



COSCO SHIPPING Lines Co., Ltd.

2019 Sustainability Report



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

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About the Report

Time frame:

January 1, 2019 to December 31, 2019

Organization Name:

COSCO SHIPPING Lines Co., Ltd.

Release cycle:

The Sustainability Report is released annually. The previous version was issued in July 2019, and the issue date of this Report is July 2020.

Guidance:

This report is referred to the Environmental, Social and Governance (ESG) Reporting Guide of the Hong Kong Stock Exchange (released in July 2015) and is based on the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 and prepared by referencing the Core option.

Scope:

The entity disclosed in this report is carefully selected based on the selection criteria of "whether there is actual business operation" and the overall impact of the entity on company's environment, society and governance. The Report covers the headquarters of COSCO SHIPPING Lines Co., Ltd and 39 subsidiaries in the financial report. If there are special circumstances, there will be a description of the specific data statistics in the corresponding Chapter. During the reporting period, there was no significant change in the operation.

Definitions:

For the sake of readability, in this report, COSCO SHIPPING Lines Co., Ltd. is referred to as "COSCO SHIPPING Lines", "CSL", "we" and "the company". 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:

The data employed in this Report are from open government outlets and internal statistical reports of COSCO SHIPPING Lines, as well as third-party investigations, interviews and other sources.

Specification :

During the reporting period, the company's operating position, business form, ownership and organizational structure did not change significantly.

About the Report

Reporting principles:

The report is prepared based on the following basic principles:

Materiality – The Company believes ESG exerts significant influence on the investors and stakeholders, thus the Report should disclose any important and significant ESG matter.

Response: We disclosed the process of identifying important environmental, social and governance factors in the report, including the identification of stakeholders, and the use of the importance matrix for the assessment of material issues. Based on the communication mechanism with stakeholders and the principle of materiality, we identified important ESG-related factors, focused on them, and disclosed corresponding measures in the report.

Quantitative – KPIs need to be measurable so that the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative explaining its purpose and impacts with comparative data where applicable.

Response: We disclosed the environmental and social data referred to the requirements of the the Environmental, Social and Governance Reporting Guide and referred to the GRI 2016 standard, then disclosed the calculation methods and assumptions of the data in the report.

Balance – The Report should provide an unbiased picture of the Company's performance on ESG, and should avoid any selections, omissions, or misleading presentation that may inappropriately influence the readers on their decision making.

Response: We promise that the information disclosed in this report is true, objective, and not exaggerated or fictitious, which is to maximize the information that can help investors make fair and effective decisions.

Consistency – The Company should use consistent methodologies to allow for meaningful comparisons of ESG data over time. The Company should disclose in the ESG report any changes to the methods used or any other relevant factors affecting a meaningful comparison.

Response: We used the same disclosure statistics method as in 2018 and compared the data in the report. If there is a restatement, we will present it as a footnote in the report.

External assurance:

We invited DNV GL as the assurer to ensure the accuracy, balance, comparability, timeliness, clarity, and reliability of the Report.

Access:

Chinese and English digital versions of the Report are available on <http://lines.coscoshipping.com>

Contact information:

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About COSCO SHIPPING Lines

COSCO SHIPPING Lines Co., Ltd. is affiliated to China COSCO SHIPPING Corporation Limited (COSCO SHIPPING Group) and is held 100% shares by COSCO SHIPPING Holdings Co., Ltd., with its headquarters in Shanghai. We are a one-person limited liability company and we directly and indirectly owns 42 subsidiaries (excluding other companies with indirect equity ownership, including 39 subsidiaries within the scope of financial report).



Financial Performance

Business income	98.57	Billion RMB
Net profit	1.05	Billion RMB
Total assets	99.64	Billion RMB



Business Performance

Container freight volume	18,784,961	TEU
Increased by	418,853	TEU
Increase rate		2.28%

Our core value

We adhere to customer-centered, based on the safety, caring for employees, and continuous innovation. We also establish the Employee Handbook and 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. In addition, we also manage our suppliers (such as requiring them to sign the Anti-Commercial Bribery Commitment Letter, Social Standards Compliance Questionnaire, etc.) to convey our ideas and values to suppliers.

Our business and operation value

As one important member of the Ocean Alliance, COSCO SHIPPING Lines mainly engages in international and domestic maritime container shipping services and related business with the operating principle of "We Deliver Value".

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. During the reporting period, there was no significant change in the supply chain structure.

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; and warnings of risk preference and tolerance.

In 2019, the company began to build a risk early warning indicator - dashboard monitoring mode. Relevant functional departments and risk management departments, as the defense first and second defense line for risk management and control, work closely together to select key early warning indicators that reflect the company's daily operation. In 2019, we selected 18 indicators from customer service, operation, staff and safety, etc. and set the low, medium and high risk thresholds for each indicator. The risk management department maintains the dashboard through the data collected from each functional department, summarizes the risk response reminded by the indicator, completes the risk warning analysis and tracks the risk change trend.

About COSCO SHIPPING Lines

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 committed to working in environmental management. In addition, we also join Cargo Smart's Blockchain plan to support the establishment of a Global Shipping Business Network (GSBN), accelerate the digital transformation of the shipping industry, and make efforts to promote the development of the shipping industry.

Member of the association

We are a member of following international organizations: World Shipping Council, World Liner Data Ltd, Maritime Anti-Corruption Network, Cargo Incident Notification System, The Baltic and International Maritime, Container Owners Association, etc.. It is also a member of 30 domestic organizations including China Shipping Society (standing councilor), Shanghai Association of Traffic and Transportation (vice president unit), Shanghai Navigation Society (vice councilor and councilor), China Association of Port-of-Entry(standing councilor), China Ship-owners Association(standing councilor, councilor), Shanghai Ship-owners Association (vice president unit), etc..

Management system

For the sustainable development of the Company, we have developed corresponding policies and requirements covering quality, environment, safety, and society, which become part of our code of conduct.

We has obtained the GB/T19001-2016/ISO9001: 2015 Quality Management Systems – Requirements, GB/T24001-2016/ISO14001: 2015 Environmental Management Systems – Requirements with Guidance for Use, ISO45001:2018 Occupational Health and Safety Management Certification, and RB/104-2013/ISO50001:2018 Energy Management Systems Requirements, etc.. On this basis, we have established quality management system, environmental management system, occupational health and safety management system, and energy management system.

We established the social responsibility, risk and internal control management system according to the ISO26000 Social Responsibility, ISO31000 Risk management – Principles and Guidelines, and the Basic Rules for Enterprise Internal Control issued by the Ministry of Finance of the PRC, China Securities Regulatory Commission, the National Audit Office, China Banking and Insurance Regulatory Commission, to fulfil our corporate social responsibility, 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.

Awards

- ❖ On January 19 2019, at the FAW-Volkswagen 2019 supplier partner conference, COSCO Shipping Lines won the "excellent partner" award for the 10th consecutive year.
- ❖ On March 6 2019, the company won the gold and silver awards of the 2018 "blue whale and blue sky protection" project of the US environmental protection organization.
- ❖ On September 19 2019, Samsung SDS logistics supplier conference was held in Seoul, South Korea. At the meeting, COSCO Shipping Lines Container Transportation Co., Ltd. won the best partner award of 2019 Samsung SDS.
- ❖ On November 7 2109, COSCO Shipping Lines won the "Best partner award" of ZTE group, becoming the only shipping logistics enterprise to win the award.
- ❖ In the Lloyds list Australia maritime Awards held in Sydney, Australia, on November 14 2019, COSCO Shipping Lines won the "2019 Australia Northeast Asia route highly recommended Award" and "2019 Australia Southeast Asia route highly recommended Award".

Sustainable Development Governance

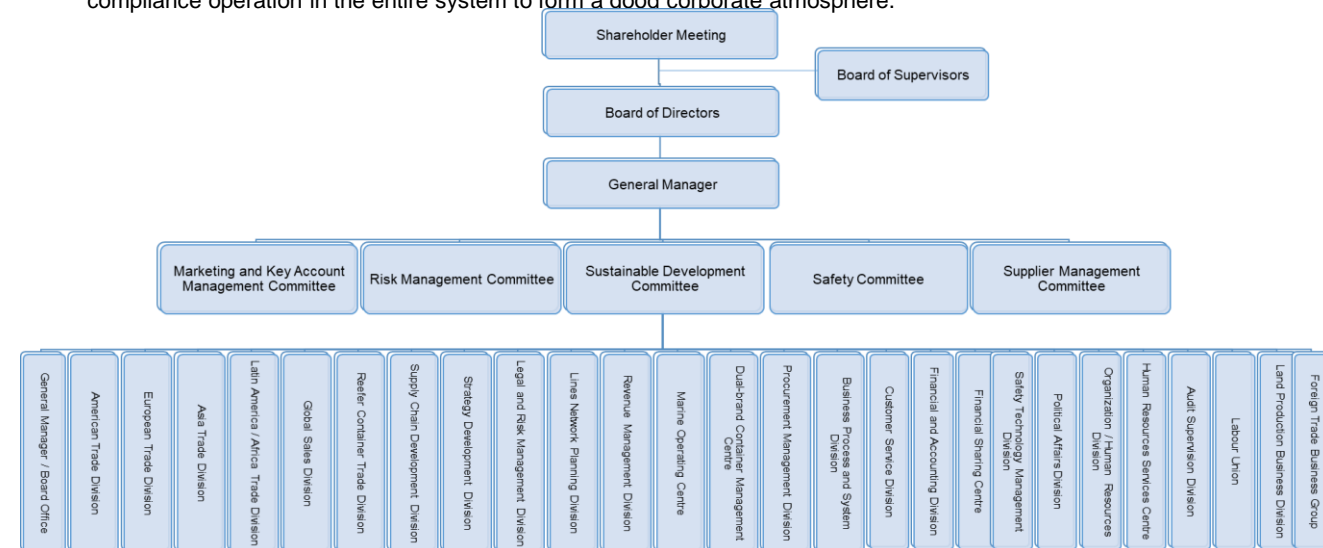
Social responsibility has long been part of the essence of COSCO SHIPPING Lines' cooperate culture. The Company is a consistent supporter of sustainable and complaint development and a promoter of the balance between businesses, society, environment, and development, so as to live up to the expectations of all stakeholders including shareholders, business partners, government agencies, non-governmental organizations, etc.

Internal governance

We are always committed to establishing sustainable strategy and strictly implementing them within the company. To achieve the strategic objectives of the Company, we have built a strict and professional governance structure. In our governance structure, the general meeting of Shareholders is the highest authority and we have established the Board of Supervisors, and the Board of Directors. The Board of Directors determines the day-to-day business operations. Currently, the Board of Directors consists of 8 members, including 4 internal directors (including 1 employee director), 4 external directors.

We implement the general manager responsibility system under the leadership of the board of directors. Our operating management consists of a marketing and major account management committee, a risk management committee, a sustainable development committee, a safety committee and a supplier management committee, who support the management of business risks and compliance.

We also includes 27 business units and 42 full-fledged joint venture subsidiaries (excluding other companies with indirect equity ownership, including 39 subsidiaries within the scope of financial report). We implement the concept of compliance operation in the entire system to form a good corporate atmosphere.



Sustainable development management

For the sustainable development of the company, we established the Sustainable Development Committee, consisting of general manager, party committee secretary, and various department heads. They are responsible for formulating sustainable development policies, strategies and objectives, coordinating the resources for the implementation of the sustainable development policies, review and evaluate the achievement of sustainable development goals, 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.

Sustainable Development Governance

Sustainable development management

We have one department responsible for specific practices related to sustainable development, including leading the establishment of a sustainable development indicator system, organizing various departments to decompose and implement sustainable development indicators, leading the identification work of substantive issues, and leading the report drafting work, etc.. The specific practices are regularly reported to the company's management every year.

We are committed to implementing risk management throughout the entire process of the strategy development, while highlighting key management areas and high risk areas. We have one department carrying out regular risk assessment, identify comprehensive risks including those related to ESG, and have independent department carry out comprehensive audit to ensure the effective implementation of governance, and ensure the company has established an effective system for risk management and internal monitoring. Through the above measures and regular communication between various departments of the company, we identify and assess the risks of relevant matters and the importance to our stakeholders.

According to the general disclosure requirements of the Environmental, Social and Governance Guidelines, we have included in this report the identified major environmental, social and governance issues, aiming to disclose the performance of COSCO SHIPPING Lines sustainable development in the operation process on a balanced basis.

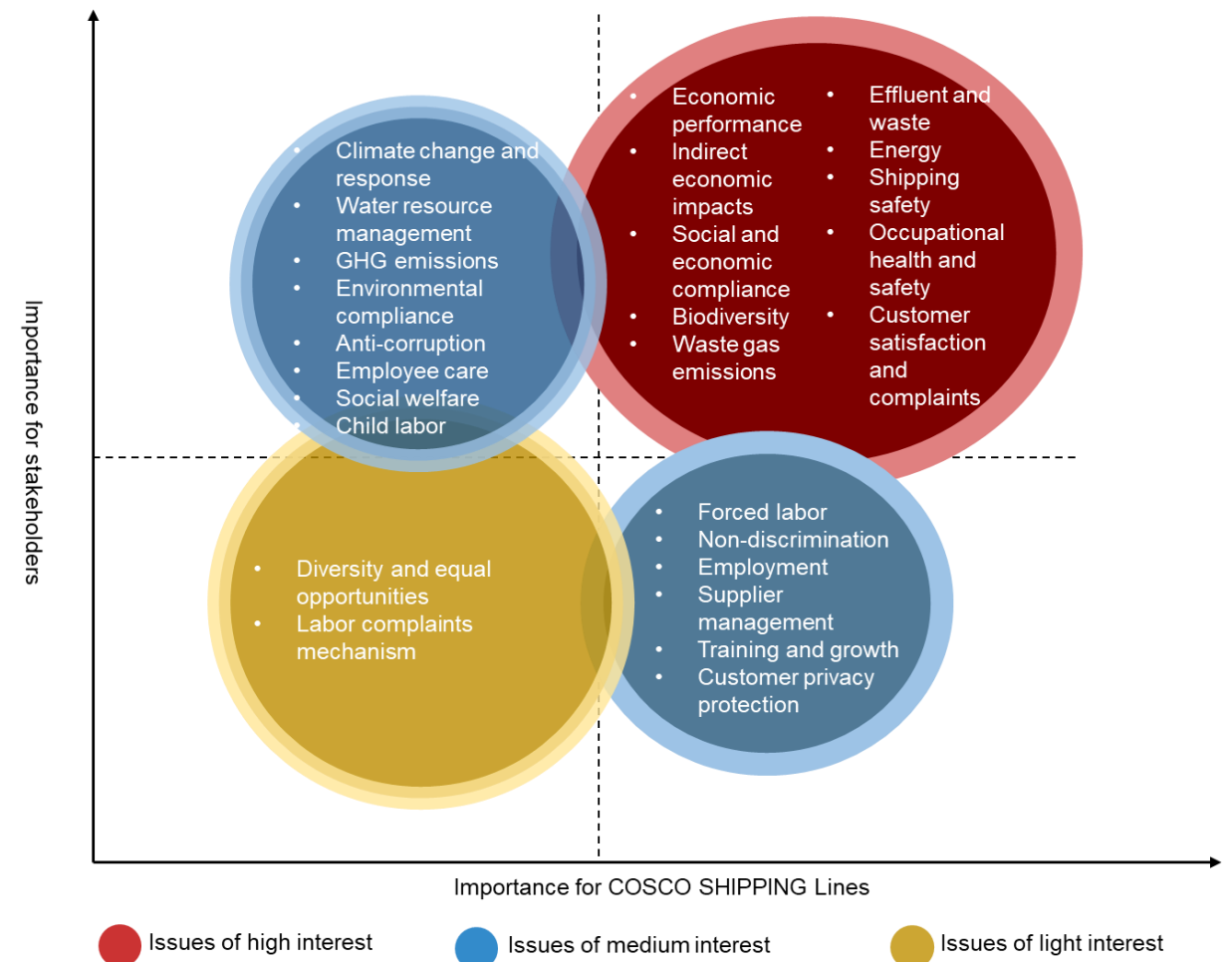


Stakeholders and Material Issues Analysis

Stakeholders Communication

COSCO SHIPPING Lines always pays attention to the demands of stakeholders, and prepare the sustainable development report on the basis. According to impact of stakeholders and their dependence on the company, we identified 10 mainly stakeholders including shareholders, customers, employees, business partners, suppliers, government agencies, communities, labour union, insurance and financial institutions, NGOs, etc.. The focus of this report is based on the substantive issues concerned by stakeholders. Therefore, during the reporting period, we have communicated with various stakeholders regularly, including meetings, interviews, opinion surveys and work visits, to actively listen to their opinions and suggestions, understand the concerns and demands of stakeholders, and formulate and adjust relevant measures as a response.

We continuously communicate with stakeholders, including regular supplier meetings regularly, conducting periodical customer satisfaction surveys and customer visits, communicating with NGOs, attending external seminars, and carrying out staff opinion polls to understand the issues of interests to our stakeholders and gave feedback. On this basis, we identify 26 substantive issues, which are divided into three levels: high, medium and light, considering the importance of relevant issues to COSCO Shipping and stakeholders. Among them, there are 10 high-level issues, 14 medium-level issues and 2 light-level issues



Stakeholders and Material Issues Analysis

Stakeholders Communication

For different substantive issues, we have defined their boundaries and established diversified responses, which are listed as follows.

Type of Issues	Material issues	Main stakeholders	Boundaries	Corporate response	Chapter index
Service	Economic performance	Shareholders	Internal	Cutting cost while increasing efficiency to enhance lean management	Continuing to create economic value
	Indirect economic impacts	Business partners	Internal	Supporting the Belt and Road Initiative	Development and responsibility in parallel
	Customer satisfaction and complaints	Government agencies	Internal	Developing the China-Europe land-sea express and the China-Europe rail freight	Better services for customers
	Customer privacy protection	Customers	Internal	Supporting CIIE	Better services for customers
		Insurance and financial institutions		Conducting customer satisfaction surveys and improving the protection rules for customer privacy Use technology to bring better service to customers	
Safety	Shipping safety	Shareholders	Internal	Implement safe production	Ensure safe production
	Climate change and response	Employees	Internal	Strict control over the transportation of dangerous goods	Ensure safe production
		NGOs Customers		Preventing extreme weather events	
Society	Social and economic compliance	Shareholders	Internal	Fully complying with social and economic regulations	Implementing compliance requirements
	Anti-corruption	Suppliers	Internal/External	Providing internal legal training and education	Anti-corruption management
	Supplier management	Government agencies	Internal	Carrying out comprehensive risk management	Supplier management
	Social welfare	Employees	Internal	Increasing anti-corruption efforts	Practice charity
		NGOs		Establishing an anti-corruption and anti-fraud reporting mechanism Implementing strict supplier assessment and audit Targeted poverty alleviation	
Environment	Biodiversity	Governments	Internal	Standardized management of ballast water	Protect ecological environment
	Waste gas emissions	Communities	Internal	Using low sulfur oil	Energy conservation and emission reduction
	Effluent and waste	NGOs	Internal	Strict disposal of effluent and waste	Strict treatment of emissions
	Energy	Shareholders	Internal	Implementing energy saving and emission reduction	Energy conservation and emission reduction
	GHG emissions		Internal	Improving business efficiency by increasing technology reform	Energy conservation and emission reduction
	Water resource management		Internal	Monitoring and assessing energy consumption	Energy conservation and emission reduction
	Environmental compliance		Internal	Cutting GHG emissions	Energy conservation and emission reduction
				Saving water Observing local environmental laws and regulations	Energy conservation and emission reduction
Staff	Employee care	Employees	Internal	Enriching employee activities	Employee care
	Employment	Labor unions	Internal	Increase labor union communication	Employment and diversity
	Non-discrimination	Shareholders	Internal	Providing employee benefits	Protecting employee rights
	Child labor	Governments	Internal/External	Creating a standard, transparent hiring mechanism	Protecting employee rights
	Forced labor	NGOs	Internal/External	Providing reasonable compensations for employees	Protecting employee rights
	Diversity and equal opportunities		Internal/External	Compliance with laws and regulations	Employment and diversity
	Training and growth		Internal	Providing reasonable employee leaves	Employee training and growth
	Labor complaints mechanism		Internal	Promoting an equal corporate culture	Protecting employee rights
	Occupational health and safety		Internal	Enhancing diversity in recruitment	Occupational health and safety
				Providing effective, practical training for employees	
				Building a multi-level communication mechanism	
				Providing employee health checks	
				Preparedness for accidents	

Stakeholders Communication

Compared with the previous year, there is no significant change in material issues and their boundaries in 2019. Among them, there are three newly introduced issues: climate change and response, greenhouse gas emissions, and employee care. Considering the importance principle of the report, the most concerned issues of these stakeholders are also the key contents of the 2019 sustainable development report that we finally selected.

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

Focusing on our core business, we summarized 26 issues and established a sustainable development framework covering "4S+1E" five dimensions: Service, Safety, Staff, Social and Environment.

In terms of service, we mainly focus on economic performance, indirect economic impact, customer satisfaction and complaints, and customer privacy protection, which has been an ongoing concern for shareholders, business partners, customers and government agencies. Our annual performance in 2019 has improved compared to previous years. In addition, we have vigorously implemented the Belt and Road Initiative and supported the country's social activities, which has had a positive impact on social development. At the same time, through continuous improvement of technology, adhere to customer first and protecting customer privacy, we actively bring better services to customers.

In terms of safety, we mainly focus on shipping safety and climate change and response. For shipping companies, the security of transportation services must be guaranteed, including cargo safety, ship safety, etc. At the same time, we continue to pay attention to the impact of extreme weather on us and actively respond.

In terms of society, we mainly focus on anti-corruption, supplier management, social and economic compliance and social welfare, etc., to continuously meet the expectations of various stakeholders including suppliers, shareholders, government agencies, NGOs and so on. Anti-corruption and compliance is constantly concerned by various sectors of society. Every employee and all business must comply with relevant laws and ensure compliance and integrity. We also pay attention to supplier management and continue to promote the concept of green supply. In addition, for public welfare, we adhere to the practice of corporate social responsibility and actively contribute to society. In this regard, we have made many efforts in 2019 and have also achieved certain results.

In terms of environment, we mainly focus on energy, biodiversity, GHG emissions, waste gas emissions, effluent and waste, etc.. The largest cost for shipping companies is energy consumption, the waste produced by which (e.g. waste gas, oily sewage) poses the severest impacts on the environment. That is the most significant issue for both shipping companies and stakeholders. Besides, the shipping course affects maritime lives, that's why biodiversity protection is also an important issue for shipping companies. At the same time, we continue to "protect blue whales and blue sky" and refuse to carry shark fin related products to fulfil the protection of the ecological environment.

In terms of staff, we mainly focus on occupational health and safety, employment, employee care, training and growth, etc.. The shipping industry is of high-risk and it is very important to protect the employees. In addition, equal and diversified employment principles, the protection of employee rights, training and effective development paths have always been the focus of employees. We insist on caring for employees, and actively protect the rights and interests of employees in order to fulfill our responsibilities as a "big company".

Statement of the Chairman



In the year of 2019, COSCO SHIPPING Lines entered into a new stage, on which the company has been experiencing high-quality and connotative development on the strength of dual-brand coordination and digitalization in all respects. Owing to the sound guidance of 'Lead the market, Make great changes, Create a new era', we have put Ocean & Plus strategy into effect and made great achievements on business operation and social contribution.

—We handled China-US trade frictions appropriately, remained committed to the path of globalization, and delivered worldwide tailor-made services with higher quality.

—We continued to promote the pursuit of the Belt and Road Initiative (BRI). During the reporting period, 196 vessels with a capacity 140 million TEUs and 165 shipping routes have been deployed on the related business with partner countries or regions of the BRI, along the route of which the company has already allocated 62.5% of the total capacity and 49% shipping space.

—We gave priority to the solution on the pain points of our customers and further improved the service experience. We got nearly full score on service targets such as booking confirmation within 2 hours and Timely documentation. Our excellent schedule reliability, recognized by a third-party, ranked COSCO SHIPPING Lines third among the global liners. The roll-out of Global Liner Schedule Reliability enhanced the leadership of the company in the shipping industry. The annual score on customer satisfaction was 88.68, registering a progress compared with the result in 2018.

—We kept our finger on the pulse of technology trends and acted with courage to explore continuously. By virtue of block chain technology, new breakthroughs were steadily made on GSN products. The implication of digitalization was enriched by the application of IOT on reefer container, domestic trade smart pricing system and construction of e-business platform.

—We innovate the service mode and further develop the end-to-end business. Tesla project has become the kick-off of digital global logistics solutions. The China-Europe Block Train Service and the China-Europe Land Sea Express Line have deepened the construction of new international land-sea corridor. Horgos - East Gate Special Economic Zone Land Port Project has consolidated the important logistics foundation of the Silk Road economy.

— We will further consolidate the new advantages of low-carbon and green development. The whole year fleet fuel

uel consumption was reduced by 3.3% compared with the budget; the company has made full preparations for the use of ISFO in 2020, reduced energy consumption with practical actions, promoted environmental protection and benefited the society.

—We take the principle of more younger, international and professional to train employees, optimize the staff management system, and implement the incentive plan, aiming to better realize the common development of enterprises and employees.

—We have implemented the important thought of Targeted Poverty Alleviation of the Chinese government, and fund a total of 8.88 million RMB into counterpart areas throughout the year, making due contributions to build a well-off society in an all-round way.

The Year 2020 will be a year of integration of external development opportunities and internal model upgrading, a key year for COSCO SHIPPING Lines to deepen integration and improve quality and efficiency, and an advanced year for the company to realize innovation transformation and move towards higher quality development.

We will constantly to promote our globalization process, continuously optimize our capacity deployment, and better serve our customers in the emerging market, regional market as well as the non-China related market.

We will fully cooperate with and support the construction of Piraeus port in Greece, the China-Europe Block Train Service, the China-Europe Land Sea Express Line and new western land-sea corridor, so as to benefit the Belt and Road Initiatives countries and regions continuously.

We will accelerate the transformation from scale to quality, perfect the global service network, and improve the timeliness, reliability and satisfaction of customer service.

We will strengthen the digital construction, improve the service integration ability, make the end-end transportation more effective, and comprehensively improve the intelligent level.

We will stand strictly in accordance with the IMO rules, fully apply LSFO from January 1, 2020 to ensure environmental sustainability and company sustainable development.

We will comply with employees' aspiration to lead a better life, fully protect and develop their legitimate rights and interests, and practically enhance employees' sense of participation and attainment over the course of corporation development.

The Year 2020 is the end of China's all-round fight against poverty. We will spare no effort in poverty alleviation and earnestly fulfill the enterprises' social responsibility.

The Covid-19 pandemic outbreak in the late January 2020 disrupted our normal work and life. In this regard, while doing a good job in the pandemic controlling and life safeguarding of employees, we have firmly fulfilled our social responsibility, fully demonstrated the responsibility of State Owned Enterprise, and gained good repercussions at home and abroad. Before the end of the pandemic, we will consistently protect our staff, deeply understand our own responsibility and mission, firmly maintain our country external trade stability, and work hard to solve the difficulties of customers in the global shipment. We will also do our best to provide support and help to our global customers, partners and interested parties.

Calm is the tide and the banks are broad, gentle is the wind and the sail is stretching. In 2020, COSCO SHIPPING Lines will be resolute to cut through the wind and waves on the high-quality development way towards a better future!

Yang Zhijian

**Chairman
July, 2020**



Services Creates Value

COSCO SHIPPING Lines adheres to economic development by continuously improving containers and improving service quality, bringing better experiences to customers, maximizing returns to shareholders, employees, partners, customers, etc .; and contribute its own strength to society and to the world, which has a positive impact on the countries and regions where the business premises are located worldwide.



Continuing to Create Economic Value

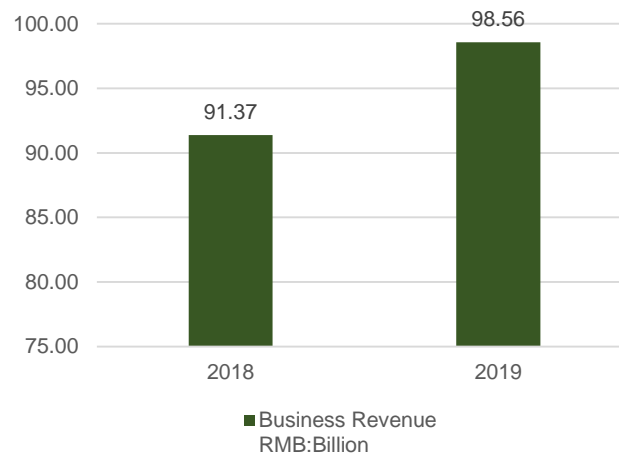
Continuing to create economic value

In 2019, the continuing trade friction between the United States and China added the uncertainties in world trade relations. COSCO SHIPPING Lines has been dealing with external challenges while cutting costs, actively facing market challenges and seizing market opportunities. During the reporting period, the company's overall benefits remained stable compared with 2018.

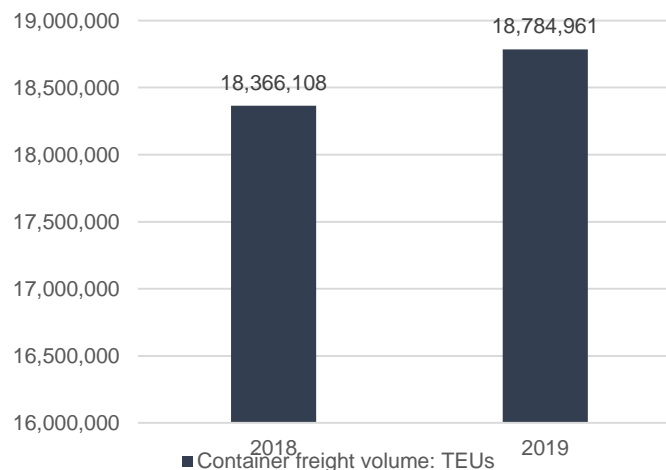
During the reporting period, COSCO SHIPPING Lines handled 18,784,961 TEUs of container shipping, up 2.28 % from 18,366,108 TEUs in 2018. The business revenue reached RMB 98.57 billion, an increase of 7.88 % from RMB 91.37 billion in 2018. The net profit attributed to the owners of the parent company accounted for RMB 1.05 billion, an increase of 25.84% compared with RMB0.83 billion in the same period in 2018.

In 2019, the average revenue from single container of international lines was USD 888.24 /TEU, an increase of 1.90% compared with USD 871.64 /TEU in 2018. The average revenue from single container of domestic lines was RMB 2,161/TEU, an increase of 4.90% compared with RMB 2,060 /TEU in 2018.

CSL : Business revenue during 2018 and 2019



CSL: Container freight volume during 2018 and 2019



Development and Responsibility in Parallel

As a leading company in industry, COSCO SHIPPING Lines always adheres to globalization development, playing an important role in supporting the Belt and Road Initiative, and continuously contributes to national and public activities.





Supporting the Belt and Road Initiative

As of November 30, 2019, we owned and controlled 403 container ships; operated 401 container liner routes, including 146 domestic routes (including the Yangtze River and the Pearl River shipping services) and 255 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 400 domestic and overseas service networks.

During the reporting period, COSCO SHIPPING Lines has positively implemented the Belt and Road Initiative. We deployed about 196 container vessels (1.40 million TEUs of carrying capacity) in the countries along the Belt and Road Initiative corridors, accounting for about 62.50% of the company's total vessels. We actively developed China-Europe railway express and China-Europe land and sea express. By the end of 2019, COSCO SHIPPING Lines operated 26 China-Europe railway express lines and during the reporting year, a total of 427 trains departed from China, covering Hunan, Shaanxi, Shandong, Jilin, Liaoning and Sichuan, transporting 32,027 TEUs of freight.

Meanwhile, as a new symbol of the Belt and Road Initiative, China-Europe land and sea express has passed through Greece, North Macedonia, Serbia, Hungary, Slovakia, Austria and Czech, with a distance of about 2,000 kilometers. In 2019, COSCO SHIPPING Lines delivered more than 82 thousand TEUs with China-Europe land and sea express, representing a year-on-year increase of 64%.

Since implementing the Belt and Road Initiative, the Company has been strengthening cooperation with local governments, which greatly facilitated local economy and gained good effects as well as wide recognition from the public.

-  **403 container ships**
(owned and controlled)
-  **9 branches in China**
-  **255 international routes**
-  **146 domestic routes**



Case: Kazakhstan delivers corns to China through dry port

On December 23, 2019, about 1,000 tons of Kazakh corns were exported to Urumqi, China in 32 train containers through the dry port. It was the first batch output of Kazakh corns since the first test of 60 tons of transportation to China by truck in October.

Almaty, one of the main producing areas of Kazakh corns, is adjacent to the border between China and Kazakhstan. The dry port is located in the crucial position of transportation from Almaty to China. Since China and Kazakhstan reached a corn trade agreement at the end of 2018, the dry port continued tracking target customers and coordinated Altynkol station and Khorgos station to solve operational problems, and finally delivered the first transportation. It was a milestone shipping, which marks a historic step of the dry port in the development of eastbound container logistics services while providing strong support for the multimodal westbound container shipping via China-Europe (Asian) land and sea express.

In the future, the dry port will keep improving corns shipping mode and optimize the transportation details to deliver more eastbound containers through the dry port.



Development and Responsibility in Parallel



Supporting CIIE

China held the second China International Import Expo (CIIE) in 2019. For the transportation of exhibits, service providers are required to have strong transportation organization and carrying capacity as well as reliable, flawless services. COSCO SHIPPING Lines, who has rich experience, made great contribution to CIIE with its years of practice and meticulous service culture.

During the second CIIE, the transportation services provided by COSCO SHIPPING Lines covered Italy, Japan, South Korea, Taiwan, France, Indonesia, the Philippines, the Republic of Vanuatu and more countries and regions. The exhibits transported include household appliances, kitchenware, cosmetics, auto parts, lighting equipment, solar panels, as well as foods requiring high-quality fresh-keeping transportation, such as bakery products, wine, coffee, etc.

Relying on its strong transportation capacity and global network, the Company provided tailor-made services by developing specific plans based on the features of exhibits and providing the transportation environment as required.

In the freight forwarding process, the Company realized a 24/7 service mechanism to ensure seamless docking and efficient cooperation during the loading/unloading with feeder ships, transshipment at transit ports and loading with trunk ships, so as to transport the exhibits to the CIIE site safely and efficiently. Our services gained the favor and praise of many exhibitors.



Case: Philippine products shipped smoothly

During the second CIIE, the Philippines organized 38 exhibitors to participate in the Expo. The exhibits included a variety of featured agricultural products, such as dried bananas, dried durians, coconut juice, coconut oil and pineapples, which are popular with the Chinese people.

After obtaining the exhibition information, COSCO SHIPPING Lines (Philippines) Inc. immediately took action to develop a more completed supporting scheme covering many links such as food-grade container source, warehouse packing, space booking, terminal site, and set up a special working group with the cooperation of sales, customer service, site, extended business and other departments. With the joint efforts of the team, the Company gained the trust of the Ministry of Industry and Trade of the Philippines, and remained the forwarder of their exhibits. In the process of organizing the shipment of exhibits, the CIIE working group of COSCO SHIPPING Lines (Philippines) operated efficiently, actively communicating and tracking the whole process, ensured timely shipment and delivered the exhibits at the site of the Expo in time.

In the future, COSCO SHIPPING Lines will keep its original aspiration, continue optimizing its service model, smoothing its logistics channels, and contributing to the development of Global trade

Better Services for Customers

COSCO SHIPPING Lines is committed to providing customers with the best quality services. This includes not only creating a new look for its products, services and operations with the help of technology, but also adhering to the concept of customer first, providing customers with high standard services, and actively handling customer complaints and always protecting customer privacy.

Technology improve services

COSCO SHIPPING Lines adheres to the operating principle of "we deliver value". In the process of development, it always keeps in mind the original aspiration of serving customers and creating value, and constantly improves its operating strengths. While handling goods with special requirements for storage, transportation, loading and unloading during container shipping, which are quite often during operations, COSCO SHIPPING Lines keeps improving its products and services according to customers' needs to deliver better transportation.

As of 2019, COSCO SHIPPING Lines' reefer container trade zone had been established for one year. During the year, the company continued optimizing its reefer container technology, adopting leading technology and providing sincere services to ship fresh food all over the world to more people timely.

Fruits, vegetables and other fresh produce are common goods in reefer container shipping, which requires short-term and high-efficiency transportation as well as strict and effective storage. COSCO SHIPPING Lines uses Control Atmosphere (CA) technology to provide active and passive CA services, which can effectively inhibit the respiration of fruits and vegetables and retard their growth by adjusting and controlling the proportion of oxygen, nitrogen and other gases in the container. In addition, the ASC mode, a kind of multi-stage temperature control mode, is adopted to automatically change the temperature of reefer container based on the actual maturity of fruits and vegetables to adjust the maturity level with stable changes during the voyage, so that they can present the best state when arriving at the port. Besides, Cool Treatment technology and service can kill fruit flies at continuous low temperature without frostbiting the cargo, so as to meet the quarantine requirements.

In 2019, COSCO SHIPPING Lines launched "My Reefer" service on its e-commerce platform, allowing customers to clearly know the real-time location, transportation track, temperature, and humidity changes of refer containers online, so as to provide customers with better transportation services.



Master "fresh", ice cream comes

In 2019, COSCO SHIPPING Lines provided customers with door-to-door cold chain transportation service for the ice cream business from factory to factory. Refrigeration was required for the whole transportation process and its temperature needs to be kept at minus 18 degrees. The transportation covered two return routes from Tianjin to Guangzhou and from Guangzhou to Tianjin. While serving customers, it delivered "ice cream" to different regions around the country.



COSCO SHIPPING Lines also strengthens the development of special containers. By 2019, it has developed and provided a variety of ultrahigh special containers.

Specifically, the 20-foot ultrahigh coal container adopts a folding design and allows customers to pack in any angle. With its unique space design, it has obtained two utility model patents from the National Intellectual Property Administration, and certified by China Academy of Railway Science.



Better Services for Customers



The 20-foot ultrahigh bulk grain container can store more goods due to its ultrahigh feature, and its design facilitates the loading of goods from the top. Being waterproof and moisture-proof in the process of transportation, it can prevent the expansion of the container, thus effectively and safely shipping grains.

Besides, there are 20-foot multi-purpose ultrahigh containers and second-generation car frames. These special containers have been used widely since 2019, which makes profits for the company and provides better services to customers through technology reform, realizing the value of transportation.

In the next few years, COSCO SHIPPING Lines will continue improving and optimizing its products and services, leverage more technologies to develop itself, insist on innovation and improve its competitiveness.

Customer first

In order to ensure a well service experience for customers, the company always adheres to nine service standards, and constantly improves requirements on this basis. At the same time, we regularly conducts satisfaction surveys on customers to understand their needs and constantly complete self-improvement. The company also adheres to protecting the information security of customers and regards this as its own responsibility.

Customer complaint and satisfaction management

In 2019, COSCO SHIPPING Lines conducted a customer satisfaction survey and distributed 2,479 questionnaires worldwide, including 1,605 copies in China and 874 in other 76 countries and regions. Finally, 2,295 effective questionnaires were returned, among which 1,605 were from China and 690 from overseas. According to statistics, the customer satisfaction index in 2019 was 88.68, which was improved compared with 88.03 in 2018 and 87.94 in 2017.

From January to October 2019, COSCO SHIPPING Lines received two customer complaints (one from domestic trade and the other from foreign trade), 578 customer concerns (386 from domestic trade and 192 from foreign trade), and 18,010 consults (5,634 from domestic trade and 12,376 from foreign trade). Compared with the same period in 2018, the number of complaints decreased by 71%, which is contributed by our multi-channel collection of customer needs around customer pain points to improve services one by one during 2019.

For customer complaints, the Customer Service Department of the company and the customer service staff of each site carefully analyze the reasons, actively carries out measures to improve after determining the responsibility, and follow up the communication with customers, not only letting customers get satisfied results, but also avoiding similar problems in the follow-up work



Case: Customer visits by the service teams

In order to timely understand what customers think and want, our domestic and foreign customer service teams visited customers regularly and frequently (domestic branch: four times a month; overseas: two times a month) during 2019 to seek customers' opinions, solve their problems in time and improve customer satisfaction. By the end of the reporting period, there were 1010 visits to customers in China and 1393 customer visits overseas, from which 931 service issues were sorted out and classified as 72 items in 14 categories, which will be the bases for further assessment of service improvement.

Customer privacy protection

It is the duty of COSCO SHIPPING Lines to protect customer information and respect customer privacy. In 2019, we made constant efforts to improve customer privacy protection and prevent any loss or illegal use of customer information. The Company clearly stipulates in the Comprehensive Management Manual that it will protect the business secrets and privacy of customers.

The Company signed confidentiality agreements with customers, promising to keep confidentiality of contract contents including but not limited to terms and conditions and freight rates. When customer information is needed, the Company will explain the reasons and purpose. The Company has made promise not to share customer information with others except for its employees, agencies authorized by the customers, partners or subsidiaries, nor disclose or sell information of customers or potential customers.

During 2019, the Company did not receive any customer complaints due to violation of customer privacy.

Providing high-standard services to customers

In 2019, COSCO SHIPPING Lines improved service standards worldwide covering the whole process of international liner shipping services. For space booking, the target of booking confirmation timeliness was increased to 98% from 95% in the previous year. For issuing bill of lading, we put forward the service standard that "the original bill of lading will be ready within one working day after the vessel departure", and shortened the time of completing the sample to the target of 8 working hours after receiving the customer's order in internal tracking, so as to issue the bill of lading faster according to customer requirements.

In terms of shipping on-time rate, COSCO's self-operated ships in 2019 is 96.59%, which is 1.38% higher than that in 2018. Through such adjustments, we hope our service standard will be higher and requirements stricter, so as to provide customers with better services.



Case : Ningbo Branch of COSCO SHIPPING Lines constantly improves service standards with practical actions

The customer service department of COSCO Shipping Ningbo Branch focuses on the three main work lines of document quality, service quality and process optimization, optimizes the internal operation process and continuously improves the customer service level.

Grasp the quality of documents and strengthen the prevention of risks

The customer service department of Ningbo branch implements the "three checks" mechanism of document quality. Through the self-examination, spot check and supervision of BPs, we establish self-inspection projects for key points, risks, mistakes and omissions in the business, and business problems encountered periodically and conduct self-inspection regularly. Through self-examination and rectification of problems found, we have standardized the business processes such as export signing, import order replacement, and contract number changes, so as to strengthen the risk prevention capabilities of documents and enhance service capabilities.

Carry out regular customer visits

In 2019, the customer service team of Ningbo branch developed the visiting mechanism and organized the communication skill training for customer managers, further strengthened the customer visiting work of the headquarters and branch companies. Through daily visits, the customer service team understands the needs of customers, so as to publicize 9 service standards and e-commerce functions to customers, and improve customer experience.

Implement micro innovation mechanism

In 2019, the customer service department of Ningbo Branch continued to implement the micro innovation working mechanism, and encouraged employees to put forward effective suggestions in the aspects of optimizing business process details, simplifying operation steps, improving system functions, and discovering potential risks, so as to realize the personal value of employees. In 2019, in response to the problems encountered during the IRIS4 system switching process, the customer service department of the Ningbo branch actively explored and tapped new system functions to effectively solve practical business problems. While steadily advancing system switching, it improved service standards and customer experience.



Ensure Safe Production

Any safety incidents with a company will affect its operating performance and can have adverse effects on the entire organization and even its country. Therefore, we must fully understand and control the dynamic situation of production safety of the Company, strengthen supervision while making efforts to prevent extreme weather events and pirate attacks to ensure safe production.

Ensure Safe Production



Ensure safe production

We strictly follow the rules and regulations on safe production such as the International Safety Management Code for the Operation of Ships and for Pollution Prevention (ISM code) Production Safety Law of the People's Republic of China and the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents. COSCO SHIPPING Lines sign the Letter of Responsibility for Safe Production every year, making safety performance an assessment standard and the assessment results will be directly related to the salaries of management. Every year, we carry out comprehensive risk management covering production safety, prepare risk management reports, then present to the Board of Directors and management layer for review. During daily operations, we report production safety management regularly.

We have formulated documents such as the Safe Production Management Measures, the Safety Management Responsibility Provisions and the Comprehensive Emergency Plan for Safe Production, which regulate important matters to be observed in production activities as well as the responsibilities of relevant departments. In daily operations, the Safety Management Committee of the Company, composed of leaders and the principal of each functional department, is responsible for communicating relevant requirements and instructions and implementing safe production.

In addition, we carry out a full range of training and emergency drills related to safe production every year to strengthen production safety management.

In 2019, in order to continuously improve the safety management level of container transportation business, to truly understand the performance of ship leaders and crew members on board and the implementation of rules and regulations, and to solve the practical problems of ship management on board, designated staff ashore were required to conduct vessel safety inspection on board. A leading group for safety inspection were assigned to make on-board safety inspection plans, clarify the inspection contents and implementation requirements, as well as summarize the defects founded and track the rectification.

Extreme weather events

Typhoon has brought great risks and challenges to ship navigation and safe production around terminals. The coastal areas of China are typhoon-prone areas, and it is very common for south-eastern coastal areas to be hit by typhoons every year.

Therefore, we adhere to the principle of "prevention is priority, readiness in advance, escape if necessary, and prepare for unforeseen circumstances", and collect precise typhoon information by making use of advanced technology related to the high altitude, ground and global meteorological information network.

We have formulated the Instructions on Prevention of Typhoon and the Regulations on the Prevention of Flood and Typhoon and established prevention and emergency mechanisms.

Each year, we conduct guidance on flood and typhoon prevention, make predictions of typhoons, strengthen safety inspections to ensure zero safety risks, and deploy tasks to clarify the responsibilities of all relevant personnel.

The company's "General Duty Room / Emergency Command Centre" is the control command centre, which is responsible for the company's coordination and command work. All relevant departments and subsidiaries should promptly report to the centre in accordance with regulations.

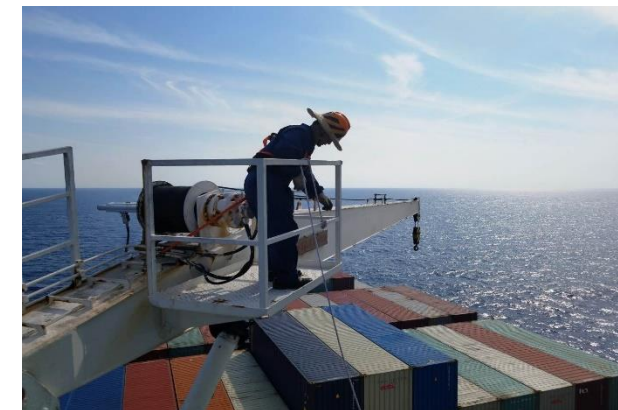
Pirate attacks

Pirates attack frequently in the Middle East, from the south end of the Red Sea, the Gulf of Aden, the Arabian Gulf to the Indian Ocean, and from the Somali coastline to the Indian coastline. In order to ensure navigation safety, we adhere to the principle to "prevent first, stay alert, use our own resources, prepare in advance, act promptly, and stop pirates from boarding".

We analyze the areas with frequent pirate attacks and identify the key anti-piracy areas. Before entering piracy-prone areas, we will employ a third-party armed escort team to conduct 24-hour, all-round, dynamic tracking and monitoring on our ships. The captain will ask the crew to get prepared and stay alert, and provide antipiracy alarm signals and contact information.

We also have a safety cabin, which is designed to provide the crew with shelter and a retreat place in case of threat or damage from armed pirates, so as to ensure their personal safety and basic needs.

In addition, we also organize regular anti-piracy training and emergency drills, including the use of safety cabin, anti-piracy measures, emergency procedures and the safe use of anti-piracy equipment.



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 chemical goods and to protect the marine environment from pollution. As the shipment of dangerous chemical goods 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 chemical goods 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 from customers' applications for space booking to the transportation of goods, and strictly implement the operation procedures. For example, when we receive customer inquiries or applications regarding space booking for dangerous goods, our staff will check whether the products provided by customers are listed as dangerous goods. If they are classified as dangerous goods, we should check their specific categories and UN numbers and classify them as prohibited or restricted goods according to the Company's policies, then determine the transportation paths. During the shipment, the dangerous goods should meet the requirements of loading/unloading and isolating.

During daily operations, we also carry out training related to the transportation of dangerous goods on a regular basis, explaining the acceptance and carriage conditions and cautions of dangerous goods, and sorting out the problems encountered, so as to ensure safe production.

新中国反腐败第一大案展览



Assistance in Social Development

"Compliance development" has always been a issue of concern to the company itself and various stakeholders. COSCO SHIPPING Lines adheres to the implementation of anti-corruption, improves procurement and supplier management, ensures the legal compliance of transactions, and continuously promotes healthy, good and sustainable development. At the same time, while focusing on sustainable development, COSCO SHIPPING Lines adheres to social welfare and actively fulfills its corporate citizenship responsibilities.

Anti-corruption Management



Anti-corruption management has been a constant concern to all sectors in the society, including our stakeholders such as customers and suppliers. COSCO SHIPPING Lines has always carried out anti-corruption into its daily operation.

As of December 31, 2019, the Company has established a sound anti-corruption management mechanism, including improving management system and, establishing reporting channel, conducting regular supervision and audits, as well as anti-corruption activities and training. In addition, the Company stays in strict compliance with the laws, regulations and industrial norms of the location where it operates, such as the United Nations Convention against Corruption, the Anti-Money Laundering Law and the Company Law to put an end to bribery and corruption in any form. We have been managing illegal actions at the outset strictly according to laws and corporate rules and regulations.

And we have joined the Maritime Anti-Corruption Network (MACN) to work with fellows in the industry to eliminate any form of corruption within the industry.

Improvement of management system

COSCO SHIPPING Lines has developed directive documents to clearly regulate the Company's anti-corruption work such as the Implementation Management Method of Audit Opinions and Suggestions of COSCO SHIPPING Lines, Guiding Opinions on Serious Business Discipline. During the reporting period, the Company also updated and improved the directive documents such as Administrative Measures on the Transfer of Clues Found by the Audit of COSCO SHIPPING Lines.

The Company has been promoting the construction of policies to specify and improve regulations and guidance for anti-corruption.

In order to carry out anti-corruption effectively, COSCO SHIPPING Lines has signed the letters of commitment and responsibility on anti-corruption and probity to implement and delegate anti-corruption management work.

Currently, the Company has set up independent departments to implement anti-corruption policies. The independent departments of the company supervise the lawfulness and compliance of the performance of operation and management personnel (including those with relevant powers) in accordance with the policies and regulations, and adhere to the principle of seeking truth from facts and complying with the regulations, so as to promote the unity of the internal management mechanism and the corruption prevention system of the enterprise. Through supervision, the company timely finds out violations of regulations, puts forward suggestions on the basis of analysis of causes, and clarifies rewards and punishments. The company has also established an effective mechanism for handling bribery and corruption cases. For example, the Company has established the Emergency Response Plan for Commercial Bribery. In case of emergency, all departments shall coordinate to deal with it in a timely manner. At the same time, the company has clarified the principles of rejection of gifts and the procedures for registration, reporting and disposal among all employees in order to establish a clean internal culture.

Establishing reporting channels

The Company has set up independent departments to handle reporting letters and visits. We have a hotline and E-mail for anti-corruption reporting to encourage employees to disclose corruption. We promise to protect whistleblowers, including protecting their personal information, protecting them from discrimination and dismissal for reporting. The Company's independent departments shall handle every reporting letter and visit seriously, with the promise to investigate report clues, to hold people accountable for verified problems, and to close supervision loopholes. In addition, the illegal behaviors shall be transferred to the relevant departments for handling according to the actual situation. For major cases, the handling results will be reported to the company's management or the board of directors as required.

During 2019, COSCO SHIPPING Lines accepted 54 reporting letters and clues, and 4 of the cases were filed. After discipline review, 3 CPC members were expelled, 2 were left for inspection, 1 was given serious warnings, 10 were admonished, 20 were reminded, 2 were removed from administrative positions, 1 was demoted, 3 were transferred from their posts, 1 was suspended from his post, 3 were notified, 1 was criticized and educated, 4 were ordered to make written inspection. Illegal funds of RMB 168.6 thousand yuan was refunded and compensated, and RMB 22.9 thousand of performance-related salary was deducted as fines.

Regular supervision and audits

Every year, the company carries out comprehensive audit work and comprehensive risk identification and assessment work covering corruption and fraud, so as to find out the defects and deficiencies of the company in anti-corruption practice. The audit work is performed by independent departments, including internal and external audit. The problems found in the audit work will be dealt with in accordance with company policies, and the defects will be implemented by the inspected department. The risk assessment work is led by independent departments and assisted by relevant departments. For the results of risk assessment, the responsible departments actively put forward risk response plans and implemented them continuously. Audit work and risk assessment work are regularly reported to management or the board of directors.

During the reporting period, COSCO SHIPPING Lines did not have any legal proceedings for bribery, corruption, extortion, fraud, or money laundering, and there were no incidents of dismissal or disciplinary actions against employees due to corruption.

In addition, we have been promoting the anti-corruption work of upstream and downstream enterprises, by conducting regular assessments on suppliers, requesting suppliers to fill in the letter of anti-commercial bribery commitment and the social norms compliance questionnaire. We prohibit business activities with suppliers who have violated rules and regulations. COSCO SHIPPING Lines consistently contributes to the healthy development of the industry.

Anti-corruption activities and education

The Company regularly promotes anti-corruption and provides training for all employees.

During the reporting period, COSCO SHIPPING Lines actively participated the activity of "the month of probity education" held by its parent company. During the activities, COSCO SHIPPING Lines organized employees to answer questions about anti-corruption and probity through online platforms or in written forms to enhance employees' anti-fraud awareness. We also organized employees to visit education bases and theme exhibitions to make full use of the cultural resources of the locations where it operated. In the meantime, COSCO SHIPPING Lines also held an exhibition of anti-corruption and probity art works, in which employees could actively participate to achieve better effects. During the event, COSCO SHIPPING Lines selected 122 excellent works by staff and made exhibition boards and brochures for display within the company.

The Company strengthened anti-corruption training for all employees through group learning, seminars, and intensive discussions. In 2019, COSCO SHIPPING Lines organized a total of 107 learning sessions for the theory learning central group of the CPC Committee within its system, in which 2,601 members participated. It also held 11 Party lectures, in which 154 employees attended, as well as 49 lectures on case warning and education, with 1,599 participants. We purchased and distributed 959 books related to probity. The training and learning activities were attended by management and ordinary staff and achieved good results.

We not only focus on anti-corruption, but also incorporate the requirements for preventing extortion, fraud and money laundering into the daily assessment of employees. We stay in strict compliance with laws and regulations of the location where we operate by checking erroneous ideas at the outset, and constantly help enterprises develop in a clean, healthy and sustainable way.

Supplier Management



As the supply chain management issues gradually attract the attention of the public, including suppliers and customers, COSCO SHIPPING Lines keeps improving its supplier management system by increasing the weight of sustainable development in the process of supplier access, evaluation and procurement, so as to effectively reduce relevant risks and improve the competitiveness of the supply chain. In 2019, the Company continued strengthening and promote sustainable, green supply chain management through establishing system specifications, implementing supplier management, as well as conducting risk identification, regular supervision and audits.

Clear rules and regulations in management

During the process of procurement of supplier management, the Company complies with the laws and regulations of each operating location, such as *the Law of the People's Republic of China on Tenders and Bids, Regulations for the Implementation of Bids, Regulations on Engineering Projects Requiring Bids*. Besides, the Company has established regulations including 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 to provide clear guidance and specifications for supplier and procurement management, and update and improve regularly. During the reporting period, the Company updated the documents such as Implementation Rules for New Container Operations, to ensure that the existing documents can meet the latest external policy requirements and the actual internal operations of the Company.

The Company strictly implements supplier management and procurement based on the existing rules to ensure the effectiveness of the supplier management mechanism.

Procurement and supplier management

The supplier management of the Company includes supplier access, evaluation, rating, reward and punishment. The Company has designated professionals to take the lead in supplier management and relevant departments shall cooperate with them. To evaluate new suppliers, the Company considers their ability and level of compliance with laws and regulations and sustainable development. All suppliers need to fill in the Anti-Commercial Bribery Commitment Letter and the Social Criteria Compliance Questionnaire, which covers specific requirements for anti-corruption and anti-commercial bribery of suppliers as well as assessment and consideration of supplier in environmental management, health and safety management, compliance with laws and regulations, human rights management (e.g. child labor and forced labor), and supply chain management. Suppliers can be included in the supplier base only after they pass the qualification examination.

The Company regularly evaluates suppliers at least once a year. In addition assessing a supplier's service ability and product quality, the Company also pays attention to the environmental security and personal safety performance of the supplier, and continues promoting the concept of green supply, environmental protection and sustainability in the supply chain management.

The Company grades suppliers based on the evaluation results, terminate cooperation with suppliers whose ratings do not meet the requirements, and implement supplier blacklist management to record major violations, so as to continuously optimize the existing supply structure, ensure a high-quality system and reduce the risks in the supply chain.

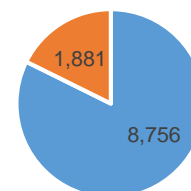
At the same time, the Company has been actively promoting green supply chain management by fully considering the impact of the selected schemes, suppliers and products in the procurement on the surrounding environment and personnel. Specifically, the Company chose more environmentally-friendly, low-carbon and energy-saving products and services over others in procurement, and adheres to a zero tolerance and one-vote veto policy towards suppliers who caused safety incidents. The Company also included green supply in the aforementioned supplier evaluation to ensure effective implementation, regular supervision and promotion. During the reporting period, the Company also actively participated in external training to improve its professional ability and operating efficiency while reducing business risk.



CSL actively participates in external training

In March, May and June 2019, COSCO SHIPPING Lines participated in the special training lectures on procurement held by China Bidding Procurement Training Network and Beijing Zhongpei Guoxin Education and Consulting Center on behalf of COSCO SHIPPING Group. The training covered procurement and bidding management of state-owned enterprises, system optimization and contract risk prevention, and agency service schemes in non-bidding procurement. COSCO SHIPPING Lines' headquarters and relevant staff participated in the training and extended the knowledge of procurement, supplier management and more aspects.

CSL: Distribution of Suppliers



■ Domestic: number ■ Overseas: number

Risk assessment and regular audits

Comprehensive risk assessment are carried out in COSCO SHIPPING Lines, and dedicated departments and personnel will lead the risk assessment of supply chain management, which involves procurement behaviors, supplier selection, supplier assessment, and data maintenance. Internal professionals will grade the importance of the risks and form a standardized risk list. For highly important risks, the mainly responsible department will formulate countermeasures and regularly track the implementation of those measures.

The Company also performs annual external audits and regular internal audits, reviewing the compliance of procurement behaviors, supplier access, effectiveness of evaluation, and integrity of data to monitor the implementation of supply chain management by relevant departments. For the problems found during audit, the auditor will communicate with the related departments concerned to get the rectification plan and supervise its rectification progress.

Since February 2019, COSCO SHIPPING Lines has carried out monthly sampling inspections on the supplier management of the headquarters and its subordinate units. The inspection contents include whether the supplier's admission is in compliance and the qualification is qualified. As of the end of December 2019, the inspection had covered a total of 218 suppliers.

During the reporting period, the company's supply chain structure has not changed significantly. As of December 31, 2019, the total number of suppliers of COSCO SHIPPING Lines is 10,637. Among them, the distribution of domestic suppliers is 8,756, the distribution of overseas suppliers is 1,881.

Supply chain management plays an important role in the sustainable development of a business. We will continue strict control of the procurement process, implement green supply, adhere to the establishment of a sustainable supply chain management system, and strive to provide strong support for the international shipping supply chain.

Implementing Compliance Requirements



Social and economic compliance is the premise of the company's sustainable development, and stakeholders including investors, suppliers, customers, governments and employees continue to pay attention to it. COSCO SHIPPING has always attached great importance to social and economic compliance, resolutely put an end to illegal activities, and ensure the healthy, good and 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.

The Company also formulated the Administrative Measures for Special Affiliated Enterprises. The Measures require that management of the Company disclose related party information of relevance to themselves, and strictly prohibit any form of tunneling and propping in the Company's system.

Anti-monopoly

The Company is always committed to anti-improper competition and anti-monopoly. During the reporting period, the Company adheres to related laws and regulations, and promotes an orderly and fair competition in the industry. The Company continuously follows and timely updates changes in international anti-monopoly policies and regulations, and adopts follow-up measures actively.

In June 2019, COSCO SHIPPING Lines organized an in-house special training on anti-monopoly. In September 2019, COSCO SHIPPING Lines invited external professionals to give a special presentation on the centralized (anti-monopoly) declaration, in which the heads of relevant departments and business personnel of the Company actively participated and had discussions on key topics and problems in practice.

The company persistently participates in the fair competition in the market and provides customers with better service. In 2019, the anti-monopoly compliance awareness of the company's management personnel at all levels has been further improved.

Legal training and education

COSCO SHIPPING Lines has an in-house department and legal staff responsible for promoting the rule of law, including establishing relevant directive documents, following external policies, and providing legal training and education around the Company. The Company continuously follows the changes in laws, regulations, and policies in the locations where it operates, and timely identifies policy and regulation updates related to its business operations, and prompt subordinate companies to take effective actions as necessary.

The Company provides legal training within the organization every year to improve employees' awareness of the rule of law and legal literacy, and create a good culture of legal compliance around the Company. In December 2019, the Company's headquarters and subsidiaries actively participated through online platforms. The topics covered the Constitution, criminal law, civil law, corporate law, maritime law, anti-unfair competition law and more, which enhanced employees' awareness of the rule of law and legal literacy.

Comprehensive risk management

COSCO SHIPPING Lines continuously implements risk management and internal control within the system. Based on the internationally adopted COSO-ERM framework and the Basic Rules for Enterprise Internal Control issued by the Ministry of Finance of the PRC, China Securities Regulatory Commission, the National Audit Office, China Banking Regulatory Commission and China Insurance Regulatory Commission, as well as the actual operation conditions of the Company, we have established an effective risk management system. The board of directors of the company shall bear the ultimate responsibility for the risk management work, and an in-house department is set up to take charge of the relevant work.

In 2019, the Company integrated ESG-related risks into the existing risk management and control framework, including the risks related to promoting sustainable development, the environmental risks faced by the Company, etc..

The Company regularly conducted comprehensive risk identification and assessment from five perspectives of strategy, market, finance, operations and legal position, covering ESG-related risks, anti-corruption related risks and risks that might be involved in the whole business process.

The Company evaluated the risks identified one by one, drew a risk heat map, and promoted all departments to establish risk response measures to ensure the effectiveness and feasibility of the risk management and internal control system. The Company's risk management work is reported to the Board of Directors and the Management, and progress of risk management in the previous year is assessed regularly.

In 2019, COSCO SHIPPING Lines introduced a new risk assessment system. The system provides detailed risks and the specific responsible departments to promote efficient management of risks. During the reporting period, the Company also actively pushed forward risk warning indicators, with designated professionals to be in charge of detailed, feasible indicators for each risk to promote the establishment and improvement of the risk warning mechanism.

With the increasing importance of compliance management, COSCO SHIPPING Lines will continue to improve its social and economic compliance and help the company's sustainable development in the following years. In 2019, the Company did not have any heavy monetary fines or non-monetary sanctions for violating social and economic legislation.



Practice Charity



COSCO SHIPPING Lines take social responsibilities as a corporate citizen. In 2019, we as always organized and participated in a variety of socially useful activities to help people in need and contribute to society. In 2019, COSCO SHIPPING Lines donated over RMB10.62 million, and tried to make positive contribution to the education and environment of the located sites.

Case: "Double 100" pairing action between village and enterprise

In 2019, COSCO SHIPPING Lines actively participated in the targeted poverty alleviation project of "double 100" villages, we signed a pair agreement with Xindian Village, Tiantai Town, Chishui City, Zunyi, and injected over RMB 760,000 of poverty alleviation funds. COSCO SHIPPING Lines focused on:

- ✓ funding the "Crayfish Breeding Construction Project",
- ✓ expanding the Industrial Road,
- ✓ installing street lamps,
- ✓ supplemented by purchasing agricultural products from poor households.

Xindian Village will be helped to win the battle of poverty alleviation, and the love of the COSCO SHIPPING Lines staff will be widely spread.



Case: Campus Propaganda Activities in South China COSCO SHIPPING Lines

On November 11, 2019, the South China COSCO SHIPPING Lines cooperated with Shenzhen Maritime Bureau, Shenzhen Hongling Middle School and other companies to carry out the voluntary service activities of "exploring the ocean and entering the shipping".

The activity brought a wonderful lecture to nearly 300 students in grade two of Hongling Middle School. This activity is the continuation of the shipping knowledge winter camp launched last year, and it also created a brand of "exploring the ocean and entering the shipping" activity, and has continued to warm up a series of voluntary services.



In the follow-up, the activity will be carried out by activities such as preaching on campus, summer camp and winter camp, continuously enrich and improve the content and quality of the activity, expand the company's social influence, and make contributions to the community.



Case: Volunteer activities

Since March 2019, COSCO SHIPPING Lines has sent staff to the core positions of Import Expo Bureau, National Convention and Exhibition Center and Lead Team office of urban service, which provides strong support for the second Import Expo. On the eve of the Expo, we dispatched staff to the forum office, the investment promotion office, the operation center of the National Convention and Exhibition Center, and the comprehensive coordination group of Shanghai Municipal Service Guarantee leading group to provide comprehensive, thoughtful, warm and meticulous services for the second Import Expo and related supporting forums.



Hainan COSCO SHIPPING Lines carried out environmental protection activity

On November 16, 2019 Hainan COSCO SHIPPING Lines carried out environmental protection volunteer activities with the theme of "protect green water and green mountains from me", employees to Haikou holiday beach for garbage collection, beautified the beach environment with practical actions, and guided tourists to consciously practice green life.

During the activity, people move along the beach, clean up all kinds of garbage, and infect tourists to join in the action to help the beach become clean. This activity not only enhanced employees' awareness of environmental protection, but also played a leading role in guiding tourists to love the city of Haikou more and actively making efforts to protect the environment.



Environmental Operation

With the impact of global environmental trends and social governance, the risk related to environmental protection is of constant concern to us and stakeholders. It is particularly important to pursue ecological and green shipment to protect the marine environment and conserve the marine ecosystem given the strategically increasing importance of oceans today.

We value green production, and strictly abide by domestic and foreign laws and regulations related to environmental protection, including but not limited to the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, and the Marine Environment Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Implementation Scheme of the Domestic Emission Control Areas for Atmospheric Pollution from Vessels and the International Convention for the Prevention of Pollution from Ships. All of our subordinate companies have assigned staff to follow the latest tendencies of environmental protection at home and abroad, and continuously incorporate new requirements and standards into the corporate policies and administrative measures. At the same time, guided by ISO14001 Environmental Management System, RB/104-2013/ISO50001: 2018 Energy Management System, we have established and operated an environment and energy management mechanism in line with our own operating conditions. The environment and energy management mechanism was approved by external professional institutions each year to ensure effectiveness.

Besides, we also actively promote environmental protection and respond to inquiries from stakeholders. During 2019, we did not violate any relevant environmental laws and regulations.

Energy Conservation and Emission Reduction



The 13th Five-year Plan to Save Energy and Cut Emissions issued by the State Council specifies the targets of energy conservation and emission reduction during the 13th five-year plan period, setting a goal to cut energy consumption by 15% by 2020 per ten thousand yuan of GDP from 2015, and to keep the total energy consumption within 5 billion tons of standard coal. Besides, domestic emissions of chemical oxygen demand, ammonia nitrogen, sulfur dioxide and nitrogen oxide should not exceed 20.01 million tons, 2.07 million tons, 15.8 million tons and 15.74 million tons, which decreased by 10%, 10%, 15%, and 15% respectively compared with 2015.

We attach great importance to energy conservation and emission reduction, and support the national targets in this respect. We have formulated the Measures for the Management of Energy Conservation and Emission Reduction, and set up a dedicated leading group, specified responsibilities of relevant departments, made medium and long-term schemes and annual work plans for energy conservation and emission reduction. In the meantime, regular meetings are held to examine our efforts and summarize experience to ensure the implementation of the annual work plan.

Meanwhile, in order to understand energy data more accurately, we have formulated 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 activities and business operations according to energy review methods and requirements of the Energy Review Procedures. In this way, we can assess energy impacts to determine the energy factors of priority control and discover the equipment, facilities, systems, and procedures that have serious impacts on energy consumption so as to achieve the goal of energy conservation and consumption reduction. Moreover, we collect and monitor fuel consumption, capacity and mileage on a daily basis and issue Weekly Report of Fuel Management, the Monthly Report of Fuel and Lubricant Oil Management and Monthly Best Fuel Consumption Per Nautical Miles and Fuel Rating for Each Ship to ensure the goal is implemented.

We understand that the ship's carbon emission during operations mainly comes from the fuel burned in the fuel devices, mostly the fuel originated from the main engine. The carbon discharged from the main engine is closely related to the engine type, fuel type, ship speed, draft and the environment. Therefore, taking these factors into account, we take diversified measures to achieve energy conservation and emission reduction.

Energy conservation and environmental protection for newly-built ships

When building new ships, we adopt the world's most advanced design philosophy and the most excellent construction techniques, featuring low energy consumption and low emission. In order to comply with the development concepts of energy conservation, emission reduction and environmental protection, we have optimized the hull form in ship design, adopted high-efficiency propellers and energy-saving devices, and selected reasonable technical parameters and equipment configurations to reduce fuel consumption and emission so as to greatly improve fuel economy. The ship's Energy Efficiency Design Index (EEDI) has met the MARPOL 2025 target ahead of schedule.

24-hour dynamic monitoring

In order to continuously optimize the route and improve the fleet's fuel efficiency and operating performance, and to implement the company's safety, on-time, cost reduction, and efficient operation goals, we rely on ship fuel budget management (pre-guided), operation monitoring (monitored during the event), and fuel cost analysis (post-analysis) to achieve closed-loop management of fleet operating costs. At the same time, we strengthened daily dynamic monitoring of ships, and tracked and reported ship stoppages, track detours (drifting midway), and medical rescue and other changes on a 24-hour basis, we increased the monitoring frequency of ships with unreasonably speeding, control the unreasonable peak value and high consumption points, promptly urge them back to a reasonable interval. Guided by the best operating practices for ships, we adhere to the combination of stable working conditions and optimal shipping routes, and strive to achieve safety, on-time and economic balance of ship operations.

Technical transformation of bulbous pimple

In order to reduce the air resistance of sailing ship, thereby reducing the amount of fuel it consumes, we actively carry out technical transformation of the bulbous pimple of the ship. In past two years, which mainly covered 3 transformation projects: 4250TEU series ship bulb nose and propeller transformation, 10020TEU series ship propeller transformation, 13000TEU series ship propeller transformation.

IOP project

In order to ensure the operating efficiency, we have launched the IOP project to improve the nonstop rate of vessels and operating efficiency at the port, to best control vessels' waiting time and cut the turnaround time, so as to reduce oil consumption. Ports that have promoted IOP projects throughout the year 2019. The berthing arrangement and berthing operation efficiency are generally stable. Most of the port operations efficiency are improved, especially the Far East Tianjin, Dalian and Ningbo ports, overseas Port Klang. The waiting time has also decreased significantly in general, especially Shanghai and Ningbo Ports, our main terminals in the Far East, with a large year-on-year decrease.

Using cleaner fuels

In accordance with the decision passed on the 70th meeting of the Marine Environment Protection Committee under the IMO (MEPC70), since January 1, 2020 the amount of sulfur in the fuel oil used by ships worldwide shall not exceed 0.5%. For some sulfur emission control areas, not beyond 0.1%. Moreover, in accordance with the latest requirements of the IMO, all ships without desulfurization equipment will be prohibited from carrying fuel oil with excessive sulfur content after the global sulfur limit came into effect in 2020.

We strictly observes relevant regulations. COSCO SHIPPING Lines will implement the sulfur limit based on the allowed timetable to reduce emissions and contribute to environmental protection around the world. To meet the requirements, we will mainly use low-sulfur fuel oil and also try other compliance methods, such as installing desulfurization towers. On March 28, 2019, our subsidiary COSCO SHIPPING Lines has entered into a low-sulfur fuel oil supply agreement with the marine fuel supplier, DOUBLE RICH LIMITED. According to the agreement, DOUBLE RICH LIMITED shall provide COSCO SHIPPING Lines with marine fuel oil with sulfur content not exceeding the 0.5% m/m limit required by the IMO to help our container shipping fleet better fulfill the requirements of the International Convention for the Prevention of Pollution from Ships.

Energy Conservation and Emission Reduction



Carbon emission calculator

In order to better achieve the goal of reducing carbon emissions and guide the efforts of energy conservation and emission reduction, we launched carbon emission calculators in 2010. The calculator can help customers calculate carbon dioxide emissions throughout the supply chain, which demonstrates our resolution in energy conservation and emission reduction as well as our determination to help customers understand and manage their end-to-end supply chain carbon footprint. Two of our subordinate liner companies are members of the Clean Cargo Working Group (CCWG), who are open to public scrutiny and voluntarily report their carbon dioxide, sulfide and nitride emissions on global routes. In order to improve our environmental performance through comparing with the other companies in the same industry across the world.

In the past three years, our company has achieved certain results in energy conservation and emission reduction. The fuel consumption intensity and greenhouse gas and exhaust emissions intensities have decreased to varying degrees. In 2019, the marine fuel consumed by COSCO Shipping Lines was 5,122,752.60 tons, decreased from the previous year. The marine fuel consumption intensity decreased by 4.80% from 2018. The carbon dioxide emission intensity decreased by 4.83% from the previous year. The emission intensities of NOx and SOx decreased by 4.65% and 3.57% respectively over the previous year.

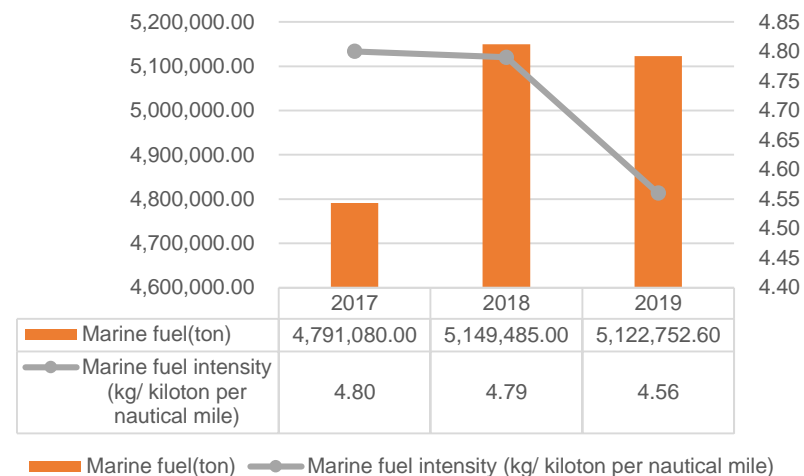
In addition to strictly controlling the use of fuel, we also emphasize the importance of saving water. We have been working on seawater desalination by using the waste heat from the equipment to produce fresh water for domestic use and facilities, which reduces the pressure on fresh water supply on shore.

Fresh Water Consumed
177,327.30 tons
 decrease 7%

In addition, we continuously promote employees' awareness and habits of water conservation and encourage them to optimize the use of water in the ship's system. Some of our ships are equipped with seawater desalination devices. For those ships, we can desalinate seawater and reduce the use of fresh water resources.

In 2019, the fleet of COSCO SHIPPING Lines consumed 177,327.30 tons of fresh water in total, having decreased by 7% compared with the previous year, and realized 82,845.47 tons seawater desalination, increased by 80% compared to 2018.

2019 COSCO SHIPPING Lines Marine Fuel Consumption



Indicator	2017	2018	2019
CO2 (Scope1)(ton)	14,900,262.80	16,014,898.35	15,931,758.72
CO2 emission intensity (kg/kiloton per nautical mile)	15.04	14.90	14.18
Nitrogen Oxides (NOx)(ton)	431,179.20	463,453.66	461,047.68
NOx emission intensity (kg/kiloton per nautical mile)	0.44	0.43	0.41
Sulphur Oxides (SOx)(ton)	287,464.80	308,969.10	307,365.12
SOx emission intensity (kg/kiloton per nautical mile)	0.29	0.28	0.27

Greenhouse Gas and Exhaust Gas Emissions of COSCO SHIPPING Lines in 2019



Strict Treatment of Emissions



A healthy marine environment is the basis for the sustainable development of the shipping industry, therefore, strict management of the ship's effluent and garbage is necessary.

We attach great importance to the marine environment, therefore, we require that the management of COSCO SHIPPING Lines sign the letter of safety responsibility that includes pollution incidents from production ships into the assessment scope, which directly affects their performance appraisals.

In the meantime, the crew are required to strictly comply with the Ship's Garbage Management Plan to minimize the negative effects on the marine environment. There were no major effluent and waste leakage events during 2019.

In order to prevent marine incidents and pollution, and to protect the marine ecosystem, in accordance the Administrative Provisions for Preventing the Watercraft Pollution on the Ocean Environment promulgated by the State Council and the Ship Pollutant Emission Standards by the Ministry of Environmental Protection, we have formulated the Ship's Garbage Management Plan by reference to MARPOL 73/78 and Resolution MEPC.219 (63), MEPC.220 (63).

The plan specifies the responsibility of every crew member and requires management to provide training concerning the rules of vessel garbage collection, disposal and storage. All the garbage should be stored, incinerated and disposed of after being classified and processed.

In the meantime, we have also formulated the Operational Provisions of COSCO SHIPPING Lines on Oily Wastewater Treatment to prevent risks, which provides a complete operational process to bring the oily wastewater back on shore. For unexpected oil discharges, 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.

Protect Ecological Environment

We adhere to the concept of sustainable development and are trying to balance enterprise development and ecological protection. We believe that environmental protection is the prerequisite and a necessary condition for sustainable development. We have strengthened the management of ship's ballast water and been making efforts to minimize the negative impacts on the marine environment. In addition, we also enhance the environmental protection awareness of our staff by organizing relevant activities.

Strengthening environmental protection awareness

We promote green offices by encouraging double-sided printing, saving paper, recycling, saving electricity and environment-friendly procurement measures, to make environmental protection a natural act of employees. We have also organized various forms of promotion activities about environmental protection, such as training in environmental laws and regulations, knowledge competitions and lectures, to increase environmental protection awareness and encourage more staff to take action.

Protecting blue whales and blue skies

COSCO SHIPPING Lines, as a pioneer in environmental protection in the global liner industry, attaches great importance to environmental protection. In 2018, COSCO SHIPPING Lines took the initiative to contact the sponsors of "Protecting Blue Whales and Blue Skies" to participate in the program. From July to December 2018 and May to November 2019, our ships lowered speed to 10 knots when sailing through the Santa Barbara Channel Region and the San Francisco Bay Area to protect one of the world's major habitations of blue whales. In the meantime, ship's low speed mode reduced the emission of greenhouse gases, suspended particles and other pollutants effectively. Through ceaseless efforts, COSCO SHIPPING Lines was recognized by the program sponsors and was honored international awards in 2019.

Refusing to carry shark fin related products

COSCO SHIPPING Lines has undertaken to refuse to ship whales, sharks, dolphins and related products. This policy has demonstrated our sense of responsibility and practical action to support the global halt on the trade of endangered and protected marine animals.

Controlling the discharge of ships' 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 the government and relevant parties reduce the risk of introducing harmful aquatic organisms and pathogens from ships' ballast water and sediments. The BWM Convention entered into force on September 8, 2017, China submitted instruments to IMO on October 22, 2018. The BWM Convention came into force in China on January 22, 2019.

COSCO SHIPPING Lines has formulated a number of directive documents before the BWM Convention came into force, such as the Instructions on Ballast Water Management and the Ballast Water Management Plan, to prohibit any violation of the BWM Convention. In actual operations, we mainly manage the ballast water through four steps:

- ✓ ballast water operation,
- ✓ replacement,
- ✓ safety inspection and ,
- ✓ recording.

For example, during the handling of the ballast water, it should be avoided to absorb the ballast water in the restricted area and position, and the ballast sediment should be checked and cleared in time. Ballast water should be replaced according to the ballast water exchange standard (D-1) or ballast water performance standard (D-2) stipulated in the certificate and for D-1, the water should be replaced in a water area at least 200 nautical miles from the nearest land and 200 nautical miles deep. When the external environment is not allowed, it is better to get far away from terrestrial waters. In all cases, the water should be replaced at least 50 nautical miles from the nearest land and at a depth of 200 meters. For D-2, suction and discharge should be carried out through the ballast water treatment device. The volume of the ballast tank should be inspected regularly after replacement and should be recorded in the ballast water record book.





People Oriented

COSCO SHIPPING Lines aims to ensure the occupational health and safety of employees and create harmonious labour relations. Starting from the sustainable development strategy, 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, labour safety, and welfare benefits.

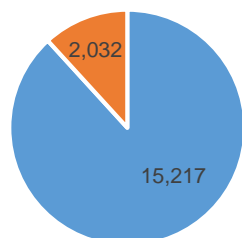
Employment and Diversity



COSCO SHIPPING Lines actively promotes its global operations and development, and strives to maintain equal and diversified employment opportunities. The company establishes and strictly abides by the Staff Management Procedures and the Recruitment Procedures, and continues to replenish outstanding talents in a fair and transparent manner through multiple channels such as campus recruitment, online recruitment, and social recruitment. We offer equal employment opportunities in all aspects of recruitment, professional development, promotion, training and rewards, regardless of skin colour, nationality, race, age, gender, religious belief or physical defect. It is prohibited to cause any form of discrimination or unfair treatment. In addition, the company also provides disabled employees with salaries and benefits that are not deviated from those of ordinary employees, so that disabled employees can find their own job positioning and truly realize a fair and equal corporate culture.

By the end of the reporting period, the total number of employees of COSCO SHIPPING Lines was 17,249. Among them, the number of contracted employees was 15,217, and the number of outsourced employees (leased workforce from third-party companies) was 2,032. In 2019, the number of new employees of COSCO SHIPPING Lines totalled 278, including 152 male employees and 126 female employees.

Employment of CSL in 2019



■ Contracted Employee: person ■ Part-time Employee: person



New **152** person



New **126** person

During the reporting period, the resignation number of COSCO SHIPPING Lines was 588, and the turnover rate was 3.86%. We fully respect the personal choices of our employees. When employees leave, we will handle the separation procedures according to law.

Employee Training and Growth

COSCO SHIPPING Lines 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.

Equal promotion

COSCO SHIPPING Lines provide employees with equal, fair and transparent promotion channels. In addition, the company conducts assessments of employees in accordance with the "Employee Assessment Procedures". The assessment indicators are a combination of qualitative and quantitative indicators, so as to ensure that each employee has a fair and equal promotion opportunity.

Efficient training

In 2019, we have also upgraded the online learning platform on the basis of following the system documents such as the "Employee Education and Training Management Measures" and "Internal Trainer Management Measures". For example, for the company's online learning platform "JIZHIHUI", in 2019, the company introduced external high-quality online courses such as "20 Workplace English for Foreign Enterprise Employees Studying", "Word \ Excel \ PPT Micro Classes" and supported the form of video courseware for employees to learn more conveniently.

During 2019, COSCO SHIPPING Lines provided 10,191 employees with 260,136 hours of training and the percentage of employees trained was 100% (For formal employee training only, does not include labor staff leased to third-party companies).



Training **260,136** hours



Training **10,191** person



Case: Further development of The Talent Plan

In 2019, COSCO SHIPPING Lines continued to deepen the development of The Talent Plan. Every week, overseas members of The Talent Plan shared presentations on the local humanities, cultures, scenic spots, business profiles and other aspects of the country, which promote learning exchanges between employees at home and abroad, and strengthen domestic members' understanding of the situation in overseas countries. In addition, we also arrange domestic members of The Talent Plan to participate in the financial courses. In the form of group sandbox, the managers of relevant business departments assume specific management roles, and simulate the overall operation of the company to improve management skills



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.

In 2019, in COSCO SHIPPING Lines, the 1,000-person injury rate was 0.0657‰, and 1 cases of work-related injuries and 0 death occurred.

In 2019, in order to further strengthen production safety management, implement similar laws and regulations such as the Safety Production Law in various countries and regions, so as to effectively prevent and reduce various accidents, COSCO SHIPPING Lines revised the COSCO SHIPPING Lines Safety Production Duty Management Regulations, "Administrative Measures for Emergency Response Plans for COSCO SHIPPING Lines", "Consolidated Emergency Response Plans for COSCO SHIPPING Lines" and "Administrative Provisions for Safety Education and Training of COSCO SHIPPING Lines", so as to strengthen each operation units' responsibility of safe production, and provide implementation basis for the investigation of safety production responsibility.

	2017	2018	2019
Work-related fatalities (person)	0	0	0
Work-related injuries (person)	2	0	1
Total number of missed work days	90	0	0

Safety Inspection

In 2019, we strengthened the on-site inspection of ships and land units, focusing on the implementation of the ship, dangerous goods storage and transportation, special equipment and safety rules and regulations. All kinds of safety supervisors carried out on-site safety supervision and inspection of ships for 245 times, 531 rectification items, 219 on-site rectification and 312 tracking rectification items, At present, all of them have been rectified. The land unit has inspected 91 times, 236 items have been rectified, 212 items have been rectified on the spot, 24 items have been rectified, and all problems found in the inspection have been corrected in time.

Labor Protection

We set up a special fund to provide labor protection articles, and distribute corresponding labor protection articles for employees free of charge in combination with the actual needs of each unit, then arrange a specific administrator to be responsible for the daily management of labor protection articles, so as to ensure that the labor protection articles required by employees meet the national standards.

Safety Education

In order to spread safety and health awareness to employees' daily work and life, we actively organize various safety education activities, and encourage employees to participate in safety training and certification. In 2019, in the container transportation business, the company held training courses for safety management personnel of all units, completed 43 sessions of centralized safety training before the crew embarked; organized more than 340 person times of conversation training for part-time labor safety supervisors of ships; organized one session of special training course for part-time labor safety supervisors of ships; and held 6 sessions of centralized safety training for crew members of new ships.



Case: Safety technology management department of COSCO SHIPPING Lines carries out safety inspection guidance for Tianjin Branch

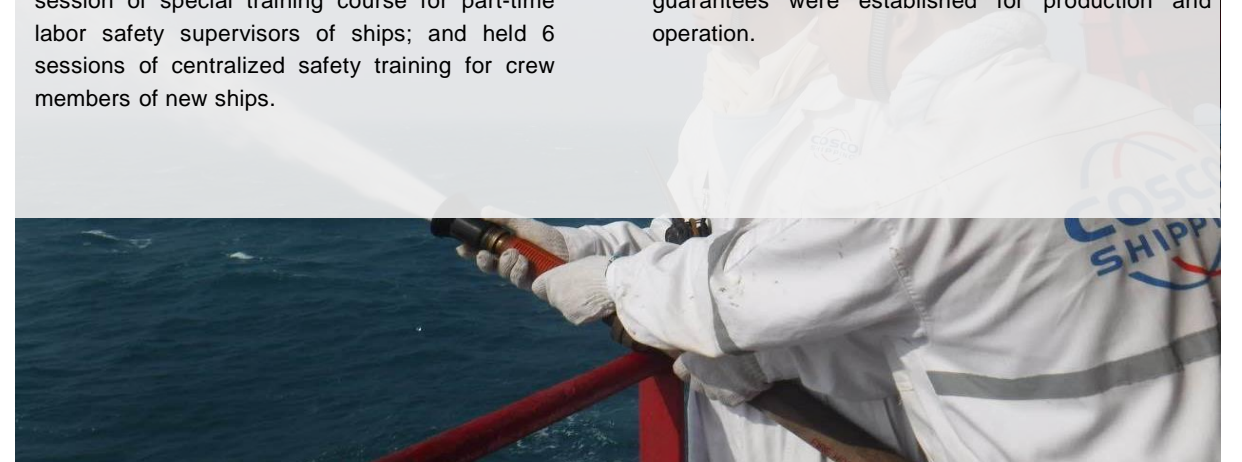
On March 19, 2019, Safety technology management department of COSCO SHIPPING Lines organized the inspection team to carry out safety inspection guidance for Tianjin Branch. The inspection team conducted discussions with relevant department personnel to learn more about the development of safety management work. "Inspection and Governance" and "Safety Management Mode", etc., combined with actual safety management, the team conducted training and on-site inspections of daily safety inspection records to further improve relevant safety management work.



Case: COSCO SHIPPING Lines Zibo Company carried out fire safety emergency drill

In July 2019, in order to enhance employees' safety precautions and improve emergency response capabilities, COSCO SHIPPING Lines Qingdao Branch Zibo Company carried out fire safety emergency drills and received good results.

This activity is divided into two parts, theoretical training and practical operation. First, the firefighting staff introduced the firefighting knowledge such as the prevention and suppression of the initial fire, the escape and self-rescue, and the use of common fire extinguishers. After the theoretical training, everyone conducted practical exercises, and each unit performed its duties according to the requirements of the division of labour, organized the evacuation in an orderly manner, operated the fire extinguishers in turn, and learned the basic methods of use. Through this real-life drill, employees' fire safety awareness was further improved, the company's emergency response capabilities were tested, and safety guarantees were established for production and operation.





Protecting Employee Rights

We follow Labour Law, The labour contract Law, Regulations about Forbidding from the Use of Child Labourers, Feme Law, and Trade Union Law, then incorporate anti-discrimination, prohibition of child labour, opposition to forced labour human rights principles and requirements into sustainable development management, strictly abide by international conventions and rights related to human rights, and prohibit any discriminatory behaviour.

As of 2019, there have been no discriminatory acts at any of our locations, nor have there been any incidents or complaints that violate the rights of ethnic minorities or the freedom of religious belief.

At the same time, COSCO SHIPPING Lines signed collective labour contracts with all employees through unions. The company's obligations, employees' rights, and dispute settlement methods were specified in the contracts. We actively protect the legal rights of employees in any form, and we are willing to actively communicate and negotiate with employees to protect their legitimate interests against the rights and interests of employees and the possible damage to their rights caused by major changes in the company's operations.

Prohibition of child labour and forced labour

COSCO SHIPPING Lines expressly prohibits the use of child labour. We have formulated relevant policies and comprehensive preventive measures in important aspects such as employee recruitment to prevent the use of child labour. At the same time, in accordance with the requirements of the international social responsibility standard SA8000, the "save child labour procedure" has been established to carry out remedial work in accordance with the requirements of laws and regulations in the event that child labour is employed due to work errors. If any employment of child labour is discovered, the Company will stop and correct this behaviour in time, and assume corresponding responsibilities according to the provisions of laws and regulations. We also pass on these ideas to suppliers and require them to make a commitment not to use child labour when they enter the market, so as to ensure that they do not use child labour.

COSCO SHIPPING Lines stopped the occurrence of forced labour. We explicitly prohibit the use of forced labour, debt repayment or contract labour, and have made detailed and reasonable provisions in the important links of enterprise recruitment, employment and resignation, so as to eliminate the use of forced labour from specific practice. In this year, forced labour has never occurred in our operation and suppliers.

Protecting rights and benefits of employee

COSCO SHIPPING Lines is committed to serving as a role model and providing employees with competitive salaries and benefits. In terms of remuneration, the company strictly abides by the minimum wage management regulations of local governments to ensure that the basic salary of all types of employees is not lower than the legal requirements, pay for social insurances including basic endowment insurance, medical insurance, unemployed insurance, employment injury insurance, and 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 payed 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.

Our labour union, as a representative of the employees, signed the Collective Contract with the Company and established a mediation mechanism for resolving labour disputes. 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. In the future, COSCO SHIPPING Lines will continue to protect the rights and interests of employees, effectively resolve labour disputes, and promote the stability of the staff and society as the primary task, then take this as the basis for the realization of a better life of employees, and build a bridge of trust with employees.

Employee Care

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: COSCO SHIPPING Lines organized legal lectures

On July 31, 2019, a total of more than 60 employees attended the "Legal Knowledge Training Seminar" organized by COSCO SHIPPING Lines in conjunction with Shanghai Siwei Lema Law Firm. This seminar is based on the monthly legal consultation, analysed the legal issues that employees generally have doubts, and provided targeted explanation of legal common sense. At the scene of the activity, the lecturer explained in a simple way, interacted Q & A on the stage. The participants frequently held up their mobile phones to record the content of the explanation. Employees said that they learned a lot of legal knowledge that can be applied in life.



Case: COSCO SHIPPING Lines established fitness association

In 2019, COSCO SHIPPING Lines established a fitness association. During the noon break on Monday and Thursday, we will invite professional fitness coaches to lead our employees to conduct scientific and reasonable training, so as to improve the physical quality of our employees, cultivate their interests and hobbies, and increase their happiness and sense of belonging.



Appendix

Index Table for ESG

Aspect	Indicator	Chapter in Report
A Environmental	A1 Emissions 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.	Energy conservation and emission reduction Strict treatment of emissions
	A1.1 The types of emissions and respective emissions data.	Strict treatment of emissions
	A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Statistical Table
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Statistical Table
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Statistical Table
	A1.5 Description of measures to mitigate emissions and results achieved.	Energy conservation and emission reduction
	A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Energy conservation and emission reduction Strict treatment of emissions
	A2 Use of Resources Policies on the efficient use of resources, including energy, water and other raw materials.	Energy conservation and emission reduction
	A2.1 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).	Statistical Table
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Statistical Table
	A2.3 Description of energy use efficiency initiatives and results achieved.	Energy conservation and emission reduction
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Energy conservation and emission reduction
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A
	A3 The Environment and Natural Resources Policies on minimising the issuer's significant impact on the environment and natural resources.	Protect ecological environment
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Protect ecological environment

Aspect	Indicator	Chapter in Report
B Social	B1 Employment 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.	Employment and diversity
	B1.1 Total workforce by gender, employment type, age group and geographical region.	Statistical Table
	B1.2 Employee turnover rate by gender, age group and geographical region.	Statistical Table
	B2 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.	Occupational health and safety
	B2.1 Number and rate of work-related fatalities.	Statistical Table
	B2.2 Lost days due to work injury.	Statistical Table
	B2.3 Description of occupational health and safety measures adopted how they are implemented and monitored.	Occupational health and safety
	B3 Training and Development Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee training and growth
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Statistical Table
	B3.2 The average training hours completed per employee by gender and employee category.	Statistical Table
	B4 Labor Standards 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.	Protecting employee rights
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Protecting employee rights
	B4.2 Description of steps taken to eliminate such practices when discovered.	Protecting employee rights

Index Table for ESG

Aspect	Indicator	Chapter in Report
B Social	B5 Supply Chain Management	Supplier Management
	Policies on managing environmental and social risks of the supply chain.	
	B5.1	Supplier Management Statistical Table
	Number of suppliers by geographical region.	
	B5.2	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 Product Responsibility	Customer first
	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	Customer first
	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	Customer first	
Description of consumer data protection and privacy policies, how they are implemented and monitored.		
B7 Anti-corruption	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	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.		
B7.2	Anti-corruption management	
Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.		

Aspect	Indicator	Chapter in Report
B Social	B8 Community	Practice charity
	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	Practice charity
	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
B8.2	Practice charity	
Resources contributed (e.g. money or time) to the focus area.		

Index Table for GRI

GRI content index	Disclosure	Chapter in Report	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	About COSCO SHIPPING Lines http://lines.coscoshipping.com/home/About/about/Profile	
	102-3 Location of headquarters	About COSCO SHIPPING Lines http://lines.coscoshipping.com/home/About/about/Profile	
	102-4 Location of operations	About COSCO SHIPPING Lines	
	102-5 Ownership and legal form	About COSCO SHIPPING Lines	
	102-6 Markets served	About COSCO SHIPPING Lines	
	102-7 Scale of the organization	Outline of Report Disclosure	
	102-8 Information on employees and other workers	Employment and Diversity	
	102-9 Supply chain	About COSCO SHIPPING Lines Supplier Management	
	102-10 Significant changes to the organization and its supply chain	About the Report	
	102-11 Precautionary Principle or approach	About COSCO SHIPPING Lines	
	102-12 External initiatives	About COSCO SHIPPING Lines	
	102-13 Membership of associations	About COSCO SHIPPING Lines	
	102-14 Statement from senior decision-maker	Statement of the Chairman	
	102-16 Values, principles, standards, and norms of behavior	About COSCO SHIPPING Lines	
	102-18 Governance structure	About COSCO SHIPPING Lines	
	102-40 List of stakeholder groups	Stakeholders and material issues analysis	
	102-41 Collective bargaining agreements	Protecting employee rights	
	102-42 Identifying and selecting stakeholders	Stakeholders and material issues analysis	
	102-43 Approach to stakeholder engagement	Stakeholders and material issues analysis	
	102-44 Key topics and concerns raised	Stakeholders and material issues analysis	
	102-45 Entities included in the consolidated financial statements	About the Report	
	102-46 Defining report content and topic Boundaries	Stakeholders and material issues analysis	
	102-47 List of material topics	Stakeholders and material issues analysis	
	102-48 Restatements of information	About the Report	
	102-49 Changes in reporting	Stakeholders and material issues analysis	
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	Index table for GRI		
102-56 External assurance	Independent assurance statement		

GRI content index	Disclosure	Chapter in Report	Reason be omitted
Major issue GRI 200 Economy Standard Series			
GRI 203 Indirect Economic Impacts	103-1 Explanation of the material topic and its Boundary	Development and responsibility in parallel	
	103-2 The management approach and its components	Development and responsibility in parallel	
	103-3 Evaluation of the management approach	Development and responsibility in parallel	
	203-2 Significant indirect economic impacts	Development and responsibility in parallel	
GRI 205 Anti-corruption	103-1 Explanation of the material topic and its Boundary	Anti-corruption management	
	103-2 The management approach and its components	Anti-corruption management	
	103-3 Evaluation of the management approach	Anti-corruption management	
	205-3 Confirmed incidents of corruption and actions taken	Anti-corruption management	
Major issue GRI 300 Environment Standard Series			
GRI 302 Energy	103-1 Explanation of the material topic and its Boundary	Stakeholders and material issues analysis	
	103-2 The management approach and its components	Energy conservation and emission reduction	
	103-3 Evaluation of the management approach	Energy conservation and emission reduction	
	302-1 Energy consumption within the organization	Statistical Table	
GRI 303 Water and Effluents	103-1 Explanation of the material topic and its Boundary	Stakeholders and material issues analysis	
	103-2 The management approach and its components	Energy conservation and emission reduction	
	103-3 Evaluation of the management approach	Energy conservation and emission reduction	
	303-1 Interactions with water as a shared resource	Statistical Table	
GRI 304 Biodiversity	103-1 Explanation of the material topic and its Boundary	Stakeholders and material issues analysis	
	103-2 The management approach and its components	Protect the ecological environment	
	103-3 Evaluation of the management approach	Protect the ecological environment	
	304-2 Significant impacts of activities, products, and services on biodiversity	Protect the ecological environment	
GRI 305 Emissions	103-1 Explanation of the material topic and its Boundary	Stakeholders and material issues analysis	
	103-2 The management approach and its components	Energy conservation and emission reduction / Strict treatment of emissions	
	103-3 Evaluation of the management approach	Energy conservation and emission reduction / Strict treatment of emissions	
	305-1 Direct (Scope 1) GHG emissions	Statistical Table	
	305-2 Energy indirect (Scope 2) GHG emissions	Statistical Table	
GRI 306 Effluents and Waste	103-1 Explanation of the material topic and its Boundary	Stakeholders and material issues analysis	
	103-2 The management approach and its components	Strict treatment of emissions	
	103-3 Evaluation of the management approach	Strict treatment of emissions	
	306-1 Water discharge by quality and destination	Statistical Table	
	306-2 Waste by type and disposal method	Statistical Table	
	306-3 Significant spills	Strict treatment of emissions	

Index Table for GRI

GRI content index	Disclosure	Chapter in Report	Reason be omitted
Major issue GRI 300 Environment Standard Series			
GRI 307 Environmental Compliance	103-1 Explanation of the material topic and its Boundary	Stakeholders and material issues analysis	
	103-2 The management approach and its components	Help environmental protection	
	103-3 Evaluation of the management approach	Help environmental protection	
	307-1 Non-compliance with environmental laws and regulations	Help environmental protection	
Major issue GRI 400 Society Standard Series			
GRI-401 Employment	103-1 Explanation of the material topic and its Boundary	Protecting employee rights	
	103-2 The management approach and its components	Protecting employee rights	
	103-3 Evaluation of the management approach	Protecting employee rights	
	401-1 New employee hires and employee turnover	Statistical Table	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Protecting employee rights	
GRI-403 Occupational Health and Safety	103-1 Explanation of the material topic and its Boundary	Employee care	
	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	Employee care	
	103-2 The management approach and its components	Employee training and growth	
	103-3 Evaluation of the management approach	Employee training and growth	
	404-1 Average hours of training per year per employee	Statistical Table	
	404-2 Programs for upgrading employee skills and transition assistance programs	Employee training and growth	
GRI-405 Diversity and Equal Opportunity	103-1 Explanation of the material topic and its Boundary	Employment and Diversity	
	103-2 The management approach and its components	Employment and Diversity	
	103-3 Evaluation of the management approach	Employment and Diversity	
	405-1 Diversity of governance bodies and employees	Statistical Table	
GRI-406 Non-discrimination	103-1 Explanation of the material topic and its Boundary	Employment and Diversity	
	103-2 The management approach and its components	Employment and Diversity	
	103-3 Evaluation of the management approach	Employment and Diversity	
	406-1 Incidents of discrimination and corrective actions taken	Employment and Diversity	
GRI-401 Employment	103-1 Explanation of the material topic and its Boundary	Protecting employee rights	
	103-2 The management approach and its components	Protecting employee rights	
	103-3 Evaluation of the management approach	Protecting employee rights	
	401-1 New employee hires and employee turnover	Statistical Table	

GRI content index	Disclosure	Chapter in Report	Reason be omitted
Major issue GRI 400 Society Standard Series			
GRI-407 Freedom of Association and Collective Bargaining	103-1 Explanation of the material topic and its Boundary	Protecting employee rights	
	103-2 The management approach and its components	Protecting employee rights	
	103-3 Evaluation of the management approach	Protecting employee rights	
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Protecting employee rights	
GRI-408 Child Labor	103-1 Explanation of the material topic and its Boundary	Protecting employee rights	
	103-2 The management approach and its components	Protecting employee rights	
	103-3 Evaluation of the management approach	Protecting employee rights	
	408-1 Operations and suppliers at significant risk for incidents of child labor	Protecting employee rights	
GRI-409 Forced or Compulsory Labor	103-1 Explanation of the material topic and its Boundary	Protecting employee rights	
	103-2 The management approach and its components	Protecting employee rights	
	103-3 Evaluation of the management approach	Protecting employee rights	
	409-1 Operations and suppliers at significant risk for incidents of	Protecting employee rights	
GRI-415 Public Policy	103-1 Explanation of the material topic and its Boundary	Practice charity	
	103-2 The management approach and its components	Practice charity	
	103-3 Evaluation of the management approach	Practice charity	
	415-1 Political contributions	Practice charity	
GRI-418 Customer Privacy	103-1 Explanation of the material topic and its Boundary	Customer first	
	103-2 The management approach and its components	Customer first	
	103-3 Evaluation of the management approach	Customer first	
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer first	
GRI 419 Socio economic Compliance	103-1 Explanation of the material topic and its Boundary	Implementing requirements	compliance
	103-2 The management approach and its components	Implementing requirements	compliance
	103-3 Evaluation of the management approach	Implementing requirements	compliance
	419-1 Non-compliance with laws and regulations in the social and economic area	Implementing requirements	compliance

Statistical Table

Indicators	Unit	2019	2018
Electricity	Electricity (mWh)	5,171.49	5,463.12
	Electricity per capital (kWh/capital)	4.70	4.97
Water	Production water (ton)	177,327.30	190,386.90
	Domestic water (ton)	38,972.00	43,198.00
	Total water (ton)	216,299.30	233,584.90
	Water intensity (ton/RMB10,000 Turnover)*	2.19	2.56
Gas	Gas (m3)	330,515.00	391,177.00
	Gas intensity (m3/capital)	300.47	355.61
Fuel	Fuel oil (heavy oil)(ton)	4,950,552.52	4,992,708.20
	Diesel oil (light oil)(ton)	172,200.08	156,776.80
	Total fuel (ton)	5,122,752.60	5,149,485.00
	Fuel intensity (kg/ kiloton per nautical mile)	4.56	4.79
Grease	Grease (ton)	14,776.60	11,698.80
	Grease intensity (kg/ kiloton per nautical mile)	0.01	0.01
Gasoline	Gasoline (ton)	19.14	19.96
	Gasoline intensity (ton / person million)	0.02	0.02
Greenhouse gas	CO2 emission (ton) –direct ¹	15,931,758.72	16,014,898.35
	CO2 emission intensity-direct (kg/kiloton per nautical mile)	14.18	14.90
	CO2 emission (ton) -indirect	3,662.45 ²	na
	CO2 emission intensity-indirect (ton/capital)	3.33	na
Air Emission ³	Nitrogen Oxides (NO x)(ton)	461,047.68	463,453.66
	NO x emission intensity (kg/kiloton per nautical mile)	0.41	0.43
	Sulphur Oxides (SO x)(ton)	307,365.12	308,969.10
	SO x emission intensity (kg/kiloton per nautical mile)	0.27	0.28
Waste water	Oily water (ton)	91,520.90 ⁴	76,251.30
	Domestic waste water (ton)	35,074.80	38,878.20
	Waste waste intensity (ton/million RMB turnover)*	1.28	1.26
Wastes	Production hazardous waste (m3)	2,237.06	2,136.27
	Hazardous waste intensity (m3/million RMB turnover)	0.02	0.02
	Domestic non-hazardous waste (kg)	92,400.00	92,400.00
	non-hazardous waste intensity(m3/million RMB turnover)	0.94	1.01
Dangerous Goods	Handling quantity of dangerous goods (TEU)	161,169.00	148,346.00

Note:

Water, electricity, and gas consumption information are from the statistics of COSCO SHIPPING Lines' headquarters. Production water, fuel consumption, and exhaust emission data are from the of COSCO SHIPPING Lines' ships purchasing fuel oil. The data of CO2 emission, wastewater and waste are from the COSCO SHIPPING Lines' headquarters and its ships purchasing fuel oil. The denominator (per capital) is based on the number of employees working at the headquarters, which is 1,100.

* means we have revised the data for 2018 based on the actual situation.

1.Scope1: CO2 Emission factor=3110g/kg fuel by IMO MEPC/29/18/Dec.1989

2.Scope 2: Emission factor of carbon dioxide: two year average of South China CO2 emission factors of China's Regional Power Grid in 2011 and 2012:0.7082tco2/MWH, 3,662.45t = 5171.49mwh * 0.7082t/MWH, and the factor can be found from the following document: Average Carbon Dioxide Emission Factors of China's Regional Power Grid in 2011 and 2012

3. SOx emission factor : 60g SOx/kg fuel.

NOx two-stroke emission factor : 90g NOx/kg fuel.

4.COSCO SHIPPING has added 10 large vessels in 2019, so the oily water generated has increased compared with last year.

Statistical Table

Indicators ¹	Unit	2019	2018
Total	Total employee (person)	17,249	17,080
By gender	Contracted male employee (person)	8,929	8,477
	Contracted female employee (person)	6,288	6,620
By age	Contracted employee: ≤30 (person)	2,163	2,440
	Contracted employee: 30-50 (person)	9,384	10,774
	Contracted employee: ≥50 (person)	3,670	1,883
By employment type	Contracted employee (person)	15,217	15,097
	Part-time employee (person)	2,032	1,983
By full-time, part-time type	Full-time (person)	17,249	/
	Part-time (person)	0	/
By area	Mainland contracted employee (person)	10,191	10,436
	Hong Kong contracted employee (person)	188	/
	Foreign contracted employee (person)	4,838	4,661
By level²	Contracted employee of management level (person)	9	11
	Other contracted employee (person)	15,208	15,086
New come staff	Total number of new male employees (person)	152	178
	Total number of female new employees (person)	126	155
	Total number of new employees under 30 years old (person)	172	230
	Total number of new employees 30-50 years old (person)	106	103
	Total number of new employees over 50 years old (person)	0	0
	Total number of new employees in China (person)	66	90
	Total number of new employees in overseas(person)	212	243
Governing body	Total number of board members (person)	11 ³	11
	Number of male board members (person)	10	8
	Number of female board members (person)	1	3
	Board of Directors below 30 years old (person)	0	0
	Board of Directors 30-50 years old (person)	1	8
	Board of directors over 50 years old (person)	10	3
	Number of minority and vulnerable groups on the board (person)	0	0
Employee turnover / by gender	Total number of contracted male employees (person)	351	381
	Total number of contracted female employees (person)	237	297
Employee turnover rate by gender	Percentage of contracted male employees	3.93	/
	Percentage of contracted female employees	3.77	/
Employee turnover / by region	Mainland contracted employee (person)	436	513
	Hong Kong contracted employee (person)	0	/
	Foreign contracted employee (person)	152	165

Note:

1. In 2019, the formula for calculating the turnover rate by different categories is: the number of resigned employees in this category / the total number of employees in this category as of December 31, 2019; the formula for calculating injury rate by thousand person is: number of injuries / regular employees / 1,000 ; The formula for calculating the training rate of employees in different categories is: the number of employees trained in this category / the total number of employees trained in this category.

Indicators ¹	Unit	2019	2018
Employee turnover rate by region	Percentage of mainland contracted employee (person)	4.28	/
	Percentage of hong Kong contracted employee (person)	0.00	/
	Percentage of foreign contracted employee (person)	3.14	/
Employee turnover / by age	Contracted employee age: ≤ 30 (person)	247	350
	Contracted employee age: 30-50 (person)	281	156
	Contracted employee age: ≥50 (person)	60	172
Employee turnover rate by age	Percentage of contracted employee age: ≤ 30 (person)	11.42	/
	Percentage of contracted employee age: 30-50 (person)	2.99	/
	Percentage of contracted employee age: ≥50 (person)	1.63	/
Employee turnover/total ratio	Turnover (person) of contracted employee	588	678
	Turnover rate of contracted employee	3.86	4.49
Occupational injury	Work-related fatalities (person)	0	0
	Ratio of Work-related fatalities	0	0
	Work-related injuries (person)	1	0
	Total number of missed work days	0	0
	Injury rate by thousand person (‰)	0.0657	0
Training⁴	Trained contracted employee	10,191	15,097
	Total hours of training	260,136	310,707
	Percentage of contracted employee	100.00	100.00
	Trained contracted male employee (person)	6,403	8,477
	Percentage of contracted male employee	100.00	100.00
	Trained contracted female employee (person)	3,788	6,620
	Percentage of contracted female employee	100.00	100.00
	Trained contracted employee of management level (person)	9	11
	Percentage of contracted employee of management level	100.00	100.00
	Other trained contracted employee (person)	10,182	15,086
	Percentage of other contracted employee	100.00	100.00
Average training hours¹²	Average training hours of male employee (hour)	18.10	/
	Average training hours of female employee (hour)	36.40	/
	Average training hours of management employee (hour)	11.68	/
	Average training hours of other employee (hour)	25.80	/
Suppliers	Domestic	8,756	7,286
	Overseas	1,881	1,617
Number of complaints received about products and services	Number of complaints (pieces)	2	8
Number of corruption suits filed and concluded by the company or its employees	Number of cases (pieces)	0	0

Note:

2. The statistical scope of the number of COSCO Shipping Lines Management level is the leadership of COSCO Shipping Lines headquarters.

3. Three of them are members of the Board of Supervisors.

4. The training data of COSCO SHIPPING Lines in 2018 includes overseas employees. In 2019, due to statistical inconveniences, the training data of overseas employees was not covered, and only the training data of contracted employees in mainland China was included. Among the contracted employees in mainland China, the number of male employees, female employees, management level employees and other employees was 6,403; 3,788; 9; 10,182.

5. The formula for calculating the average training hours of COSCO SHIPPING Lines is: cumulative training hours of same category employees / trained number of same category employees.

Report Scope

The entity disclosed in this report is prudently selected based on the selection criteria of "whether there is actual business operation", and takes into account the overall impact of the entity on COSCO SHIPPING Lines' environmental, social and governance. According to our selection process, the list of specific subsidiaries is shown below.

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

Note:

Compared with the previous year, in 2019, the sold YANGPU COSCO SHIPPING REFRIGERATION STORAGE & TRANSPORTATION CO.,LTD. was deleted, and Tianjin Port CIMC Zhenhua Logistics Co., Ltd., which was acquired during the year, was added.

Report Verification

Independent assurance statement

Scope and approach

DNV GL Business Assurance Group ('DNV GL') has been commissioned by COSCO Shipping Lines Co., Ltd. ('COSCO SHIPPING Holding') to carry out an independent verification of the COSCO SHIPPING 2019 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.

In addition to verify the contents disclosed in the Report, we also evaluated the process of collecting, recording and summarizing the sustainable development performance information based on the principle of reliability and the COSCO SHIPPING data protocols.

The disclosure of information and data in the "Report" refers to the HKEx ESG Guide_Appendix 27 <Environmental, Social and Governance Reporting Guide> ('HK-ESG')

We understand that the reported financial data and information are based on data from COSCO SHIPPING's 2019 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 'Limited 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

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 information 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 Holding. 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 Holding's approach to stakeholder engagement and recent outputs;
- Review of information provided to us by COSCO SHIPPING on its reporting and management processes relating to the Principles;
- Interviews with top management and senior managers responsible for management of sustainability issues and review of evidence to support issues discussed;
- Based on significant sustainability issues disclosed in the Report, visits to COSCO SHIPPING Holding's headquarter and 2 operation sites 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 HK-ESG.

Opinion

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe COSCO SHIPPING Holding'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 HK-ESG, i.e.,

- General Disclosures: We reviewed the general disclosures reported in this Report and nothing came to our attention to suggest that the reported information generally does not meet the reporting requirement of HK-ESG and the reason for non-disclosure is explained.
- Key Performance Indicators: We reviewed the key performance indicators reported in this Report and nothing came to our attention to suggest that the reported information generally does not meet the disclosure requirement.

Observation

The following is an excerpt from the observations and opportunities reported back to the management of COSCO SHIPPING Holding. 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 guidance
- It is suggested to disclose the evaluation criterion and processes about suppliers' sustainability performance in the report.

Opinion for report content and quality of 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 Holding'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 Holding's sustainability strategy.

Completeness: Within the reporting scope and boundary defined by COSCO SHIPPING Holding, 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.

Quantitative: The Report disclosed the economic, social and environmental indicators and performance based on HK-ESG and relevant of GRI Standard 2016, also discloses the data assumptions and calculations.

Consistency: The Report used the same disclosure statistics method as in 2018 and compares with the date of previous year.

If there is any inconsistency between the Chinese and English versions, the Chinese version will prevail.

For DNV GL - Business Assurance Group

 Cai, Kun Quan Lead Verifier Shanghai, May 28, 2020	 Lin, Chun Nan Reviewer Shanghai, May 29, 2020	 David Hsieh Approval Sustainability Service Manager, Greater China
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