sustainable growth. In the year of 2019, we will remain true to our original aspiration and keep our mission firmly in mind. We will build our company as a world first-class liner and strive to create more value for customer, shareholder, staff and society.



Our Business

COSCO SHIPPING Lines Co., Ltd. is affiliated to China COSCO Shipping Corporation Limited (COSCO SHIPPING) and is held 100.00% shares by COSCO Shipping Holdings Co., Ltd. (COSCO). We are a one-person limited liability company and we directly and indirectly owns 42 subsidiaries. As of 31st December of 2018, the total assets is RMB 84.25 billion.

Our core value

We adhere to customer-centered, based on the safety, caring for employees, and continuous innovation. We also require our employees to be honest, patient, strictly abide by national laws, regulations and ethics, strictly abide by professional ethics, and maintain the image of the company.

Our business and operation value

As a member of the shipping alliance, COSCO SHIPPING Lines is the third largest container shipping company in the world, and the largest one in Asia. It mainly engages in international and domestic maritime container shipping services and related business with the operating principle of "We Deliver Value".



Financial Performance

| | |
|---------------------|--------------------------|
| Turnover | RMB 91.37 billion |
| Net profit | RMB 0.83 billion |
| Total Assets | RMB 84.25 billion |



Business Performance

| | |
|---------------------------------|-----------------------|
| Container freight volume | 18,366,108 TEU |
| Increased by | 1,470,111 TEU |
| Increase rate | 8.70% |



Awards

- ❖ On January 10th to 12th, 2018, the company won the "Carrier Innovation Award 2017".
- ❖ On January 16th, 2018, the company won the Wanhua Group's 2017 "Feng Chi Shen Yun Award".
- ❖ January 18, 2018, the company won the "Excellence Partner" Supplier Award, which was awarded the FAW-Volkswagen Supplier Award for the company for 10 consecutive years.
- ❖ On April 12th, 2018, the company was the "Best Supplier" awarded by GE Appliances.
- ❖ On September 20th, the company won four awards including "Comprehensive Service Top Ten Container Liner Company", "Best Standard Service Ship Company", "Green Development Special Contribution Award" and "Zhiyin Award".
- ❖ On November 22nd, 2018, the company won the "Best Ship owner Award for Australia-Northeast Asia Route 2018".
- ❖ On December 18th, 2018, Samsung International Logistics (China) awarded our company the title of Best Partner of 2018.

Our supply chain

We as a member of the shipping industry, which mainly focuses on container transportation, our upstream industry mainly has shipping related and petrochemical industries. The former mainly provide shipbuilding and ship repair services for us. The latter mainly provides fuel and engine oil for us. Our downstream is mainly concentrated in domestic and foreign trade business, involving steel, chemical, consumer goods and other industries.

Significant changes in reporting period of the Company

In 2018, according to the reform plan of the crew management system of COSCO SHIPPING Group, the subsidiaries planned to delivery more than 6,000 crew members to COSCO SHIPPING Seafarer Management Co., Ltd. The newly established crew company has built a professional modern shipping crew management system to provide services through measures such as improving crew quality, improving crew income, improving ship management, and reducing ship management and crew costs.

Early warning mechanism

We focus on the risk management. In order to further promote the prevention of risks and unknown losses, we established an early warning mechanism, including: early warning of changes in assumptions in the process of formulating strategic objectives; uncertain tracking warning in the process of risk assessment; external environmental volatility risk and warnings of risk preference and tolerance.

International initiative

The Company participated in activities of CCWG (Clean Cargo Working Group) affiliated to BSR (Business Social Responsibility). We have been adhering to the CCWG's mission to actively report on the emissions of carbon dioxide, sulphides and nitrides based on our global routes, making comparison with the industry average level to help understand our environmental performance and discover space for improvement. Besides, this provides reference for the container transportation customer and cargo transportation agent in the process of their evaluation of suppliers. At the same time, we are also a member of WPCI (World Ports Climate Initiative). We have participated in the environment ship index ESI certification initiated by it since 2012, and in the last two years, we have saved RMB 6 million due to our participation of ESI.

Member of the association

COSCO SHIPPING Lines affiliated to the Company is a member of following international organizations: WSC, BOX CLUB, MACN, BIMCO etc. It is also a member of 44 domestic organizations including China Shipping Society (standing councilor), Shanghai Association of Traffic and Transportation (vice president unit), Shanghai Navigation Society (vice councilor and councilor), Container Shipping Committee of China Navigation Society (director member), China Ship-owners Association (standing councilor, councilor), Shanghai Ship-owners Association (vice president unit).

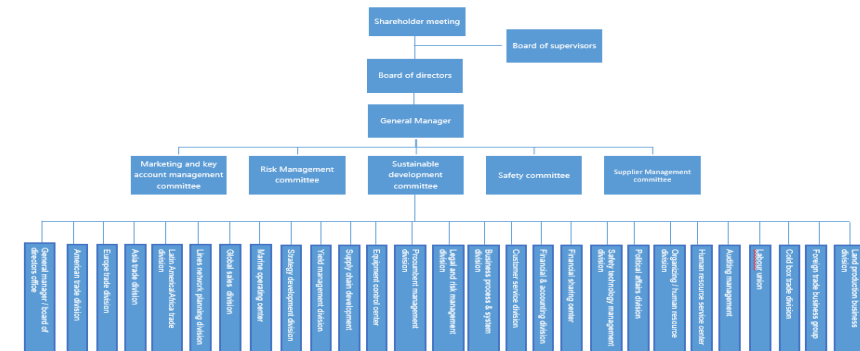
Our Corporate governance mechanism

Internal governance

In 2018, we set and strictly implemented sustainable strategic standards for corporate governance. Responding to General Secretary Xi Jinping's call for "green development", all of our executives upheld the company-wide concept of green, low-carbon and sustainable development, and were committed to economic and social development that is appropriate to population, resources and environment by continuously improving utilization rate of resources, accelerating the construction of green production system, and vigorously enhancing the awareness of energy conservation, environmental protection, and ecological consciousness. We will continuously improve corporate governance for sustainable development; ensure the establishment and implementation of appropriate business oversight and management procedures, and conduct periodic reviews of the procedures to meet the responsibilities towards our shareholders and society.

To achieve the strategic objectives of the Company, we strictly follow the modern corporate system and implement the general manager responsibility system under the leadership of the board of directors. Our operating management consists of a risk management committee, a sustainable development committee, a marketing and major account management committee, a safety committee, and nine non-permanent organizations. It also includes 27 business units and 42 full-fledged joint venture subsidiaries. In the management level, we have set up the positions for Chairman and General Manager. The General Manager is responsible for business development.

For the sustainable development of enterprises, we established the Sustainable Development Committee, consisting of 38 members including general managers, party committee secretaries, and various department heads. They are responsible for researching and implementing the relevant policies and regulations of global contract organizations at all levels, and formulating sustainable development strategies. And objectives, coordinate the implementation of resources for the implementation of the Sustainable Development Goals, review and evaluate the achievement of sustainable development strategies, supervise and inspect sustainable development activities, and approve our annual Sustainability Development Report. Besides, we have assigned a vice manager to manage the sustainable development and report to the General Manager. The Company's governance structure is illustrated below:



Stakeholder engagement

COSCO SHIPPING Holdings communicates with the key stakeholders regarding the environmental, social and governance issues that are of most concern. As the Company's business involves multiple social dimensions, we reach out to different types of stakeholders, including the government, suppliers, communities, partners, labor unions, insurance and financial institutions, NGOs, shareholders, customers, and employees. We regularly communicate with key stakeholders in various forms (such as meetings, interviews, opinion surveys and work visits) to understand their views on environmental, social and governance.

Sustainable development management

The management of COSCO SHIPPING Lines participated in preparing the Company's environmental, social and governance report, including assessing and determining the risks associated with sustainability strategies, and ensuring putting in place effective risk management and internal control systems. The Legal and Risk Management Department lead the design of sustainable development strategies, initiatives, and

Management system

For the sustainable development of the Company, we have developed corresponding policies and requirements in our container shipping business. Taking container business as an example, we set up standards in quality, environment, safety, and society, which become part of our code of conduct.

| | | |
|---|--|---|
| We established social responsibility, risk, internal control and energy management systems | Social Responsibility, Risk and internal control system | Social Responsibility Management Manual |
| GB/T19001-2016/ISO9001: 2015 Quality Management Systems – Requirements GB/T24001-2016/ISO14001: 2015 Environmental Management Systems – Requirements with Guidance for Use GB/T28001-2011/OHSAS18000: 2007 Occupational Health and Safety Management Certification GB/T23331-2012/ISO50001: 2011 Energy Management Systems – Requirements. | ISO26000 Social Responsibility, ISO31000 Risk management – Principles and Guidelines Ministry of Finance of the PRC, China Securities Regulatory Commission-The Basic Rules for Enterprise Internal Control | Based on ISO26000 and the principles of the UN Global Compact. We respect and safeguard the human rights of corporate staff and other relevant personnel, especially their rights in health and safety, freedom, wages and benefits, and oppose any disregard and violation of human rights. |

Analysis of substantive issues

Building a "4S+1E" Sustainable Development Framework

Based on the analysis on topics of materiality issue, we can understand the concerns of the stakeholders, and define the direction in the process of editing the Report. In 2018, according to the concerns of stakeholders and the impact on our business, we identified 10 stakeholders including shareholders, government agencies, suppliers, communities, business partners, trade unions, insurance and financial institutions, NGOs, customers and internal employees. In the meanwhile, taking account of GRI indexes, discussion of experts and corporate discussions, we identified 24 topics. These 24 significant topics covered aspects of economy, environment, labor practices, human rights, society, products and services. Through the analysis of stakeholder survey conclusions, we identified 24 issues and divided them into three levels of high, medium and light based on the degree of influence on stakeholders and sustainable development. Among them, there were 10 high-level issues, 11 medium-level issues, and 3 light-level issues. Compared to last year, the topics of social-economic compliance, shipping safety and informatization and digitalization are new added.

Focusing on our core business container transportation, we summarized 24 issues and established a sustainable development framework covering "4S+1E" five dimensions: Service, Safety, Staff, Social and Environment. For each dimension of the issue, we conducted an assessment and combined it with the hot topics in the shipping industry to form 24 materiality issues of shipping industry that make up the "4S+1E" sustainable development framework:

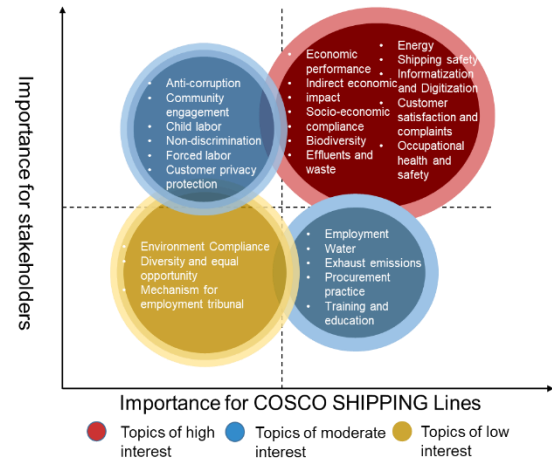
In terms of service, we mainly focus on economic performance, indirect economic impact and customer service. In 2018, we are continuously strengthening our ability to provide full-service services to our customers, and our annual performance and service effectiveness have improved compared to previous years. In addition, for many overseas regions, we have strengthened the construction of "one Belt and one Road", which has a large indirect economic impact on the local areas. In this dimension, we described five materiality issues in the report: "continuing to create economic value", "develop global network, support the Silk Road", "building digital services and borrowing block chain technology", "service first, mission is bound to be accomplished". In the security dimension, it is mainly about customer health and safety

. For shipping companies, it is to ensure the safety of transportation services, including cargo security and ship safety. In this dimension, we elaborated on two materiality issues: "strictly executing safety inspection" and "enhancing the management of the shipment of dangerous goods".

In the employee dimension, occupational health and safety, equality and diversification, and safeguarding human rights are major. The maritime industry is a risky job and it is very important for the protection of employees. In addition, issues such as equality and diversification of employment principles and safeguarding human rights are all concerns of employees. In this dimension, we have elaborated on six materiality issues: "occupational health and safety", "fully cultivate talents", "protecting the legal rights of employees", "creating a harmonious working environment", "maintaining labor relations and advocating equality and diversity".

In the social dimension, it is mainly anti-corruption and community participation. Anti-corruption is currently the most popular topic of state-owned enterprises. Every employee must abide by state laws. In addition, the community's participation in this issue is mainly related to how companies respond to society. In this regard, we have made many efforts in 2018 and we have achieved many results. In this dimension, we have elaborated on four materiality issues: "strengthening anti-corruption management", "fulfilling public welfare", "procurement and Supplier management", "implementing compliance requirements".

In the environmental dimension, it is mainly energy, biodiversity, and sewage and waste. The biggest cost of shipping companies comes from energy consumption, and the biggest impact on the environment is from the pollutants generated by energy consumption, such as waste gas and oil wastewater, which are the most important environmental issues for shipping companies and stakeholders. In addition, the loading and unloading of ballast water during the shipping process is one of the main channels for the invasion of alien species, and the diversity of marine life will have an impact. Therefore, the management of ballast water handling is an important issue for shipping companies. In this dimension, we elaborated on three materiality issues: "green operation", "standardize the treatment of sewage and waste", "enhancing environmental protection".



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| <p>Service-Improving service quality continuously</p> <ul style="list-style-type: none"> Continuing to create economic value Forging ahead for 40 years Creating the Future of Shipping Digital Service | <p>Ensuring Safety in Production</p> <ul style="list-style-type: none"> Strictly executing safety inspection Enhancing the management of the shipment of dangerous goods | <p>Bring positive influence to society</p> <ul style="list-style-type: none"> Strengthening anti-corruption management Procurement and Supplier management Implementing compliance requirements Fulfilling public welfare | <p>Making efforts on environmental protection</p> <ul style="list-style-type: none"> Green operation Reducing the negative impact on the environment | <p>Caring for employees</p> <ul style="list-style-type: none"> Occupational health and safety Fully cultivate talents Advocating equality and diversity Maintaining labour relations Protecting the legal rights of employees Creating a harmonious working environment |
|--|--|---|--|---|

Communications with Stakeholders

Trusts and supports from the stakeholders are fundamental to COSCO SHIPPING Lines' continuous development. We have established the various stakeholder channels to communicate with the 10 groups of stakeholders actively, including the government agencies, suppliers, communities, business partners, trade unions, insurance and financial institutions, NGOs, shareholders, customers, and employees.

| Classification of topics | Substantive issue | Main Stakeholders | Issue boundary | Corporate communication | Corporate responses | Corresponding topics |
|--------------------------|--------------------------------------|---------------------------------|---------------------|--|---|--|
| Environment Issue | Water | Government | Internal | Inspections by competent authorities; | Establish an environmental and energy assessment mechanism | Green operation |
| | Energy | Community | Internal | Special work reports; | Implement energy conservation and emission reduction measures | Green operation |
| | Biodiversity | Non-government organization | Internal | Public initiatives; | | Enhancing environmental protection |
| | Emission | Shareholders | Internal | Join associations and societies; | Strict management of ballast water | Green operation |
| | Effluents and waste | | Internal | Annual report; | Promote paperless business | Standardize the treatment of sewage and waste |
| | Environment compliance | | Internal | Shareholders' meeting | Strict treatment of sewage and waste | Green operation |
| Economy Issue | Economic performance | Government | Internal | Special work reports; | Gradually promote the development strategy of globalization | Continuing to create economic value |
| | Indirect economic impact | Customers | Internal | Daily business contact; | Response "One Belt and one Road" | Forging ahead for 40 years |
| | Informatization & Digitization | Partners | Internal | Customer satisfaction survey; | Provide digital services | Building Digital Services and Borrowing Block Chain Technology |
| | Social and economic compliance | Employees | Internal | Customer complaints management; | Implementing compliance requirements | Implementing compliance requirements |
| | Customer satisfaction and complaints | Insurance financial institution | Internal | Industry meetings; | Collect customer feedback | Service first, mission is bound to be accomplished |
| | Customer privacy | | Internal | Shareholder meeting; Annual report; | Sign a privacy protection agreement with the customer | Service first, mission is bound to be accomplished |
| Safety Issue | Shipping safety | Clients | Internal | Website booking and inquiry; | Strengthen dynamic monitoring of ships' daily activities and shipping schedule management | Strictly executing safety inspection |
| | | Employee | | Marketing meeting; | Implement measures to prevent navigation risk | Enhancing the management of the shipment of dangerous goods |
| | | | | Daily business contact; | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Employee Issue | Employment | Government | Internal | Staff congress; | Hold Trades Union Congress | Advocating equality and diversity |
| | Non-discrimination | Employees | Internal | General manager Mailbox; | Comply with national labour laws and regulations | Protecting the legal rights of employees |
| | Child labour | Labour union | Internal | Various meetings; | Improve wage security mechanism | Protecting the legal rights of employees |
| | Forced labour | Community | &External | Internal communication system; | Enhance staff training | Protecting the legal rights of employees |
| | Labour relations grievance mechanism | Non-government organization | &External | Collective negotiation | Establish multilevel communication channels | Maintaining labour relations |
| | Training and education | | Internal | | Enrich employees' life | Occupational health and safety |
| Social Issue | Anti-corruption | Government | Internal & External | Inspections by competent authorities; | Strictly enforce audit system | Strengthening anti-corruption management |
| | Procurement practice | Employees | Internal | Special work reports; Public initiative; | Implement and handle reporting complains | Procurement and Supplier management |
| | Spread the concept of public welfare | Labour union | Internal | Community investment; | Establish equal procurement mechanism | Fulfilling public welfare |
| | | Community | | Contract negotiation; Bid meeting | Implement strict assessment and audit on suppliers | |
| | | Non-government organization | | | Enhance local procurement | |
| | | Suppliers | | | Implement of poverty alleviation | |

Improving service quality continuously

Economic performance, as well as its indirect economic impact during the development process, is the first issue faced by enterprises in sustainable development. Economic topics are also important and of lasting concern to stakeholders including government agencies, NGOs, customers, suppliers, partners, and employees. COSCO SHIPPING Lines is committed to reasonable management and sustainable development, as well as maximizing the return to shareholders, employees, and partners. We keep optimizing logistics and transportation through our own growth to promote the development of the national shipping industry and to make a positive impact on the countries and regions where we operate.



Continuing to create economic value Forging ahead for 40 years

Continuing to create economic value

In 2018, the world has seen the trade frictions between China and the U.S., tariff fluctuations and strained international political and economic situation, COSCO SHIPPING Lines rose up to market challenges and seized opportunities to implement its global strategic deployment. During the reporting period, the container shipping business volume, and the company operating income both increased.

Operating income and profit

During 2018, COSCO SHIPPING Lines actively responded to the market. By optimizing route network and implementing low-cost strategy, the company achieved a total operating income of RMB 91.37 billion, an increase of 5.32% compared with RMB 86.75 billion in 2017. The operating cost was RMB 86.47 billion. The company achieved a profit attributed to parent company of RMB 0.83 billion.

Container freight volume and average revenue

In 2018, COSCO SHIPPING Lines achieved route container freight volume of 18,366,108 TEUs, representing an increase of 8.70%, or 1,470,111 TEUs from 16,895,997 TEUs in 2017. The average revenue from single container of international lines was USD 872 /TEU, an increase of 0.18% compared with USD 870 /TEU in 2017. The average revenue from single container of domestic lines was 2,060/TEU, an increase of 2.34% compared with RMB 2,013 /TEU in 2017.

Employee compensation

COSCO SHIPPING Lines attaches great importance to safeguarding rights and interests, and providing reasonable compensation and benefits for employees. In 2018, the Company paid RMB3.87 billion for employee salaries and welfares..

Taxation

The Company abides by the provisions of the tax laws and regulations of the People's Republic of China. During the reporting period, the Company assumed its due obligation as a taxpayer and filed tax timely to the local tax authorities. During

2018, the Company realized an annual income of RMB91.37 billion, paid RMB238 million taxes, contributing to the increase of local tax revenue and social development..

In 2018, COSCO SHIPPING Lines did not produce tax disputes or suffered high fines or sanctions for violating relevant regulations in the taxation field.

Forging ahead for 40 years

Since September 26, 1978, "Pingxiangcheng", China's first container liner, loaded 162 containers from Shanghai to Sydney, Australia, lifting the curtain on China's ocean shipping container shipping. Benefiting from the following 40 years of reform and opening up, the Company's container shipping business keeps growing.

As of November 30, 2018, we owned and controlled 376 container ships; operated 362 container liner routes, including 134 domestic routes (including the Yangtze River and the Pearl River shipping services) and 228 international routes (including international feeder services), covering the Americas, Asia Pacific, Latin America, Africa, Europe, Mediterranean, Southeast Asia, Japan and South Korea. There are 9 port branches in mainland China: Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Xiamen, South China, Hainan and Wuhan, 9 overseas port branches across Europe, North America, Southeast Asia, West Asia, South America, Australia, Japan, Korea and Africa. There are more than 450 domestic and overseas service networks.

We adheres to promoting the company's development with a global vision and international thinking. By fully integrating and optimizing global network resources, the company accelerated the implementation of the strategic global development, and plays an important role in the promotion of the Belt and Road Initiative.



228 international routes



134 domestic routes



9 branches in China



450 domestic service networks

Develop global network

The competition in the shipping industry cannot be separated from the competition in corporate planning and deployment. The Company plans and coordinates its shipping capacity input in the global markets by strengthening the European and American lines while actively entering the emerging markets. During the reporting period, we added shipping services to cover the entire Far East – South America West, Far East – South Africa, Europe – South America West, Far East – Southeast Asia, and South Asia – Europe routes. At the same time, we increased the input of capacity in emerging and regional markets.

In 2018, President Xi Jinping pointed out during his visit to Shanghai that "an economic powerhouse must have a strong shipping industry". As a leading company in the industry, COSCO SHIPPING Lines adheres to the corporate strategy of globalization and continuously enhances its comprehensive competitiveness. As of the end of the reporting period, we have achieved good results in container shipping business.



Case: First trip of COSCO SHIPPING Rose to pass through the expanded Panama Canal

On October 1, 2018, COSCO SHIPPING Rose set sail from Qingdao, China, and traveled across the Pacific Ocean and Atlantic Ocean through the Panama Canal to three ports in the United States. On December 3, President Xi Jinping and Panamanian President Varela visited the new lock of the Panama Canal in Panama City. The heads of state and their first ladies were pleased to take a group photo in front of COSCO SHIPIPING Rose. On the same day, COSCO SHIPPING Peony, another container ship of the Company, passed through the canal from the Pacific Ocean to the Atlantic Ocean. Two ships met at the Gatun Lake in the middle of the Panama Canal

The Panama Canal is an important international waterway connecting the Pacific and the Atlantic Ocean. COSCO Shipping Group is one of the most important users of the Panama Canal. Each year, nearly 300 freighter ships pass through the canal, with an average of at least 4-5 ships per week, including containers, dry bulk, and tankers. The container shipping business of COSCO SHIPPING Lines in the Central America is headquartered in Panama, which is the most important container transit hub connecting the South and North America, as well as the Central America and the Caribbean. The Company has established a route network centered upon the Central America, connecting the Far East, Europe, North and South America, and has made positive contribution to the development of world trade and China-Panama economic and trade cooperation.

Support the Silk Road

The year 2018 is the fifth anniversary of the Belt and Road Initiative. As a leading company in the container shipping industry,.

we play an active role in fulfilling the responsibility and mission for development and promoting the Initiative. As of December 31 2018, we deployed about 170 ships (1.15 million TEUs of shipping capacity) in the countries along the Belt and Road, accounting for about 45.21% of number of self-operated vessels (376 vessels in total) and 55.87% of the total capacity in TEUs (2.06 million TEUs in total).

During 2018, we actively built the service of sea-rail combined transport, and developed the China-Europe Railway Express by delivering door-to-door transportation services while maintaining our own shipping advantages, and make great contribution to the implementation of the Silk Road Economic Belt Strategy.



China-Europe Railway Express

During 2018, COSCO SHIPPING Lines launched various China-Eastern Europe trains, including Tianjin-Moscow, Nanchang-Moscow, Lianyungang-Almaty/Tashkent, Shijiazhuang-Moscow, Minsk trains, Changsha-Minsk, Ganzhou-Minsk, Changsha-Minsk, Nanjing-Moscow, Jinan-Moscow, Changchun-Moscow and so on. With our extensive network of routes and guaranteed supply sources, we contributed to the development of the China-Europe trains. At the same time, we also combine our advantages in shipping network with the strong domestic railway capacity and Central Asian railway capacity to provide customers with comprehensive supply chain services worldwide.

On January 5, 2018, COSCO SHIPPING Lines' first China-Russia (Tianjin-Moscow) international train officially departed from Tianjin Port, leaving Erenhot and performing a bogie exchange in Zamyn-Uud (Mongolia) and Naushki (Russia), headed to Moscow directly, with a total journey of 7,600 kilometers for around 14 days. The trains operate in two directions and guarantee one-way operation on a weekly basis.



The inauguration of the first China-Russia international cargo route is a milestone that we actively take part in the Belt and Road Initiative, giving full play to the advantages of vast vessel resources, abundant supply of containers, and well-organized outlets at home and abroad while cooperating with railway and port enterprises. Relying on our global network of container shipping services as well as multimodal transport and extended services, we will build China-Russia freight trains into a quality brand that provides global customers with full supply chain solutions, as well as promote economic and trade exchanges among China, Mongolia and Russia and contribute to the development of global trade.

"The first Tianjin-Moscow cargo train is loaded with automobile engine parts, communication equipment, handicrafts, clothing, electrical appliances and other goods from the coastal areas of South China, East China, and Tianjin. The trains operating from the other direction will also bring more and more products from Russia and Mongolia into various local markets in China."



Creating the Future of Shipping Digital Service

Relying on our vast global deployment and business size, we are committed to providing the best service for our customers. With the help of big data platforms, mobile internet, and cloud computing, we open the future of shipping digital services for our customers. We keep up with the trend of the intelligent era to realize timely sharing of information resources based on the needs of customers through various shipping digital platforms. Our professionals can provide personalized, customized end-to-end whole process transportation solutions. At the same time, we have proposed a series of industry-leading service standards to create convenient and reliable customer service experience, covering nine business links such as on-schedule shipping and transit services.

❖ Building Digital Services

With the continuous improvement of science and technology, informatization has gradually become an important challenge for enterprises, which is not only beneficial to our own development, but also has an important impact on our customers and partners. We have been actively promoting informatization, and making our goal to enhance customer-oriented, digital-driven service capabilities. During 2018, we launched e-commerce services to provide customers with even better quality services and more assured experience.

👑 Case: Optimization of e-commerce platform, provision of digital service

In May 2018, COSCO SHIPPING Lines optimized the new version of e-commerce platform with four months of debugging and improvement. After the upgrade, the interface of the website looks clearer while providing more functions and varied service channels.

The new version of e-commerce platform provides customers with a visual interface. The website introduces a "to-do list" to integrate and classify the operating information required by customers. Upon logging in the website, customers can view the status of transactions with the shipping company and the reminder for the next step of operation directly. It also sends a reminder in advance when the task is about to expire according to the cargo/documentation deadline in the shipping industry.

The updated website releases "customized service" for the "subscription of freight traffic plan" to enable personalized shipping planning and subscription. For example, customers can

determine in advance to receive a notice when the ship delays for X days or X hours. They can use the "self-defined report" function to present more than 90 data items in the business system by simply dragging and dropping the report field. The website will automatically send the report according to the settings by the customer.

In addition to the upgraded platform, our digital service channels include EDI and mobile applications. For instance, we continuously improve and optimize the services on mobile terminals. We extend the website services to mobile terminals through the "COSCO SHIPPING Lines" App. Customers may log in the mobile terminal with the same identity to upload and download freight documents, submit VGM data, etc. through the App, which makes the operation more convenient.

We provide customers with high-quality digital services through the optimized e-commerce platform.

“ The platform is just a tool. Our first goal is to share the existing digital achievements with all of COSCO's customers so that they can benefit from 'new value from data'. The second goal is to further expand and innovate while integrating the industry's technological development and customers' logistics management needs, and to strengthen our service capabilities in the digital field. ”
 ——Li Wei, Senior Specialist of the E-Commerce Department of Corporate Information Development Division at COSCO Shipping Lines

We will continue to promote the construction of enterprise informatization, further integrate digitalization and informatization into the company's business, and devote ourselves to using informatization technology to promote the development of the company and provide better services to customers.

❖ Service first, mission is bound to be accomplished

COSCO SHIPPING Lines has introduced service standards worldwide covering the whole process of international liner shipping services. Specifically, it includes nine procedures from space booking to dispute resolution.










We have formulated the Management Methods for the Preparation of Schedules, regularly publish liner shipping schedules, and also established an e-commerce platform on the portal to provide customers with information on shipping schedules, freight rates, etc., and applied IRIS-2 (Integrated Regional Information system) system to make sure the management of product information and its markup is under control, records global container business operation information in real time, and stores this information in a centralized database to realize information sharing on a global scale.

During 2018, COSCO SHIPPING Lines conducted a customer satisfaction survey and distributed 2,462 questionnaires worldwide, 2,008 effective questionnaires were cleared and returned. According to statistics, the customer satisfaction index in 2018 was 88.03, which is improved compared to 2017. COSCO SHIPPING Lines received 8 customer complaints during 2018 and all settled.

👑 Case: Experience officer plan

In order to identify and analyze the pain points and difficulties in customer service, in 2018, COSCO SHIPPING Lines invited 65 customers from different regions of China as our experience officers, with 3 additional representatives compared with that in 2017. We tracked and handled 8 service feedback from the experience officers. The experience officers were made up of direct customers and agencies, long-term and new customers. Half a year after the implementation of the plan, we made two telephone follow-ups and one online investigation for each customer. During the investigation process, we consulted our customers about the services we provided, trying to find out their key concerns and the factors ignored by us. We visited our clients for complex issues reported in the survey. The plan helps us continuously enhance our services and customer experience.

Nine procedures

-  Space booking - providing the status of space booking within **2** hours on work days; after opening the container yard, if complete space booking information is provided, the booking for general cargo and refrigerated cargo shall be confirmed within **2** hours on work days; the booking for dangerous cargo and awkward cargo shall be confirmed within **2** work days.
-  Container release—ensuring the release of containers within **48** hours after the equipment interchange receipt is printed.
-  Issuance of bill of lading—original bill of lading can be issued within **1** working day after the departure of the vessel if complete instruction information on the bill of lading is provided.
-  Issuance of invoice—invoice can be issued to the customer within **1** working day after the departure of the vessel if complete invoice information is provided.
-  The on-schedule rate of vessels—the overall on-schedule rate of self-operated vessels shall not be lower than **95%** (except for force majeure).
-  Transshipment services—the information of the subsequent vessel shall be provided **3** days before the goods arrive at the port of transshipment; shipment inspection result shall be provided within **1** day after the departure of the vessel from the port of transshipment; generally, the goods will be transshipped within **7** days, at most **14** days.
-  Notice of arrival—the notice of the coming goods shall be sent **1** day prior to the arrival at the port of discharge
-  Window services—completing business handling within **15** minutes upon arrival.
-  Dispute resolution—invoice disputes shall be settled within **5** work days; business disputes with clear facts shall be settled within **7** work days; complaint accepted shall be replied within **5** work days.



Ensuring Safety in Production

Production safety accidents not only affect the operating efficiency, but also have adverse effects on the company and the country. Therefore, we shall fully understand and control the dynamic situation of production and further strengthen safety supervision and management to ensure safe production.



Strictly executing safety inspection Enhancing the management of the shipment of dangerous goods

Strictly executing safety inspection

We formulated various regulations for safe production such as the Measures for the Management of Safe Production, the Safety Management Responsibility Provisions and the Emergency Readiness for Safe Production and so on. Such documents regulate the important matters to be observed for safe production activities. Also, we attach great importance to safe production training. During 2018, we organized 1,567 trainings on safe production for employees, 1,249 for COSCO SHIPPING and 318 for COSCO SHIPPING Ports with 72,666 participants, 53,836 for COSCO SHIPPING and 18,830 for COSCO SHIPPING Ports. In 2018, there was no serious safety accident on our own ships, maintaining safe production in general. During 2018, we tracked 1,234 times with respect to our owned vessels with shipping risks, and the details are as follows:

| Description | Times |
|--|-------|
| Track and guide vessels facing heavy winds | 111 |
| Track vessels in ice zone | 34 |
| Track vessels in the mist | 369 |
| Guide the prevention work in typhoon | 328 |
| Randomly inspect vessel footage | 298 |
| Track tropical storms over Northwest Pacific Ocean | 29 |
| Track storm over other oceans | 65 |

We carried out safety inspections in order to find potential problems and rectify them in a timely manner. During the reporting period, COSCO SHIPPING Lines implemented vessel inspections 730 times, identified and rectified 4,049 defects. We implemented inspections on land departments 922 times, identified and rectified 663 defects.

We usually prevent and make adequate preparation for unpredictable events during the day-to-day operations including pirate assault and extreme weather. In addition, in the case of unpredictable events, we respond appropriately in a timely manner

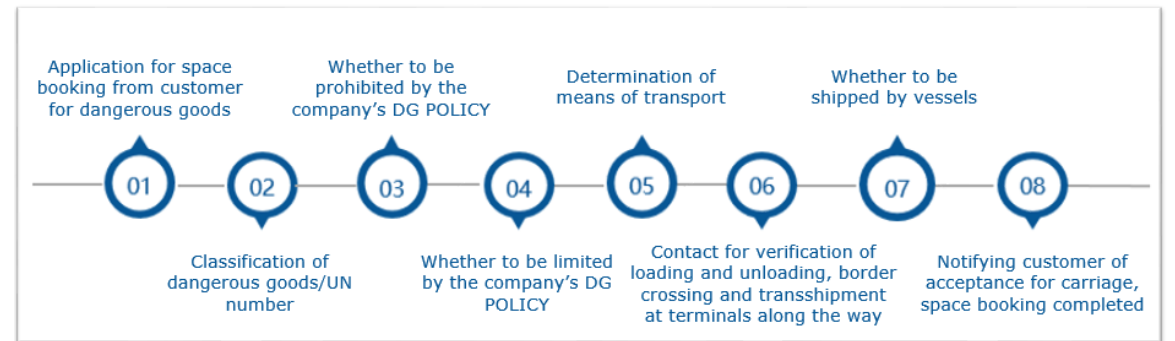
to minimize their negative impact on production and operation as much as possible.

For possible pirate assault, we have equipped safety cabin as a place of refuge and retreat for the crew to ensure their personal safety and life support in case of threats or damages caused by armed pirates. When passing through the sea areas with frequent pirate assaults, the vessels shall inform relevant departments in advance so that they can make timely preparation. We also organize regular anti-piracy trainings and emergency drills, covering the use of the safety cabin, anti-piracy measures, emergency procedures and the safe use of anti-piracy equipment. For the day-to-day shipment, we hire a third-party armed escort team to track and monitor our owned ships in high-risk areas round the clock.



Case: Emergency rescue drill for accident of dangerous goods on-board/at ports

At 14:00, June 8, 2018, COSCO SHIPPING Lines simulated the COSCO Piraeus vessel. During the routine inspection, the sailor found that there was special smell around the TANK at A location on deck No.1 with oily liquid flowing out. The vessel immediately reported to the company and organized personnel for on-site emergency response in accordance with the emergency plan and procedures. The chief commander of the drill evaluated the incident after the drill, the performance of COSCO Piraeus during the drill met the requirements of the company for the vessels to take response in the case of emergencies. Clear action steps, appropriate measures, and smooth communication characterized its response. The departments and relevant personnel showed tacit cooperation, clear responsibility, quick action, and accurate response in the drill. The drill met the requirements and achieved the anticipated results."



Enhancing the management of the shipment of dangerous goods

The International Maritime Organization (IMO) has formulated the International Maritime Dangerous Goods Code in order to ensure the safe shipment of dangerous goods and to protect the marine environment from pollution. As the shipment of dangerous chemicals features a long shipping period and many links, and the weather and sea conditions change rapidly during the shipment, the supervision and management of shipment safety of dangerous chemicals is a long-term, complex and arduous work. Therefore, we keep improving the sense of responsibility of practitioners and their competence to ensure safe shipment.

We have formulated the Operation Procedures for the Acceptance and Carriage Confirmation of Dangerous Goods, defining the entire process of acceptance and carriage operation procedures for dangerous goods from the customers' application for space booking to the transportation of goods, and strictly abide by the operation procedures. For example, once customer inquiries or application for dangerous goods were received, our staff will check whether the product is listed as "Dangerous Goods" in Section 14 "Transportation Information" of the MSDS (Material Safety Data Sheet) provided by the customer, and also verify its related data base and management system (chenwatch) according to the MSDS classification and CAS No. If the results is inconsistent or the MSDS information is not standardized, the customer should be required to provide again. If the conclusions are consistent, it can be determined whether it is a dangerous goods or not. If it is not a dangerous goods, the customer should book a space in the trade area under the jurisdiction. If it is classified as dangerous goods, the specific category and UN number should be provided to determine the hazardous characteristics according to the International Maritime Dangerous Goods Code, CHEMWATCH, etc. If it is hard to determine whether the goods are dangerous, we will ask the customer to test the goods at the designated professional testing institutions, and determine whether the goods are dangerous according to the test report. In addition, the embargoed goods under the Company's policies are prohibited to be shipped under any circumstances.

According to the company's DG POLICY, Restriction policy of ports dangerous goods, Restrictive clauses for dangerous goods on leasing ship, etc., determine whether the dangerous goods are within the scope of prohibited transportation. If it is prohibited, our staff will refuse the application and also makes an explanation. If it is restricted, our staff will check if it meets the restricted transportation requirements, otherwise we will help them to meet. If the requirements are not met, our staff will refuse clients and explain to them.

False and concealed reporting of dangerous goods is also a significant risk during our day-to-day management and operation. These behaviors will cause serious loss of life and property damage, so we must address such situation seriously. Therefore,

We established a blacklist and notification system for bad records such as lying about and conceal dangerous good, and build a three-step process for the management of dangerous goods, including prevention and monitoring, emergency response, as well as accountability and punishment. We will check and control suspicious activities strictly during the processes of goods' collection, booking, handling and transportation. In the meanwhile, we share blacklists of clients who lie or conceal reporting of dangerous goods with Chinese Customs Risk Control Centre, Maritime Safety Administration and OOCL, to curb the occurrence of risk from the source. In addition, we require all port companies to maintain communication with customers and to report any false and concealed reporting customers to the headquarters immediately. The headquarters will add such customers' bad records into the blacklist. Those blacklisted clients are strictly prohibited to order our containers in the future. In 2018, COSCO SHIPPING Lines issued the Notice for Customers on Regulating the Declaration of Dangerous Goods. It is repeated that we will charge a penalty of USD10,000/TEU for customers who misstate, conceal or misreport dangerous goods. Besides, we will claim against the responsible party for all losses and expenses incurred. The shipping contract and booking agreement of COSCO SHIPPING Lines has included relevant terms.



The picture shows the query interface of CHEMWATCH

Bring positive influence to society

"Compliance" is the primary way for enterprises to survive. As a large international shipping company, COSCO SHIPPING Lines adheres to the principle of "compliance", implements anti-corruption, strengthens procurement management, follows the laws and regulations of listed companies, ensures legal compliance, and continuously promote healthy and sustainable development of the company.





Strengthening anti-corruption management

Procurement and Supplier management

Strengthening anti-corruption management

As a long-term concern of society, anti-corruption not only has a far-reaching impact on the growth of a company, but also plays an important role, directly or indirectly, in the sound development of customers, suppliers and the whole industry. As a large international shipping company, COSCO SHIPPING Lines always takes anti-corruption as a key step to ensure the Company's sustainable development and holds a zero-tolerance attitude towards corruption and bribery. By 2018, we have developed documents to clearly regulate the Company's anti-corruption efforts including the *Guidance on Establishing Serious Business Discipline*, the *COSCO SHIPPING Lines Trial Method of for the Organization Department to Asking the Discipline*, *Inspection Department for Reference Check Opinions on the Management Candidates*, and so on

In order to actually carry out anti-corruption, the Company has signed letters of undertaking and responsibility with various divisions and departments to decompose the work related to anti-corruption. The Company has established easy report channels and promised to investigate report clues, to hold people accountable for verified problems, and to close supervision loopholes. At the same time, we carry out anti-corruption promotion during our day-to-day work, such as the month of anti-corruption, lectures and learning, memorial museum visit, etc., which lays a solid foundation for anti-corruption and the healthy development of the Company.

We have a hotline and E-mail for anti-corruption report to encourage employees to disclose corruption. During 2018, we kept the reporting channel open, actively accepted reporting letters and visits, and cleaned up the internal conduct and practices.

During 2018, we accepted 84 reporting letters and visits. We have settled 80 of the reports, rest 4 are still in progress, with a settlement rate of 95.24%. We settled 4 residual letters and visits carried forward from 2017. Through the discipline review during 2018, 1 person was expelled from the CPC; 2 persons were given serious warning; 2 persons were given warning; 1 person's probationary period for party member was extended; 22 people were treated with persuasion and admonition; 50 people were treated with conversation reminder; 1 person's employment contract was terminated; 3 people were demoted from administrative posts; 1 person's post was adjusted; 2 people were removed from their posts. Illegal funds of RMB325,100 was seized

and returned, and RMB20,600 of performance-based salary was deducted as fines.

We connect anti-corruption education with our business activities closely. We have set up several columns such as Integrity Window and Honesty Voyage ., We publish and share probity-related articles, stories education cases on the public account and the columns. We also organize probity-related group dialogues with newly promoted management and always effectively combine probity education with standardized business discipline.

Case: Probity-related group talks for newly promoted management team

In December 2018, in order to enhance the integrity awareness of the leaders at all levels of the Company, as well as to regulate activities in operation and management, We organized probity-related group dialogues with newly promoted management and operating personnel. Every one of the Company is required to keep unity of knowledge and practice based on our posts.

Case: The month of probity education

In December 2018, we organized "the month of probity education". Through diversified contents and ways, the event enhanced employees' awareness of probity. On December 5th, we organized 40 CPC members and cadres to visit Shanghai Tilanqiao Prison for warnings and education. We also organized learning for members of the CPC Committee and groups in the Company, in the form of Party lectures, case study and sharing, as well as warning and education films and so on, and achieved good results.



Picture: In December 2018, COSCO Shipping Lines organized 40 CPC members and cadres to visit Shanghai Tilanqiao Prison

Through "the month of probity education", every employee can truly understand that anti-corruption is closely related to the growth of the Company and to their personal development, so that they understand the danger of corruption and always keep disciplined

During the reporting period, we strictly abided by the requirements of laws and regulations such as the United Nations Convention against Corruption, the Anti-Money Laundering Law and the Company Law, built a strong defense, and checked erroneous ideas at the outset, and constantly helped enterprises develop in a clean and healthy and sustainable way.

During the reporting period, we did not have legal prosecution for bribery, extortion, fraud, corruption or money laundering; and there were no incidents of dismissal or disciplinary action against employees due to corruption.

Procurement and Supplier management

As the global society pays more attention to supply chain management, companies gradually realize that in sustainable development, they should not only focus on their own strategic goals, but also on partners in realizing their goals. As a large shipping company, COSCO SHIPPING Lines is increasingly aware of the impact of supply chain on society, economy, and the environment. The Company cares about the compliance position of cooperative suppliers, and jointly carries out lawful procurement to create a clean, fair, just and open supply chain environment.

In order to reinforce the management of suppliers, we have established directive documents such as the Basic Procedures for Competitive Procurement, the Basic Procedures for Non-Competitive Procurement, the Measures for the Management of Suppliers, and the Measures for the Management of Procurement, further defining the overall requirements on procurement and supplier management. Westrictly controls the compliance of procurement and supplier management with laws and regulations from three aspects, i.e., supplier pre-qualification mechanism; supplier dynamic evaluation mechanism; and supplier evaluation, reward and punishment linkage mechanism.

1. Supplier prequalification. To ensure the standardization of supplier management, we have established a unified supplier base. Suppliers can be included in the company's supplier base list only after they have passed the qualification examination in advance. If there are no special circumstances, we insist on selecting suppliers from qualified supplier base for purchasing.

2. Supplier dynamic evaluation. We conduct regular evaluations of suppliers' from comprehensive and quantitative aspects and classify suppliers according to the evaluation results. Among them, we have a

Zero tolerance attitude towards suppliers who have failed professional qualifications, caused safety and environmental protection incidents, and implemented commercial bribery, and gave a one-vote veto.

3. Supplier evaluation, reward and punishment mechanism. According to the results of supplier evaluation, we upgrade and downgrade suppliers and optimize the structure of suppliers. For the suppliers with excellent evaluation, we give priority to the procurement. We require the supplier to fill in the anti-commercial bribery commitment letter and the social criteria compliance questionnaire. If there is any commercial fraud, violation of rules and regulations, it will be included in the supplier black list. The suppliers in the list is forbidden from any commercial activities.

In the execution of procurement, we strictly abide by the company's management system and series of documents, select the appropriate procurement method, and strictly enforce the authorization and approval for various procurement. We strictly follow up and inspect all aspects of supplier management, and audit supervision departments timely implement audit supervision, and take accountability measures for those who are identified as responsible for the incidents.

Case: Prohibition on cooperating with suppliers with administrative penalties

In December 2018, during reviewing the qualification compliance of suppliers, COSCO SHIPPING Lines found that there was a supplier being given administrative penalties by the local market supervision and administration bureau because of commercial bribery in 2017. It did not qualify for our requirement of "no major illegal record in business activities within three years". Upon review by the audit team, the supplier was not allowed for cooperation.

We have 8,902 suppliers in our base by 2018. Among them, there were 7,285 domestic suppliers, and 1,617 overseas suppliers. We actively pursue localized procurement as a strategy to ensure supply and support the local economy in order to maintain community relations and promote the development of local economy.

Procurement plays an important role in the standardized management and business efficiency of a company. Thus, supplier management is also an important link to which COSCO SHIPPING Lines keeps paying attention. We will keep innovating cooperation models, strictly control the procurement process, and reduce procurement risks. We will ensure sustainable procurement on the basis of compliance, continue to be a reliable player in the international shipping supply chain, and take the opportunities and challenges in the new era.

Implementing compliance requirements

Fulfilling public welfare



Implementing compliance requirements

Socio-economic compliance is necessary for the long-term development of a company. Compliance with laws and regulations is of lasting concern to a company, its employees, customers, partners, and investors. As a leading company in the shipping industry, COSCO SHIPPING Lines highly values socio-economic compliance, abides by business ethics and resolutely forbids illegal behaviors, and ensures the sound, sustainable development of the Company.

- **Management of related party transactions**

COSCO SHIPPING Lines has formulated documents such as Regulations on the Supervision and Control of Related Transactions, Regulation on the Management of Information Disclosure of Internal Related Transactions to clearly regulate the daily management of related transactions. In the daily management of related party transactions, we regularly updates the list of related parties, identifies related party transactions in time, strictly monitors the amount of continuous related party transactions, and ensures the legitimacy and compliance of related party transactions.

- **Anti-monopoly**

We fight against improper competition and monopoly. During the 2018 reporting period, we consistently abide by the anti-monopoly laws and competition policies of all countries and regions, participate in fair market competition, and provide better services to our customers. Based on the fierce market competition situation, we made independent judgments and decisions, followed and timely tracked changes in international anti-monopoly policies and regulations, and adopted follow-up measures. In 2018, the anti-monopoly compliance awareness of the company's management personnel at all levels was further improved.

- **Legal training and education**

We have trainings in laws and regulations within the Company every year to educate employees. We integrate propaganda campaign of laws and regulations into our day-to-day business operations and management through a variety of activities on a regular basis, improving employee awareness and knowledge of the rule of law and creating a good culture of compliance across the Company.



Case: Active participation in propaganda campaign of laws and regulations

In December 2018, COSCO SHIPPING Lines took active part in activities such as the month of legal education, debate and mock court within the group. These interesting interactive activities strengthen the effectiveness of legal publicity and education, effectively enhance the concept of the rule of law, and make a habit among the employees to study, respect and observe the law.

During 2018, COSCO SHIPPING Lines had no any heavy monetary fines or non-monetary sanctions for violating social and economic legislation. As strong compliance management has gradually become necessary for modern corporate management, COSCO SHIPPING Lines, as a large shipping enterprise, will persistently improve its socio-economic compliance, adapt to the global economic environment and competition rules and develop sustainably.

Fulfilling public welfare

COSCO SHIPPING Lines is focusing on both economic growth and public good. We take social responsibilities as a corporate citizen. In 2018, we as always organized and participated in a variety of socially useful activities to help people in need and contribute to society.

In 2018, COSCO SHIPPING Lines donated more than RMB 4 million to the society.

- **Charitable donations**

October 17 is the Poverty Alleviation Day in China, also the International Day for the Eradication of Poverty. We take part in the Poverty Alleviation Day actively, act on President Xi Jinping's strategic thinking for poverty alleviation and development, as well as perform social responsibilities as a central enterprise. On that day, all employees of COSCO SHIPPING Lines made charity donations out of sincere love. We totally raised RMB 466,823.47. Our employees' made great efforts on fighting poverty and supporting rural revitalization, regarding it their responsibilities to contribute to the development of poverty-driven areas. The fund raised was donated to the COSCO SHIPPING Charity Foundation.



- **Targeted poverty reduction**

In 2018, COSCO SHIPPING Lines continued to pair with Yongde County and provide assistance, investing special funds to engage in poverty alleviation and social growth, as well as fighting poverty and supporting rural revitalization.

For eight years, we have paired with Yongde and kept assisting in poverty alleviation. We encouraged employees to provide teaching assistance and charitable donations and our colleagues responded enthusiastically. Our employees provided one-to-one sponsorship to impoverished students, helping make their dream of studying at school come true.

We organized a total of 6,593 copies of Yunnan Yongde County Poverty Alleviation Tea with a value of RMB1.17 million, and RMB 310,000 worth of special products in five designated areas, such as Tibet, Yunnan and Hunan, for the purpose of consoling the vast number of workers, not only supporting the central poverty alleviation plan with practical actions, but also providing them with a real concern.



- **Volunteering**

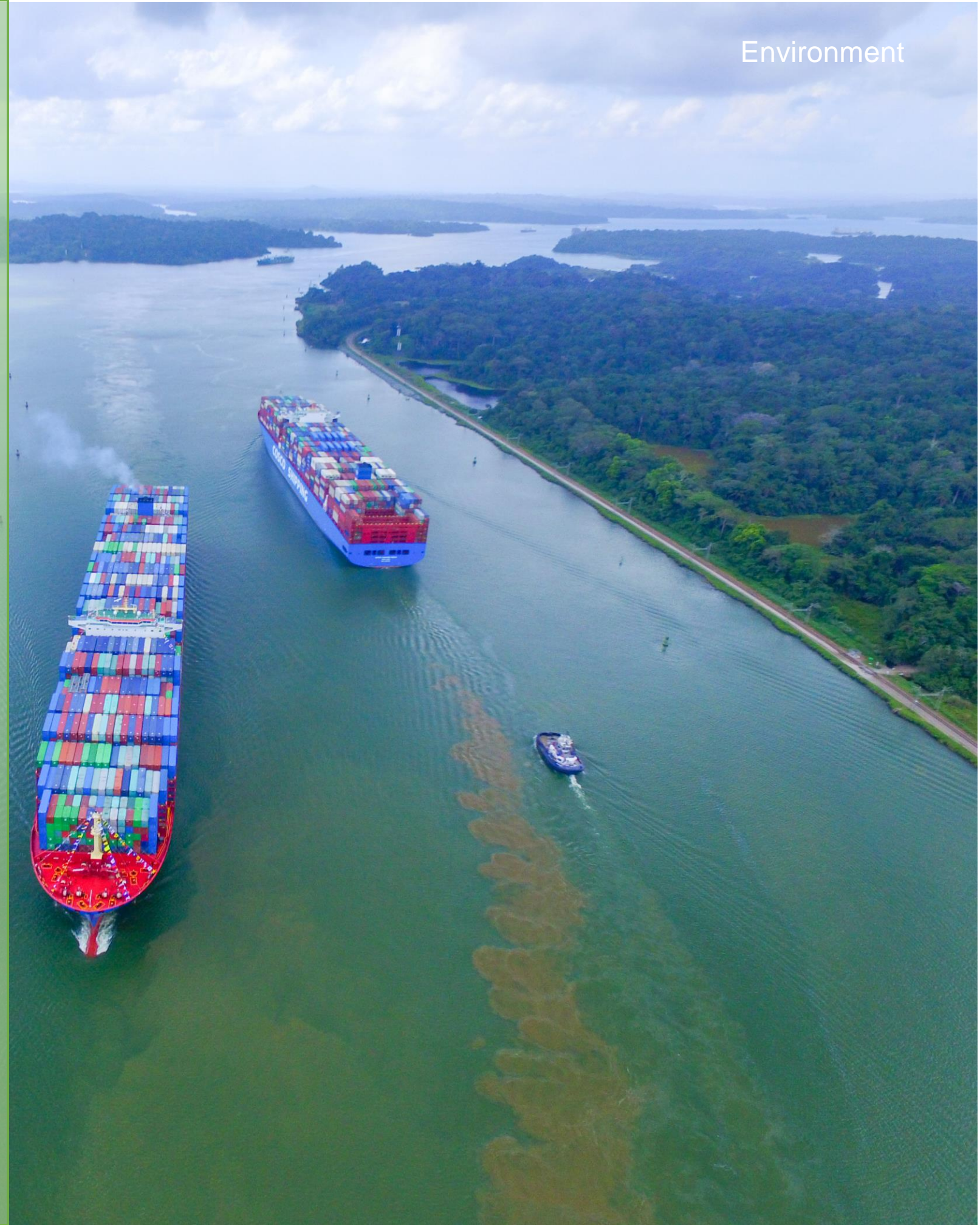
In September 2018, Some of CPC members at Shanghai Ocean Shipping Co., Ltd. participated in the activity "Pioneers of CIIE, CPC Member Actions" organized by Party Building Service Centre of Wujiaochang Street on the volunteer service day. The CPC organization in the company and the pioneers among the Party members play a leading role to support, serve and contribute to CIIE (China International Import Expo) with practical actions, showing the spirit of Shanghai and the company.

- **Cares for communities**

Shanghai Ocean Property Management Co., Ltd. had cooperated with employment service centers of eight communities and signed the Cooperation Agreement for Public Welfare Positions, allowing 16 people who meet the policy about employment difficulties to get employed (mainly as securities and cleaners). The company has created job opportunities for the community and employed 58 people with employment difficulties by now.

Making efforts on environmental protection

The shipping industry is a main segment in the transportation-related international trade. It accounts for over 90% global trade transportation. Chinese shipping industry has a long history. With rapid economic development, China has become one of the most important maritime transportation service providers in the world. As shipping industry develops rapidly, its impact on the ecological environment becomes more and more obvious. Therefore, it is particularly important to pursue ecological and green shipment to protect the marine environment and maintain the marine ecosystem given the improvement of the strategic position of oceans today.





Green operation

We focus on green operation and environmental protection, and strictly abide by related domestic and foreign laws and regulations, including but not limited to the Environmental Protection Law, Energy Conservation Law, and the Marine Environmental Protection Law, Prevention and Control of Environmental Pollution caused by Solid Wastes, Prevention and Control of Water Pollution, and the International Convention for the Prevention of Pollution from vessels, etc., both of COSCO SHIPPING assigned specific staffs to pay attention to the latest tendencies in environmental protection, and continuously incorporate new requirements and standards into their corresponding policies and management methods. At the same time, we have established environmental and energy management mechanisms based on ISO140001, ISO50001 and apply which in our operation. The environmental and energy management mechanisms are improved continuously through internal and external supervisions. Besides, we also actively promote the concept of environmental protection and respond to inquiries from stakeholders. In 2018, we did not violate any relevant environmental laws and regulations.

In 2018, the 72nd session of the Marine Environment Protection Committee (MEPC 72) was held at the IMO headquarters in London during April 9-13, adopting an initial strategy for reducing GHG emissions from vessels. The vision of the strategy is that GHG emissions from the global shipping industry in the middle of the century decreases by at least 50% from 2008. Countries should start reducing emissions as soon as possible and move toward the goal of Carbon Zero. The strategy includes the shipping industry into the temperature goals of the Paris Agreement—to keep increases in global temperature less than 2 degrees Celsius above the "pre-industrial" levels. Henceforth, shipping emission reduction officially starts.

We have been emphasizing the importance of energy conservation and emission reduction. We are committed to the efficient use of resources and reducing the impact of business activities on the environment. During 2018, our fleet increased 15 vessels, and the annual profit increased by 33.57%. With the increase in the number of vessels and profit, the carbon dioxide emissions caused by energy consumption were 16,014,898.35 tons during 2018, a year-on-year increase of 7.48%, average emission of per unit of

Green operation

| Year | Number of vessels | Oil consumption (ton) | | | Oil consumption per ship (kg/kiloton per nautical mile) | |
|------|-------------------|------------------------|----------------------|-----------|---|-----------|
| | | Diesel oil (Light oil) | Fuel oil (heavy oil) | Lubricant | Oil (Light oil + Heavy oil) | Lubricant |
| 2017 | 361 | 182,050.00 | 4,609,030.00 | 8,506.24 | 4.80 | 0.02 |
| 2018 | 376 | 156,776.80 | 4,992,708.20 | 11,698.80 | 4.79 | 0.01 |

| | 2018 | 2018 | 2017 | 2017 |
|-----------------|-----------------------------------|--|----------------------|---|
| | Total emission (ton) ¹ | Average emission of per unit of logistics container (kg/kiloton per nautical mile) | Total emission (ton) | Average emission per unit of logistics container (kg/kiloton per nautical mile) |
| CO ₂ | 16,014,898.35 | 14.90 | 14,900,262.80 | 15.04 |
| Nox | 463,453.66 | 0.43 | 431,179.20 | 0.44 |
| SOx | 308,969.1 | 0.28 | 287,464.80 | 0.29 |

Note1: CO₂ emission=3110g/kg-fuel (by IMO MEPC/29/18/Dec.1989) .
 SOx emission=Sulfur content (weight%) *20g/kg-fuel. If sulfur content is 3%, 1Kg of fuel will create 60g of SOx.
 NOx Two-stroke emission factor: 87g-NOx/kg-fuel.
 NOx Four-stroke emission factor: 57g-NOx/kg-fuel.

logistics container decreased by 1%. The NOx emissions were 463,453.66 tons, an increase of 7.48% from the previous year and average emission of per unit of logistics container decreased by 2.27%. The SOx emissions were 308,969.10 tons, up 7.48% over the prior year, average emission of per unit of logistics container decreased by 3.44%. As the energy consumed in container shipping accounts for more than 99% of the total energy consumption within the Company, which keeps the exhaust gas and carbon dioxide emissions rising.

We have formulated the *Measures for the Management of Energy Conservation and Emission Reduction*, including the *Energy Review Procedures and the Management Procedures for Energy Benchmarks and Performance Parameters*. Employees can identify energy factors that can be controlled or influenced in the production and business operations according to energy review methods and requirements of the Energy Review Procedures. In this way, they can review energy impact, and determine the energy factors of priority control, discover equipment, facilities, systems, processes that have serious impact on energy consumption to achieve the goal of energy saving. Moreover, we regularly collect fuel data and publish *Weekly Report of Fuel Management* and *Monthly Report of Fuel and Lubricant Oil Management*, as well as study, analyze and review energy performance data under the *Management Procedures for Energy Benchmarks and Performance Parameters*.

In practice, in order to ensure efficient operation and reduce oil consumption, together with the port side, we launch IOP project to optimize the information communication mechanism, the loading plan, the operation process, and the mechanical input ratio. This is to improve the nonstop rate of vessels and operating efficiency at the port, increase the average mooring efficiency to compress the time and release the saved time for navigation so that turnaround time can be cut. Since the IOP project was officially launched in Singapore in March 2017, it has achieved the record single trip operating efficiency of 300+ on the AEU1 route, the average hourly handling capacity on berth increased from 84.8 last year to 95.2 in 2018. In February 2018, the IOP project was implemented in Piraeus Port in Greece, with the average hourly handling capacity increased from 70.3 to 82.1 of 2018. We also actively conducted technical transformation, such as the upgrading of the bulbous bow, to improve the operation efficiency and achieve the goal of energy conservation and emission reduction.

In addition to strictly controlling the use of fuel, we also emphasize the importance of saving water. We work on water desalination by using the waste heat from the equipment to produce fresh water for domestic use and facilities. It helps decrease the pressure of fresh water supply on shore. In addition, we promote employees' awareness and habits of water conservation and encourage them to optimize the use of shipping water. During 2018, the total fresh municipal water consumption of our self-owned fleet was 190,486.90 tons and decreased by 7% compared to last year based on the same number of vessels. Some of our ships, such as COSCO Holland, are equipped with seawater desalination devices. For those ships, we can desalinate seawater and reduce the use of fresh water resources. During 2018, we achieved 46,007.33 tons of seawater desalination.

 Case: Technical renovation of bulbous bow

When a ship is sailing on the sea, it should consider not only the air resistance, but also the water friction and wave-making resistance. From the perspective of energy consumption, in order to overcome the wave-making resistance, a ship needs to burn a lot of fuel oil to increase power, so the smaller the wave is, the less fuel the ship consumes. A bulbous bow reduces wave-making resistance with the peaks and troughs of the waves generated by the bulbous bow superimposing those with other waves. The transformation of the bulbous bow can reduce the resistance during operation and cut fuel consumption. During 2018, we transformed the bulbous bow and propellers of ten 4,250-TEU ships, three 10,000-TEU ships and four 13,000-TEU ships. To date, all 17 ships have been upgraded. After the initial tracking since the transformation, 4, 250, 13,000TEU ships did better, the comprehensive unit oil saving rate reaches about 7~8% , 8~10% . At the same time, our energy conservation and emission reduction projects have won the support of the government and were given special funds COSCO SHIPPING Lines 10062-TEU ship bulbous vessel and propeller renovation project" won a special support fund of RMB7,913,400 for transportation energy conservation and emission reduction from Shanghai

Municipal Transportation Commission."COSCO SHIPPING Lines "COSCO Asia" shore power project" received special support fund of RMB3.09 million from the Ministry of Transport.

 Case: Shangyuan Company established a working group to deal with sulfur emission reduction

The International Maritime Organization (IMO) regulates that the global fuel sulfur content should not exceed 0.50% mm (previously 3.50% mm) from January 1, 2020, and is scheduled to take effect on March 1, 2020. The MARPOL Annex VI amendment stipulates that ships are prohibited from carrying high-sulfur fuels after the global new regulations come into force in 2020, unless the ship has desulfurization equipment installed or the high-sulfur fuel carried is cargo oil.

In order to response to the international 2020 sulfur-restriction regulations and conventions on ship operations actively, Shangyuan Company established the "2020 Working Group on Restriction of Sulfur Emissions", and the working group should formulate in advance specific and detailed plans and make promotion steps for more than 180 types and routes of the company and actively strengthen coordination and communication with MOC, procurement management department and safety technology management department to enhance the preparation work. This is to ensure high-sulfur fuels can be used up before 31th April, 2019, low-sulfur fuels can be applied on time to comply with the international convention.

 Case: COSCO SHIPPING Aries

The construction of COSCO SHIPPING Aries started on September 28, 2016 and it was officially delivered on January 15, 2018. The ship is 400 meters in total length, 58.6 meters in width, 16 meters in maximum draft, 22.5 nautical miles per hour in design speed, 198,000 tons in maximum dead weight, 19,273 TEUs in maximum container capacity, equipped with 952 reefer plugs for both LR and CCS classes. In order to comply with the development concept of energy conservation, emission reduction and environmental protection, the technical parameters and equipment configuration should be reasonably adjusted according to the actual operating conditions, so as to reduce fuel consumption and emissions and greatly improve fuel economy. The ship is equipped with an ultra-long stroke high-efficiency main engine, auxiliary engine exhaust economizer, high-pressure dark point system, marine engine water pump/engine fan frequency conversion control system, and an air-conditioning system with an energy exchange device. The energy efficiency management system provides the most advanced vessel energy consumption management means and realizes the intelligent vessel management. The ship energy efficiency design index (EEDI) meets the MATPOL 2030 target ahead of schedule. The vessel has a green ship classification symbol and a specific route binding force calculation classification symbol, which meets the Code of Safe Practice for Cargo Stowage and Securing ("CSS Code"), and The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships ("Hong Kong Convention") and the latest International Convention for the Control and Management of Ships' Ballast Water and Sediments ("BWM Convention").

Note1: The unit oil saving rates are audited.



Reducing the negative impact on the environment

❖ Standardize the treatment of sewage and waste

A healthy marine environment is the basis for the sustainable development of the shipping industry; therefore strict management of the ship's sewage and garbage is necessary. In 1967, Torre Canion hit the reefs and caused massive pollution in the nearby waters and coasts, and brought huge losses to Britain and France. The IMO set up a special legislative committee and published the International Convention for the Prevention of Pollution from Ships 1973, as modified by the Protocol of 1978 (MARPOL 73/78). We care the marine environment and require our crewmembers to follow the Ship's Garbage Management Plan to minimize the negative effects on the marine environment.

During 2018, we handled hazardous waste 2,136.27 m³ from our own vessels. The owners of leased vessels were responsible for handling the garbage produced thereby. We handled 40,648.70 tons of oily water from our own vessels and 35,602.60 tons from our leased vessels. There were no major leak events happened during the year of 2018.

In order to prevent marine incidents and pollution, and to protect the marine ecosystem, we comply with the laws and regulations of *Prevention and Control of Marine Pollution by Ships* and the *Law of the Ministry of Environmental Protection on Ship Pollutant Emission Standards* and formulated the *Ship's Garbage Management Plan* by reference to MARPOL 73/78 and Resolution MEPC.219 (63), MEPC.220 (63). The plan defines the responsibility of everyone on board and requires that all the crew to attend trainings conducted by the management staff concerning the collection, disposal and storage of garbage. All garbage should be stored, incinerated and disposed of after being classified and processed. At the same time, we have also formulated the *COSCO SHIPPING Lines Waste Oil Residues Disposal Instruction* to prevent risks, and the complete operation process of offshore oil and sewage treatment is specified in the rules. In the event of an accidental oil discharge, we have developed the *Shipboard Oil Pollution Emergency Plan* to help the crew take prompt measures to reduce and control the impact of an accidental oil spill.

❖ Enhancing environmental protection

We adhere to the concept of sustainable development, trying to balance enterprise development and ecological protection. We believe that environmental protection is the premise and necessary for sustainable development.

Controlling the discharge of ship ballast water

The IMO has formulated the *International Convention for the Control and Management of Ships' Ballast Water and Sediments 2004* ("BWM Convention") and relevant implementation guidelines to help governments and relevant parties reduce the risk of introducing aquatic organisms and pathogens from ballast water and sediments. The BWM Convention will come into force in China on January 22, 2019.

The COSCO SHIPPING Lines has formulated a number of directive documents, such as the *Instructions on Ballast Water Management* and the *Ballast Water Management Plan*, to prohibit any violation of the BWM Convention. In actual operation, we mainly manage the ballast water through four steps: ballast water operation, replacement, safety inspection and record. For example, during the operation, it should be avoided to absorb the ballast water in the restricted area and position, and the ballast sediment should be cleared in time. Ballast water shall be replaced at least 200 nautical miles from the nearest land and at a depth of at least 200 meters. The ballast tank shall be inspected regularly after replacement and shall be recorded in the ballast water record book.

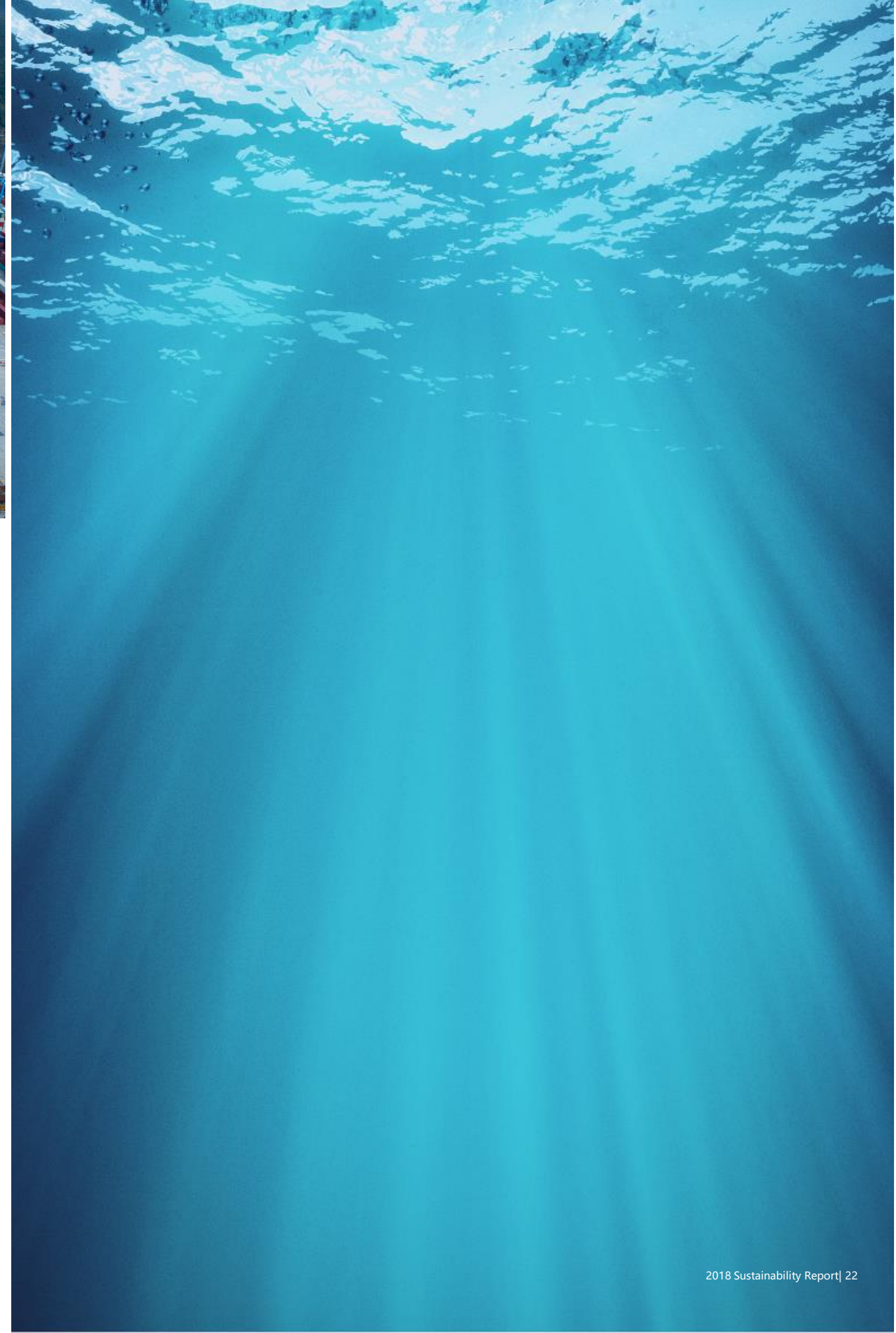
- Strengthening environmental protection awareness

We actively advocate green office, by encouraging double-sided printing, saving paper, recycling, saving electricity and environmentally friendly procurement measures, so as to make environmental protection a voluntary act of employees. We also organize various forms of environmental protection propaganda activities, such as trainings in environmental laws and regulations, knowledge competitions and lectures, to promote environmental protection awareness and encourage more staff to take actions.



Case: Shanghai Branch actively promotes EIR paperless operation in terms of trading business

In order to response to the State Council's major policy on reduction of logistics cost and efficiency, and get in line with the requirements of Shanghai Port to build a green smart port and ease the pressure on road transportation, the Shanghai Branch actively promoted the EIR paperless project. As of December 7, 2018, all business in Shanghai Port turned into EIR paperless operation. With the continuous implementation of EIR paperless, more and more boxing companies and fleets have experienced the convenience. The project not only saves the circulation cost of paper documents, but also greatly improves the work efficiency. The boxing company, the fleet and the customers can get to know the entry and exit status of each container through the paperless platform at anytime and anywhere, which greatly enhances the customer experience.



Caring for employees

COSCO SHIPPING Lines aims to ensure the occupational health and safety of employees and create harmonious labour relations. Starting from the sustainable development strategy, we establish a talent team that meets the company's development strategy requirements. In combination with international and domestic laws, regulations, and conventions, the company has formulated relevant policies for employee recruitment, management, as well as occupational health, labor safety, and welfare benefits.





Occupational health and safety Fully cultivate talents

Occupational health and safety

COSCO SHIPPING Lines carry out the national "safety first, prevention first" policy. In the production management, we always put the occupational health and safety of our staff in the first place, company establish an occupational health and safety management system to strengthen the management of labour safety and occupational health, and strive to provide a healthy and safe working environment for employees. To implement the Work Safety Law of the People's Republic of China and the State Council Regulations on the Reporting, Investigation and Handling of Work Safety Accidents, on August 15, 2018, COSCO SHIPPING Lines issued the Rules on the Reporting, Investigation and Handling of Work Safety Accidents, standardizing the report and the investigation mechanism to prevent and reduce production safety accidents. On November 28, 2018, COSCO SHIPPING Lines issued the Annual Assessment Measures on the Safe Production Management to clearly define the responsibility of the enterprise for safe production.

In 2018, there was no work-related injury or death in the COSCO SHIPPING Lines

- Source management

In order to find and rectify the risk factors that affect the occupational safety of employees from the source, we collected and preliminarily identified ship hazard sources. There were 67 ship hazard sources in total. Through checking one by one, the duplicated and the checked hazard sources were deleted, with 13 newly identified hazard sources included in the directive documents.

- Labor protection

In order to ensure occupational health and safety, we regularly provide employees with protective equipment in compliance with the state regulations. For employees at posts exposed to toxic and hazardous substances or in food/catering services, we offer them special protection. In addition, we provide extra health examinations to female employees and employees over 40 years old. In summer and winter, we take appropriate protection measures to ensure that our people are working in good conditions. For example, we distribute cool drinks in summer and provide heating machines in winter.

- Safety education

In order to spread the awareness of safety and health among employees in their daily work and life, we actively organize various safety education activities and encourage employees to participate in safety training and pursue certification. For example, during 2018, the Company held trainings for safety management personnel of each department, and arranged safety certification trainings for 35 persons-in-charge and 27 safety management personnel in various places. The commission for safe production organized two special training programs themed "Production Safety Law" and "Labour Safety". For the transport safety of dangerous chemicals, we organized professional management staff from the ports to attend related trainings. We hope that these safety education and trainings could help reduce work-related injuries and casualties. Whenever there is a safety accident, we will take immediate measures to mitigate the employee's injury, then analyse and summarize the causes of the accident promptly so as to avoid any recurrence.

Fully cultivate talents

The ultimate of enterprise competition and development lies in talent competition. That's why we pay attention to the development of employees. Based on the people-oriented corporate culture, we keep carrying out efficient personnel training, so as to ensure the abundance and depth of the talent system. We encourage employees to keep studying while working, and to accomplish self-improvement while promoting the development of the Company.

We pay great attention to employee development and actively organize training sessions. During 2018, 15,097 employees of COSCO SHIPPING Lines received 310,707.6 hours of training, with a percentage of employees trained of 100% as well. (For formal employee training only, does not include labour staff leased to third-party companies)

We organize trainings following the Management Measures for Staff Education and Training, the Management Measures for Internal Trainers and other directive documents. We add new and diversified training content on the basis of the traditional training courses to cover more extensive subjects. This year, the audience covered by the training are more diversified. Employees from different sectors and different ranks have actively signed up and participated in the trainings.



Case: The Elite Plan

In 2018, the Company started the second round of post exchanges in the Elite Plan. Fifty participants of the 2017 position exchanges stood out after evaluation according to their KPIs, the quality of the research report on special topics, and the overall performance during the exchanges.

We sent 28 of them to communicate in domestic posts. They have gained experience from many different positions, as well as certain and project management training opportunities. Another 22 participants were trained in emerging markets including Africa, South America, Central America and South Asia.

We made multi-dimensional evaluation from the overall results, research report defense and department evaluation during the exchange period, to make the evaluation results more objective and practical. Eventually, 17 members entered the third phase for a two-year overseas exchange program. According to the characteristics of different participants, we arranged internal and external training courses, such as problem solving based on systematic thinking, cross-department communication and teamwork, in-house training by internal trainers, sales behavior transformation training, etc., so as to help them develop competence for each stage. As one of the important measures to promote talent development in the Company, the Elite Plan has played a demonstrative role in the growth and development of talent in their positions. It has also achieved a positive impact on the Company's experimental selection and training of outstanding talent and the incentives for young employees' career development.



Case: The Talent Plan

COSCO SHIPPING Lines launched the Talent Plan for branch managers born in or after 1975 in 2018. Through system-wide open selection, 14 branch heads were selected from the first-line branches in China, and 10 business backbones were selected from the state-level overseas companies to serve at the headquarters. They would be trained to become the future departmental deputy heads at ports and the headquarters as well as the deputy posts in the state-level overseas companies. The Talent Plan evaluates the participants from the aspects of public opinions, performance, ability and potentials, and is an important measure to expand the talent pool of the company and to make up for the shortage of grassroots cadres.





Advocating equality and diversity Maintaining labor relations Protecting the legal rights of employees Creating a harmonious working environment

Advocating equality and diversity

COSCO SHIPPING Lines advocates equal and diversified employment opportunities, and is committed to treating all employees equally and fairly, so as to build a harmonious and efficient staff team. We strictly abide by the Staff Management Procedures and the Recruitment Procedures. We provide equal opportunities in recruitment, career development, promotion, training and awards, regardless of skin colour, nationality, race, age, gender, religious belief or physical ability.

In 2018, according to the reform plan of the crew management system of COSCO SHIPPING Group, the subsidiaries planned to deliver more than 6,000 crew members to COSCO SHIPPING Seafarer Management Co., Ltd. By the end of the reporting period, the total number of employees of COSCO SHIPPING Holdings was 17,080. The number of contracted employees was 15,097, and the number of outsourced employees (leased workforce from third-party companies) was 1,983. Among the contracted employees, there were 10,436 based in Mainland China, and 4,661 outside China. By gender, there were 8,477 male and 6,620 female employees. According to age group, there were 2,440 employees aged under 30, 10,774 between 30 and 50, and 1,883 over 50.

During the reporting period, the resignation number of COSCO SHIPPING Lines was 678, and the turnover rate was 4.49%. We fully respect the personal choices of our employees. When employees leave, we will handle the separation procedures according to law.

Case: Employee diversity

We promote the exchanges between domestic and foreign employees. While facilitating the Talent Plan to send staff at home abroad, we also invited three foreign employees from the Canadian, European and UAE companies respectively to the headquarters. We arranged a three-month exchange program for a sales staff in the Nigerian company to work at the headquarters and the port company.

The Company organized "IEDP" international employees to hold a "winter solstice dumplings" activity in the company canteen, which was attended by foreign colleagues from Panama, Egypt, India, Vietnam, Malaysia and other countries.

Foreign colleagues learned Chinese words such as "dongzhi"(winter solstice), "jiaozi"(dumplings) and "tangyuan" (glutinous rice balls/sweet dumplings), learned about the culture of China's 24 solar terms, and also felt the immense corporate culture of "ONE TEAM, ONE FAMILY".



Gender equality

COSCO SHIPPING Lines works hard to safeguard legitimate and special interests of female employees, according to the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Rights and Interests of Women and the State Council Special Provisions on Labour Protection of Female Employees, as well as the Special Collective Contract for Special Interests of Female Employees formulated by the labour union. By letting female employees play a better role in corporate construction, it promotes the mutual growth for both the female employees and the company.

Case: Standardized management of the "Mommy Space"

The Mommy Space is a several-square-meters room to provide a private, clean and comfortable place for female employees who are mothers in lactation, pregnant or plan for pregnancy, giving them warm care to help them get through the special physiological stage. Our Mommy Space has been upgraded to a four-star level to provide moms with better services in the future. We invited psychologists with level II national certification and on-the-job postgraduates from Chinese Academy of Sciences to the seminars to help parents know about the physical and mental development characteristics, social situations and other common problems of children in different stages through lectures and case study. In order to let parents have positive impact on children's healthy growth, the seminars lead parents to self-examination and effective communication, as well as let them learn the love and logic in parenting.



Maintaining labor relations

COSCO SHIPPING Lines strictly abides by the minimum wage management regulations of local governments. We would never do following things to our employees: reduction of wages, dismissing any employee without reason or giving insurance benefits without regard to regulations. We safeguard employees' legitimate rights based on which to pursue employees' happiness, in the hope to build a bridge of trust with them.

The labour union, as a representative of the employees, signed the Collective Contract with the Company and established a mediation mechanism for resolving labour disputes. The coverage rate of collective contract is 100% in China. In the event of labour disputes, the union will mediate and provide legal services. When it comes to major corporate decisions, we notify all employees through the workers' congress, local area network, newspapers, posters and other means.

We respect employees' rights to enjoy the freedom of association and collective bargaining according to the law and will not oppose their wills to participate in any legitimate activities held by locally registered labour unions without breaking the law. We would never harass, discriminate, threaten or revenge the employees due to their taking part in the abovementioned events.

In terms of employee hiring and dismissal, we combined with the actual situation of the company, in accordance with the "Labour Law", "Labour Contract Law" and related regulations, formulated the Management Measures of Employees at Headquarter. When the labour contract is terminated in accordance with the relevant circumstances as stipulated in the Labour Contract Law, we shall pay the reasonable economic compensation to the employee. In 2018, COSCO SHIPPING Lines did not have any labour disputes arising from employment or dismissal.

Protecting the legal rights of employees

COSCO SHIPPING Lines has formulated anti-discrimination policies in accordance with the Labour Law, the Regulations on Prohibiting the Use of Child Labour, the Law on the Protection of Women's Rights and Interests, and the Trade Union Law, and has improved the labour employment system, fully implement the Global Compact and corporate social responsibility, and firmly support the Universal Declaration of Human Rights. Strictly abide by international conventions and rights related to human rights, and strictly prohibit the use of child labour to discriminate against employees and forced labour. We strictly prohibit discrimination in recruitment, promotion, remuneration, etc. in terms of race, sex, nationality, age, pregnancy or disability. As of 2018, there were no discriminatory acts or complaints about violations of minority rights or freedom of religious belief in our operating sites.

We explicitly prohibit the use of forced, debt-paying or contractual labour, and have made detailed and reasonable provisions in the important links of recruitment, employment and turnover of enterprises, thus eliminating the use of forced labour in concrete practice. In this year, there has never been forced labour in COSCO SHIPPING Lines' operating points and suppliers.

We explicitly prohibit the use of child labor. We have formulated relevant policies and perfect preventive measures in key links such as employee recruitment and employment, so as to eliminate the use of child labor. At the same time, in accordance with the requirements of SA8000, a "child rescue program" has been established to guide how to carry out remedial work in accordance with statutory requirements in case of employment errors. At the same time,

we pass these ideas on to suppliers, and regularly supervise and audit to ensure that they do not use child labor.

Creating a harmonious working environment

•Benefits for employees

In order to provide our staff with a harmonious and warm working environment, we have established and abided by the Employee Handbook and the Labor Insurance Management Procedures. We also have established a multilevel system of insurance benefits to provide employees with effective guarantees, as well as to improve the cohesiveness and solidarity of the team. With respect to statutory benefits, the Company performs responsibilities and obligations according to the law, pays for social insurances including basic endowment insurance, medical insurance, unemployed insurance, employment injury insurance, maternity insurance and housing fund fully and timely. In addition, we withhold and pay the personal insurance monthly on behalf of the employees. Our employees enjoy statutory off-days and holidays, paid leaves, family visit leaves, as well as other holidays specified by Chinese policies and the Company's regulations. Employees' salary on overtime hours and holidays are paid strictly according to Chinese policies and the Company's regulations. As for Company's benefits, we provide employees with daily lunch, annual medical examination for staff mental and physical health, as well as various health security services that employees can choose based on their needs. In order to help employees with their legal issues, enhance their legal awareness for safeguarding rights and boost company growth in a balanced way, the Company regularly carries out legal consultations for employees and invites professional lawyers to give legal advice.

•Employees' thoughts and opinions

COSCO SHIPPING Lines has put proactive efforts on solving employees' problems by creating the email account the "Voice of Employees" and establishing a communication platform between employees and the Company, as well as members of the labour union and their leaders. To embrace a sustainable, healthy and balanced development, we encourage employees to express their appeals, tell us their problems and give suggestions for company growth. Generally, emails send to Voice of Employees will be handled in 10 workdays, and the time limit for dealing with relatively complicated mails will be extended properly in order to solve employees' problems practically and effectively.

•Cares for employees

In addition to holidays, insurance and welfare benefits, COSCO SHIPPING Lines also takes employee activities as a vital aspect in cultural construction with people-oriented philosophy. In order to lighten employees' cultural life, create a comfortable working environment and drive the corporate cultural construction, the Company fully coordinated resources from various fields and organized various kinds of activities by the cooperation of numerous parties like the labour union, administration department and human resource department with joint powers formed among members from different departments.

Case: Employee Badminton Tournament

On July 27, 2018, COSCO SHIPPING Lines participated in second employee badminton tournament held by China COSCO SHIPPING Group. There were over two hundred participants from 20 teams of the Group's subordinate departments and companies. After six rounds of fierce competition, COSCO SHIPPING Lines and COSCO SHIPPING Ports won the championship of the group.



Index and statistical table

| Level | Code | Corresponding Chapter |
|---|---|---|
| A Environmental | A1 Emissions | Green operation |
| | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | |
| | A1.1 | Statistical tables |
| | The types of emissions and respective emissions data. | |
| | A1.2 | Statistical tables |
| | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | |
| | A1.3 | Statistical tables |
| | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | |
| | A1.4 | Statistical tables |
| | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | |
| | A1.5 | Green operation |
| | Description of measures to mitigate emissions and results achieved. | |
| | A1.6 | Standardize the treatment of sewage and waste |
| | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | |
| | A2 Use of Resources | Green operation |
| | Policies on the efficient use of resources, including energy, water and other raw materials. | |
| | A2.1 | Statistical tables |
| | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | |
| | A2.2 | Statistical tables |
| | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | |
| A2.3 | Green operation | |
| Description of energy use efficiency initiatives and results achieved. | | |
| A2.4 | Green operation | |
| Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | | |
| A2.5 | N/A | |
| Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | | |
| A3 The Environment and Natural Resources | Green operation; Enhancing environmental protection | |
| Policies on minimising the issuer's significant impact on the environment and natural resources. | | |
| A3.1 | Green operation | |
| Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | | |
| B1 Employment | Social topics; Advocating equality and diversity; Maintaining labour relations; Protecting the legal rights of employees | |
| Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | | |
| B1.1 | Statistical tables | |
| Total workforce by gender, employment type, age group and geographical region. | | |
| B1.2 | Statistical tables | |
| Employee turnover rate by gender, age group and geographical region. | | |

| Level | Code | Corresponding Chapter |
|---|---|--|
| B Social | B2 Health and Safety | Occupational health and safety |
| | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | |
| | B2.1 | Occupational health and safety |
| | Number and rate of work-related fatalities. | |
| | B2.2 | Occupational health and safety |
| | Lost days due to work injury. | |
| | B2.3 | Occupational health and safety |
| | Description of occupational health and safety measures adopted how they are implemented and monitored. | |
| | B3 Training and Development | Fully cultivate talents |
| | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | |
| | B3.1 | Statistical tables |
| | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | |
| | B3.2 | Statistical tables |
| | The average training hours completed per employee by gender and employee category. | |
| | B4 Labor Standards | Protecting the legal rights of employees |
| | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | |
| | B4.1 | Protecting the legal rights of employees |
| | Description of measures to review employment practices to avoid child and forced labour. | |
| | B4.2 | Protecting the legal rights of employees |
| | Description of steps taken to eliminate such practices when discovered. | |
| | B5 Supply Chain Management | Procurement and Supplier management |
| | Policies on managing environmental and social risks of the supply chain. | |
| | B5.1 | Procurement and Supplier management |
| | Number of suppliers by geographical region. | |
| | B5.2 | Procurement and Supplier management |
| | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | |
| | B6 Social Responsibility | Service first, mission is bound to be accomplished |
| Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | | |
| B6.1 | N/A | |
| Percentage of total products sold or shipped subject to recalls for safety and health reasons. | | |
| B6.2 | Service first, mission is bound to be accomplished | |
| Number of products and service related complaints received and how they are dealt with. | | |
| B6.3 | N/A | |
| Description of practices relating to observing and protecting intellectual property rights. | | |
| B6.4 | N/A | |
| Description of quality assurance process and recall procedures. | | |
| B6.5 | Service first, mission is bound to be accomplished | |
| Description of consumer data protection and privacy policies, how they are implemented and monitored. | | |

| Level | Code | Corresponding Chapter |
|--|--|--|
| B Social | B7 Anti-corruption | Strengthening anti-corruption management |
| | Information on: | |
| | (a) the policies; and | |
| | (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | |
| | B7.1 | Strengthening anti-corruption management |
| | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Strengthening anti-corruption management |
| | B7.2 | Strengthening anti-corruption management |
| | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | |
| B8 Community | Fulfilling public welfare | |
| Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | | |
| B8.1 | Fulfilling public welfare | |
| Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | | |
| B8.2 | Fulfilling public welfare | |
| Resources contributed (e.g. money or time) to the focus area. | | |

| GRI content index | Disclosure | Corresponding chapter | Reason be omitted |
|---|---|---|-------------------|
| GRI 101 General Disclosure | | | |
| GRI102: General Disclosures 2016 | 102-1 Name of the organization | About the Report | |
| | 102-2 Activities, brands, products, and services | Our Business http://lines.coscoshipping.com/home/About/about/Profile | |
| | 102-3 Location of headquarters | Our Business http://lines.coscoshipping.com/home/About/about/Profile | |
| | 102-4 Location of operations | Our Business | |
| | 102-5 Ownership and legal form | Our Business | |
| | 102-6 Markets served | Our Business http://lines.coscoshipping.com/home/About/about/Profile | |
| | 102-7 Scale of the organization | Advocating equality and diversity Our Business | |
| | 102-8 Information on employees and other workers | Advocating equality and diversity | |
| | 102-9 Supply chain | Our Business- Our supply chain Procurement and Supplier management | |
| | 102-10 Significant changes to the organization and its supply chain | Our Business- Significant changes in reporting period of the Company | |
| | 102-11 Precautionary Principle or approach | Our Business- Early warning mechanism | |
| | 102-12 External initiatives | Our Business- International initiative | |
| | 102-13 Membership of associations | Our Business- Member of the association | |
| | 102-14 Statement from senior decision-maker | Statement of the Manager | |
| | 102-16 Values, principles, standards, and norms of behaviour | Our Business -our value | |
| | 102-18 Governance structure | Our corporate governance mechanism | |
| | 102-40 List of stakeholder groups | Analysis of substantive issues | |
| | 102-41 Collective bargaining agreements | Maintaining labour relations | |
| | 102-42 Identifying and selecting stakeholders | Analysis of substantive issues- Building a "4S+1E" Sustainable Development Framework | |
| | 102-43 Approach to stakeholder engagement | Analysis of substantive issues- Communications with Stakeholders | |
| | 102-44 Key topics and concerns raised | Analysis of substantive issues- Communications with Stakeholders | |
| | 102-45 Entities included in the consolidated financial statements | Subsidiaries covered in this report | |
| | 102-46 Defining report content and topic Boundaries | Analysis of substantive issues- Communications with Stakeholders | |
| | 102-47 List of material topics | Analysis of substantive issues- Communications with Stakeholders | |
| | 102-48 Restatements of information | About the Report | |
| | 102-49 Changes in reporting | Analysis of substantive issues- Building a "4S+1E" Sustainable Development Framework | |
| 102-50 Reporting period | About the Report | | |
| 102-51 Date of most recent report | About the Report | | |
| 102-52 Reporting cycle | About the Report | | |
| 102-53 Contact point for questions regarding the report | About the Report | | |
| 102-54 Claims of reporting in accordance with the GRI Standards | About the Report | | |
| 102-55 GRI content index | | | |
| 102-56 External assurance | About the Report | | |
| Major issue GRI 200 Economy Standard Series | | | |
| GRI 201 Economic Performance | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Economic topics Continuing to create economic value | |
| | 103-3 Evaluation of the management approach | Continuing to create economic value | |
| | 201-1 Direct economic value generated and distributed | Continuing to create economic value | |

| GRI Content Index | Disclosure | Corresponding chapter | Reason be omitted |
|--|---|--|---|
| GRI 203 Indirect Economic Impacts | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Forging ahead for 40 years | |
| | 103-3 Evaluation of the management approach | Forging ahead for 40 years | |
| | 203-2 Significant indirect economic impacts | Forging ahead for 40 years | |
| GRI 204 Procurement Practices | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Procurement and Supplier management | |
| | 103-3 Evaluation of the management approach | Procurement and Supplier management | |
| | 204-1 Procurement Practices | Procurement and Supplier management | Considering the cost of practice, the "Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation" is not counted, which is replaced by "the supplier classification by region". |
| GRI 205 Anti-corruption | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Strengthening anti-corruption management | |
| | 103-3 Evaluation of the management approach | Strengthening anti-corruption management | |
| | 205-3 Confirmed incidents of corruption and actions taken | Strengthening anti-corruption management | |
| GRI 419 Socio economic Compliance | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Implementing compliance requirements | |
| | 103-3 Evaluation of the management approach | Implementing compliance requirements | |
| | 419-1 Non-compliance with laws and regulations in the social and economic area | Implementing compliance requirements | |
| Major issue GRI 300 Environment Standard Series | | | |
| GRI 302 Energy | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Green operation | |
| | 103-3 Evaluation of the management approach | Green operation | |
| | 302-1 Energy consumption within the organization | Statistical tables | |
| GRI 303 Water and Effluents | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Green operation | |
| | 103-3 Evaluation of the management approach | Green operation | |
| | 303-1 Interactions with water as a shared resource | Statistical tables | |
| GRI 304 Biodiversity | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Enhancing environmental protection | |
| | 103-3 Evaluation of the management approach | Enhancing environmental protection | |
| | 304-2 Significant impacts of activities, products, and services on biodiversity | Enhancing environmental protection | |
| GRI 305 Emissions | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Green operation | |
| | 103-3 Evaluation of the management approach | Green operation | |
| | 305-1 Direct (Scope 1) GHG emissions | Statistical tables | |

| GRI Content Index | Disclosure | Corresponding chapter | Reason be omitted |
|--|--|---|-------------------|
| GRI 306 Effluents and Waste | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Standardize the treatment of sewage and waste | |
| | 103-3 Evaluation of the management approach | Standardize the treatment of sewage and waste | |
| | 306-1 Water discharge by quality and destination | Statistical tables | |
| | 306-2 Waste by type and disposal method | Statistical tables | |
| | 306-3 Significant spills | Strict treatment of sewage and waste | |
| GRI 307 Environmental Compliance | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Making efforts on environmental protection | |
| | 103-3 Evaluation of the management approach | Making efforts on environmental protection | |
| | 307-1 Non-compliance with environmental laws and regulations | Making efforts on environmental protection | |
| Major issue GRI 400 Society Standard Series | | | |
| GRI-401 Employment | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Creating a harmonious working environment | |
| | 103-3 Evaluation of the management approach | Creating a harmonious working environment | |
| | 401-1 New employee hires and employee turnover | Statistical tables | |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | Creating a harmonious working environment | |
| GRI-403 Occupational Health and Safety | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Occupational health and safety | |
| | 103-3 Evaluation of the management approach | Occupational health and safety | |
| | 403-2 Hazard identification, risk assessment, and incident investigation | Occupational health and safety | |
| GRI-404 Training and Education | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Fully cultivate talents | |
| | 103-3 Evaluation of the management approach | Fully cultivate talents | |
| | 404-1 Average hours of training per year per employee | Statistical tables | |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | Fully cultivate talents | |
| GRI-405 Diversity and Equal Opportunity | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Advocating equality and diversity | |
| | 103-3 Evaluation of the management approach | Advocating equality and diversity | |
| | 405-1 Diversity of governance bodies and employees | Statistical tables | |

| GRI Content Index | Disclosure | Corresponding chapter | Reason be omitted |
|---|--|--|-------------------|
| GRI-406 Non-discrimination | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Protecting the legal rights of employees | |
| | 103-3 Evaluation of the management approach | Protecting the legal rights of employees | |
| | 406-1 Incidents of discrimination and corrective actions taken | Protecting the legal rights of employees | |
| GRI-407 Freedom of Association and Collective Bargaining | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Maintaining labour relations | |
| | 103-3 Evaluation of the management approach | Maintaining labour relations | |
| | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | Maintaining labour relations | |
| GRI-408 Child Labor | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Protecting the legal rights of employees | |
| | 103-3 Evaluation of the management approach | Protecting the legal rights of employees | |
| | 408-1 Operations and suppliers at significant risk for incidents of child labour | Protecting the legal rights of employees | |
| GRI-409 Forced or Compulsory Labour | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Protecting the legal rights of employees | |
| | 103-3 Evaluation of the management approach | Protecting the legal rights of employees | |
| | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour | Protecting the legal rights of employees | |
| GRI-415 Public Policy | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Fulfilling public welfare | |
| | 103-3 Evaluation of the management approach | Fulfilling public welfare | |
| | 415-1 Political contributions | Fulfilling public welfare | |
| GRI-418 Customer Privacy | 103-1 Explanation of the material topic and its Boundary | Analysis of substantive issues | |
| | 103-2 The management approach and its components | Implementing compliance requirements | |
| | 103-3 Evaluation of the management approach | Implementing compliance requirements | |
| | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | Implementing compliance requirements | |
| | | Service first, mission is bound to be accomplished | |

Statistical tables

Energy consumption and waste emissions

| Indicators | Unit | 2018 | 2017 |
|-------------------------|---|---------------|-------------------------|
| Electricity consumption | Electricity consumption (kWh) | 5,463,120.00 | 5,684,010.00 |
| | Electricity per capital (kWh/capital) | 4,966.47 | 5,167.28 |
| Water consumption | Production water (ton) | 190,386.90 | 204,988.70 ¹ |
| | Domestic water (ton) | 43,198.00 | 55,380.00 ² |
| | Total water consumption (ton) | 233,584.90 | 260,368.70 |
| | Water consumption per RMB10,000 output value (ton/RMB10,000) | 0.03 | 0.03 |
| Gas consumption | Gas (m ³) | 391,177.00 | 422,758.00 |
| | Per capital consumption (m ³ /capital) | 355.61 | 384.33 |
| Fuel | Fuel oil (heavy oil)(ton) | 4,992,708.20 | 4,609,030.00 |
| | Diesel oil (light oil)(ton) | 156,776.80 | 182,050.00 |
| | Total fuel (ton) | 5,149,485.00 | 4,791,080.00 |
| | Per unit fuel consumption (kg/ kiloton per nautical mile) | 4.79 | 4.80 |
| Grease | Grease (ton) | 11,698.80 | 8,506.24 |
| | Per unit grease consumption (kg/ kiloton per nautical mile) | 0.01 | 0.02 |
| Gasoline | Gasoline (ton) | 19.96 | 20.75 ³ |
| | Per capita consumption (ton / person) | 0.018 | 0.019 |
| Greenhouse emission | CO ₂ (ton) | 16,014,898.35 | 14,900,262.80 |
| | Per unit emission (kg/kiloton per nautical mile) | 14.90 | 15.04 |
| Exhaust emission | Oxynitride (ton) | 463,453.66 | 431,179.20 |
| | Average emission of per unit time turnover (kg/kiloton per nautical mile) | 0.43 | 0.44 |
| | Oxysulfide (ton) | 308,969.10 | 287,464.80 |
| | Average emission of per unit time turnover (kg/kiloton per nautical mile) | 0.28 | 0.29 |
| Waste water | Oily water (ton) | 76,251.30 | 72,742.70 |
| | Domestic waste water (ton) | 38,878.20 | 49,842.00 |
| | RMB 10,000 turnover unit sewage discharge (ton / RMB 10,000) | 0.013 | 0.013 |
| Waste | Production hazardous waste (m ³) | 2,136.27 | 1,926.60 |
| | Domestic hazardous waste (kg) | 0.00 | 40.00 |
| | Non-hazardous waste | 92,400.00 | 92,400.00 |
| | Per unit non-hazardous waste emission (kg/capital) | 5.41 | 3.82 |
| Dangerous goods | Handling quantity of dangerous goods (TEU) | 148,346.00 | 136,739.00 |

Remarks: Water, electricity, and gas consumption information are from the statistics of COSCO SHIPPING Lines' headquarter and the number of employees working at headquarter is 1,100. Fuel consumption, greenhouse gas emission, and exhaust emission data are from the of COSCO SHIPPING Lines' ships purchasing fuel oil. The data of wastewater and waste are from the COSCO SHIPPING Lines' headquarters and its ships purchasing fuel oil.

Note1.2.3: Report data released in 2017 is re-stated based on actual conditions.

Social data statistics

| Indicators | Unit | 2018 | 2017 |
|-------------------------------|--|--------|--------|
| Total | Total employee (person) | 17,080 | 24,190 |
| By gender | Contracted male employee (person) | 8,477 | 11,523 |
| | Contracted female employee (person) | 6,620 | 6,495 |
| By age | Contracted employee: ≤30 (person) | 2,440 | 3,551 |
| | Contracted employee: 30-50 (person) | 10,774 | 12,100 |
| | Contracted employee: ≥50 (person) | 1,883 | 2,367 |
| By employment type | Contracted employee (person) | 15,097 | 18,018 |
| | Part-time employee (person) | 1,983 | 6,172 |
| By area | Mainland contracted employee (person) | 10,436 | 13,581 |
| | Foreign contracted employee (person) | 4,661 | 4,437 |
| By level | Contracted employee of management level (person) | 11 | 12 |
| | Other contracted employee (person) | 15,086 | 18,006 |
| New come staff | Total number of new employees (person) | 333 | / |
| | Total number of new male employees (person) | 178 | / |
| | Total number of female new employees (person) | 155 | / |
| | Total number of new employees under 30 years old (person) | 230 | / |
| | Total number of new employees 30-50 years old (person) | 103 | / |
| | Total number of new employees over 50 years old (person) | 0 | / |
| | Total number of new employees in China (person) | 90 | / |
| Governing body | Total number of new employees in overseas(person) | 243 | / |
| | Total number of board members (person) | 11 | / |
| | Number of male board members (person) | 8 | / |
| | Number of female board members (person) | 3 | / |
| | Board of Directors below 30 years old (person) | 0 | / |
| | Board of Directors 30-50 years old (person) | 8 | / |
| | Board of directors over 50 years old (person) | 3 | / |
| Employee turnover / by gender | Number of minority and vulnerable groups on the board (person) | 0 | / |
| | Total number of contracted male employees (person) | 381 | / |
| Employee turnover / by region | Total number of contracted female employees (person) | 297 | / |
| | Mainland contracted staff (person) | 513 | / |
| Employee turnover / by age | Overseas contracted staff (person) | 165 | / |
| | Contracted employee age: ≤ 30 (person) | 350 | / |
| | Contracted employee age: 30~50 (person) | 156 | / |
| Employee turnover/total ratio | Contracted employee age: ≥50 (person) | 172 | / |
| | Turnover (person) of contracted employee | 678 | 711 |
| | Turnover rate of contracted employee | 4.49% | 3.95% |

| Indicators | Unit | 2018 | 2017 |
|---|--|------------|------------|
| Occupational injury | Work-related fatalities (person) | 0 | 0 |
| | Ratio of Work-related fatalities | 0 | 0 |
| | Work-related injuries (person) | 0 | 2 |
| | Total number of missed work days | 0 | 90 |
| | Injury rate by thousand person (‰) | 0.00 | 0.08 |
| Training | Trained contracted employee | 15,097 | 18,018 |
| | Total hours of training | 310,707.60 | 375,334.00 |
| | Percentage of contracted employee | 100% | 100.00% |
| | Trained contracted male employee (person) | 8,477 | 11,523 |
| | Percentage of contracted male employee | 100.00% | 100.00% |
| | Trained contracted female employee (person) | 6,620 | 6,495 |
| | Percentage of contracted female employee | 100.00% | 100.00% |
| | Trained contracted employee of management level (person) | 11 | 12 |
| | Percentage of contracted employee of management level | 100.00% | 100.00% |
| | Other trained contracted employee (person) | 15,086 | 18,006 |
| | Percentage of other contracted employee | 100.00% | 100.00% |
| Suppliers | Domestic | 7,286 | / |
| | Overseas | 1,617 | / |
| Number of complaints received about products and services | Number of complaints (pieces) | 8 | / |
| Number of corruption suits filed and concluded by the company or its employees | Number of cases (pieces) | 0 | / |

Subsidiaries covered in this report¹

| No. | Name of Company | No. | Name of Company |
|-----|---|-----|--|
| 1 | SHANGHAI PANASIA SHIPPING CO.,LTD | 21 | COSCO SHIPPING Lines (Hainan) Co.,Ltd. |
| 2 | SHANGHAI COSCO INFORMATION & TECHNOLOGY CO., LTD. | 22 | COSCO SHIPPING Lines (Ningbo) Co., Ltd. |
| 3 | SHANGHAI COSCON DOCUMENT SERVICES CO.,LTD | 23 | QINGDAO XIN SANLY REEFERCONTAINER TECHNICAL CO., LTD |
| 4 | COSCO SHIPPING International Freight Co., Ltd. | 24 | COSCO SHIPPING Lines (North America) Inc. |
| 5 | COSCO SHIPPING Lines Agency Co., Ltd. | 25 | COSCO SHIPPING Lines (Europe) GmbH |
| 6 | COSCO SHIPPING Lines South-China Co., Ltd. | 26 | COSCO SHIPPING Container Line Agencies Limited |
| 7 | SHANGHAI OCEAN SHIPPING CO.LTD | 27 | New Golden Sea Shipping Pte Ltd |
| 8 | China Shipping Container Lines Hainan Co.,Ltd. | 28 | COSCO CONTAINER LINES (HONGKONG) CO.,LIMITED |
| 9 | YANGPU COSCO SHIPPING REFRIGERATION STORAGE & TRANSPORTATION CO.,LTD. | 29 | COSCO SHIPPING Lines (Korea) Co.,Ltd. |
| 10 | Tianjin Binhai COSCO SHIPPING Lines Logistics Co., Ltd. | 30 | Coheung Maring Shipping Co.,Ltd. |
| 11 | Shanghai COSCO SHIPPING Lines Logistics Co., Ltd. | 31 | COSCO SHIPPING Lines (Japan)Co.,Ltd. |
| 12 | COSCO SHIPPING Lines (Dalian) Co.,Ltd | 32 | COSCO SHIPPING LINES (OCEANIA) PTY LTD |
| 13 | COSCO SHIPPING Lines (Xiamen) Co.,LTD | 33 | COSCO SHIPPING LINES (Panama) INCORPORATION. |
| 14 | COSCO SHIPPING Lines (Tianjin) Co., Ltd. | 34 | COSCO SHIPPING Lines (Brasil) S.A. |
| 15 | COSCO SHIPPING Lines (Shanghai) Co., Ltd | 35 | COSCO (Cayman) Mercury Co.Ltd |
| 16 | COSCO SHIPPING Lines (Qingdao) Co., Ltd. | 36 | GOLDEN SEA SHIPPING PTE. LTD. |
| 17 | COSCO SHIPPING Lines (Wuhan) Co.,Ltd. | 37 | COSCO SHIPPING Lines (Central America) Incorporation |
| 18 | Wuhan Cosco Logistics Co.,Ltd | 38 | COSCO SHIPPING Lines (South Africa) Pty. Ltd. |
| 19 | COSCO SHIPPING Lines Agency (Shanghai) Co., Ltd. | 39 | COSCO SHIPPING Lines West Asia FZE |
| 20 | COSCO SHIPPING Lines Agency (Xiamen) Co.,Ltd. | | |

Note1: Tangshan COSCO SHIPPING Lines Logistics Co., Ltd. ;Shanghai Tianhongli Asset Management Ltd; China Shipping Finance Co., Ltd are subsidiaries that not included on consolidated financial statement.

Independent assurance statement

Scope and approach

DNV GL Business Assurance Group ('DNV GL') has been commissioned by COSCO SHIPPING Lines Co., Ltd. ('COSCO SHIPPING') to carry out an independent verification of the COSCO SHIPPING 2018 Sustainability Report ('the Report').

The verification was performed against the DNV GL Protocol for Verification of Sustainability Reporting (VeriSustain®), which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

Performance and data disclosed in the Report refer to GRI Standard: 2016 core option.

We understand that the reported financial data and information are based on data from COSCO SHIPPING's 2018 Financial Annual Report, which had been audited by third party. The review of financial data taken from the Annual Report is not within the scope of our work.

We planned and performed our work to obtain the evidence which is necessary to provide a basis for our assurance opinion. Our assurance engagement was performed against VeriSustain® with 'Principle Adherence' type, we are providing a 'moderate level' of assurance. A 'high level' of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Responsibilities of the COSCO SHIPPING management and of the DNV GL

COSCO SHIPPING is responsible for the collection, analysis, aggregation and disclosure of information contained in the Report. Our responsibility in performing this work is to the management of COSCO SHIPPING only and in accordance with terms of reference agreed. The stakeholders of COSCO SHIPPING are the intended users of this statement.

DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward any people interviewed and the verification by numerous public means to understand positive and negative comments on COSCO SHIPPING. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at COSCO SHIPPING headquarter. We undertook the following activities:

Review of the current sustainability issues that could affect COSCO SHIPPING and are of interest to stakeholders;

Review of COSCO SHIPPING approach to stakeholder engagement and recent outputs (e.g. customer satisfaction survey);

Review of information provided to us by COSCO SHIPPING on its reporting and management processes relating to the Principles;

Interviews with selected top management and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed;

Based on significant sustainability issues disclosed in the Report, visits to COSCO SHIPPING's headquarter to review process and systems for preparing sustainability data and implementation of sustainability strategy;

Review of supporting evidence for key claims and data in the report. Our checking processes were prioritized according to materiality and we based our prioritization on the materiality of issues at a consolidated corporate level;

Performed sample-based checks of the processes for generating, gathering and managing the quantitative and qualitative data presented in the Report;

An independent assessment of claim's reporting against the GRI Standard: 2016 core option.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe COSCO SHIPPING's adherence to the Principles. In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

In our opinion, based on the scope of this assurance engagement, nothing came to our attention to suggest that the Report does not meet the content requirements of the GRI Standard: 2016, i.e.,

General Disclosures: We reviewed the General Disclosures and Management Approach reported in this Report and nothing came to our attention to suggest that the reported information generally does not meet the reporting requirement for 'in accordance – Core' based on GRI Standard: 2016 and the reason for non-disclosure is explained.

Topic-specific Standards Disclosures: We reviewed the Topic-specific Standards Disclosures reported in this Report and nothing came to our attention to suggest that the reported information generally does not meet the disclosure requirement for 'in accordance – Core' based on GRI Standard: 2016 covering Topic-specific Standards Disclosures on Management Approach (DMA) and Performance Indicators for identified material Aspects.

Observation

The following is an excerpt from the observations and opportunities reported back to the management of COSCO SHIPPING. However,

these do not affect our opinion on the Report, and they are indeed generally consistent with the management objectives already in place.

It is suggested to widen and deepen related sustainability performance information and data disclosure, to assure disclosed content and performance information to be matched with report boundary and scope

It is suggested to disclose management method for sustainable materiality issues more clearly according to GRI Standard: 2016

It is suggested to disclose the evaluation criterion and processes about suppliers' sustainability performance in the report

GRI Standard: 2016 Principles

Materiality: COSCO SHIPPING has established a materiality issues determination process within the company. The Report disclosed the materiality issues which identified through the determination processes and the relevant sustainability context. The Report also revealed the management approach and performance achievement through the transparent display of important sustainability information.

Stakeholder inclusiveness: COSCO SHIPPING has established a mechanism for stakeholders' communication and engagement through multiple actions. Stakeholder expectation has been integrated into operation process, the results of this communication and engagement already influenced the setup of the sustainability strategy of COSCO SHIPPING to a certain degree. The stakeholders' engagement and their focus has been revealed in the Report.

Responsiveness: COSCO SHIPPING has setup a response mechanism to improve the responsiveness to stakeholders through establishing sustainability policies, objectives and target as well as improving governance structure, management systems and processes. With consecutive 2 years historical data and explicit context, the Report respond to the main stakeholder concerns about COSCO SHIPPING's economic, social and environmental indicators and performance, especially of the multiple materiality issues as disclosed in the Report. The indicators and sustainability performance as disclosed in the Report was based on the identification and analysis in materiality issues that related with COSCO SHIPPING's sustainability strategy.

Completeness: Within the reporting scope and boundary defined by COSCO SHIPPING, we believe that the Report does not omit relevant information that could significantly influence stakeholders' decisions or reflects significant sustainability impacts during the reporting period.

Accuracy and Reliability: COSCO SHIPPING has established a comprehensive sustainability performance information management processes, performance information and data about the key responsibility issues is accurately reflected in the Report. Per the requirements of moderate level of assurance, we believe the data/information presented in the Report are accurate and detailed for stakeholders to understand the organization's performance on material topics.

Neutrality: We consider the overall tone of the Report to be neutral and the presentation of information to be generally balanced. The emphasis on various topics in the Report is basically proportionate to their relative materiality.

Sustainability context: In the review of the audit team, we believe that the Report presents the performance in its own sustainability and general business context, through discussing the performance of the COSCO SHIPPING in the context of the limits and demands placed on environmental, social resources at the sector and regional level.

For DNV GL - Business Assurance Group

| | | |
|---|---|---|
|  <p>Cai, Kun Quan Lead Verifier May, 2019 Shanghai</p> |  <p>Lin, Chun Nan Reviewer</p> |  <p>David Hsieh Approval Sustainability Service Manager, Greater China</p> |
|---|---|---|



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