



中远海运发展股份有限公司  
COSCO SHIPPING DEVELOPMENT CO.,LTD.

# 2017 Corporate Social Responsibility Report

FULFILLING OUR RESPONSIBILITY FOR  
FURTHER DEVELOPMENT





# About This Report

## Overview

This report is the second COSCO SHIPPING Development Co., Ltd. CSR report released to stakeholders following the company's corporate restructuring (formerly China Shipping Container Lines Company Limited). It discloses information about the opportunities and challenges of the company in pursuit of sustainable development and our efforts in integrating CSR into our corporate management structure and other aspects in sustainability.

## Reporting Period

The time frame for the activities mentioned in the report is 1 January to 31 December 2017, though some content may extend beyond the stated time frame when necessary.

## Reporting Scope

Content and information in this report cover COSCO SHIPPING DEV's business activities and the business activities of our subsidiaries. In some instances, the content may cover information related to the China COSCO Shipping Corporation Limited.

## Reporting Cycle

This report is published annually.

## Compilation Conformance

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* of Hong Kong Exchanges and Clearing Limited, *Notice on Strengthening Listed Companies' Undertaking of Social Responsibilities and Issuance of "Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange"*, *Notice on Further Improvement of Poverty Alleviation Work Performance Disclosure of Listed Companies*, *Sustainability Reporting Guidelines (G4)* of the Global Reporting Initiative (GRI) and *SDG Compass*.

## Data Resource

Information and data in this report are derived from internal documents and statistical information of COSCO SHIPPING DEV.

## References

For convenience and readability, COSCO Shipping Development Company Limited in this report is referred to as "COSCO SHIPPING DEV", "the Company" or "we"; "COSCO SHIPPING" refers to China COSCO Shipping Corporation Limited; "COSCO SHIPPING LEASING" refers to COSCO Shipping Leasing Company Limited; "Florens" refers to Florens International Limited; "Shanghai Universal" refers to Shanghai Universal Logistics Equipment Company Limited; "DFIC Lianyungang", "DFIC Guangzhou", and "DFIC Jinzhou" respectively refer to Dong Fang International Container (Lianyungang) Company Limited, Dong Fang International Container (Guangzhou) Company Limited, and Dong Fang International Container (Jinzhou) Company Limited, three subsidiaries to Shanghai Universal Logistics Equipment Company Limited; "Oriental Fleet" refers to Oriental Fleet International Company Limited.

## Access to This Report

This report is published in Simplified Chinese, Traditional Chinese, and English. If discrepancies exist between the Chinese and English versions, the Simplified Chinese version shall prevail. You can download an electronic version from the official website of COSCO SHIPPING DEV: <http://development.coscoshipping.com/>

If you need a printed version of this report or have any suggestions about the report, please contact us.


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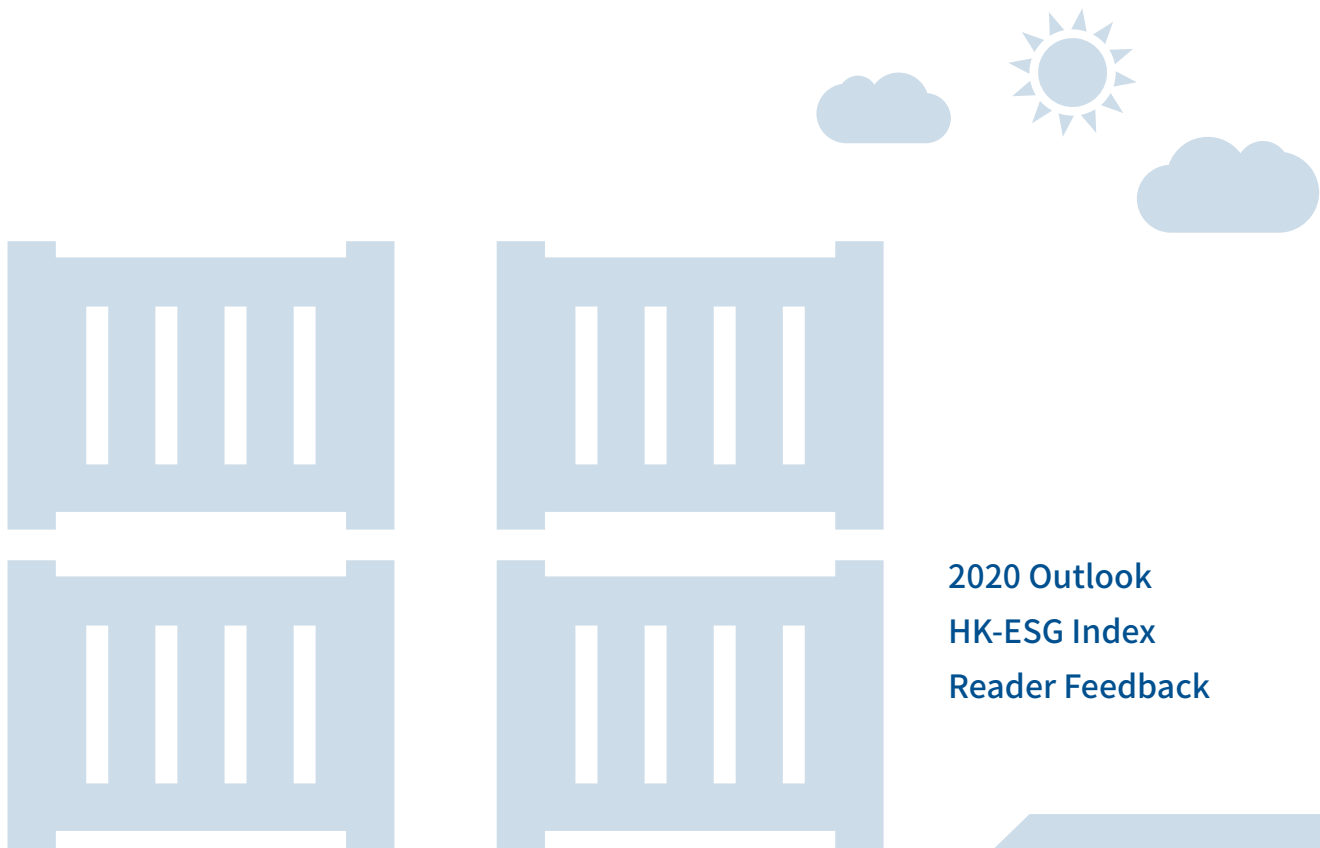
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## Address from Chairman of the Board

As for the Company, 2017 is a crucial year full of opportunities and challenges. As a rising star in shipping-related finance, COSCO SHIPPING DEV has been making increasingly steady progress through exploration and practice. With change, we are eager to keep boosting economic and social development with our financial power.

We have rooted responsibilities deep in the veins of our development and growth and are eager to create more positive impacts on economic and social environment through our responsible actions. It is true that responsibility is our DNA, and responsibility management is the navigator in our journey for development. We integrate social responsibility into corporate management, and view responsibility as a catalyst to stimulate management capability and strength and guide the direction of our responsible development. Our responsibility practices represent our responsibility and mission, and we commit ourselves to laying a solid foundation for the common development of the economy, society, and the environment.

We are committed to promoting the development of the real economy through financial services, and by optimizing the allocation of shipping resources, we endeavor to satisfy the needs of upstream and downstream sectors of the shipping industry, so as to create new momentum for shipping entities. The Company closely follows the development trend of emerging industries and provides financial support for emerging industries to enhance their ability to develop in a sustainable manner. By extending the range of our businesses, we strive to serve small and medium-sized enterprises and other vital forces for

economic development. We are dedicated to safeguarding social harmony and happiness. As for education, health care and other areas related to people's livelihood, we provide diversified financial services solutions for remote areas in terms of education, healthcare and other fields closely related to people's livelihood after in-depth understanding of the needs of social development, and promote balanced allocation of education and healthcare resources, to help enhance social welfare. We are concerned about the impact on the ecological environment during the operation and development of the company, take green and low-carbon development as an important guide for corporate operations. We provide support for the development of clean energy throughout the country build a beautiful ecological home hand-in-hand with partners.

In the future, COSCO SHIPPING DEV will continue to promote sustainable development actions. Guided by the national strategy and COSCO SHIPPING's 13th Five-year Plan, we will continue to advance and accelerate the development of shipping-related finance. At the same time, we will keep on exploring new models for serving economic and social development, and provide inexhaustible impetus for the development of the real economy and improvement of people's livelihood, as well as protection of the environment. We are eager to join hands with all sectors of the community to build a common development community and achieve mutually beneficial results.

Sun Yueying  
Chairman, COSCO SHIPPING DEV

## Address from CEO

2017 is a crucial year for the leap-forward development of COSCO Shipping Dev after its transformation. As an important company in the shipping financial industry cluster of COSCO Group, COSCO SHIPPING DEV has seized opportunities to act correspondingly, and actively responded to the new needs of shipping-related financial services. The Company has made steady progress in various business segments. The advantages of the synergy with shipping industry have become more prominent, and the Company has gained a stronger ability in integrating production with finance, and in furthering productivity through finance. In the process of the Company's development and expansion, the Company has taken social responsibility management and practices as an important issue and pursued common sustainable development of the Company and society.

The 19th CPC National Congress proposed to speed up developing real economy and promote the high-quality development of China's economy. Based on the ship leasing and container leasing business, we extend the service to the entire shipping industry chain and link the upstream and downstream demands to optimize the allocation of shipping resources and contribute to the stable development of the shipping industry. Moreover, the Company supports the development of emerging industries and the growth of small, medium and micro enterprises through financial services. We also promote partners from upstream and downstream sectors of the industry chain to jointly fulfill responsibilities, so as to stimulate the enthusiasm for sustainable and healthy development of the industry.

In addition to economic development, COSCO SHIPPING DEV is also concerned about people's well-being. The Company is committed to improving education in rural and remote poverty-stricken areas. By providing financial and leasing solutions for local educational institutions, the Company strives to promote fairer allocation of educational resources, striving to provide every student with equal opportunities for development; The Company also serves

public and private county-level medical institutions as well as those in under-developed regions, aiming to increase the availability of local medical resources and narrowing the gap in public services between different regions, especially urban and rural areas.

COSCO SHIPPING DEV has always upheld and practiced the concept of ecological environment protection since its foundation. COSCO SHIPPING DEV continuously optimizes the environmental management system of the Company and all subsidiaries. The Company conducts green manufacturing actions in container manufacturing, and has integrated green and low-carbon development throughout the entire process of procurement, production and emission. At the same time, the Company supports the development of clean energy industries such as photovoltaic power and hydropower, aiming to help optimize and upgrade the energy structure and contribute to the construction of a more beautiful China.

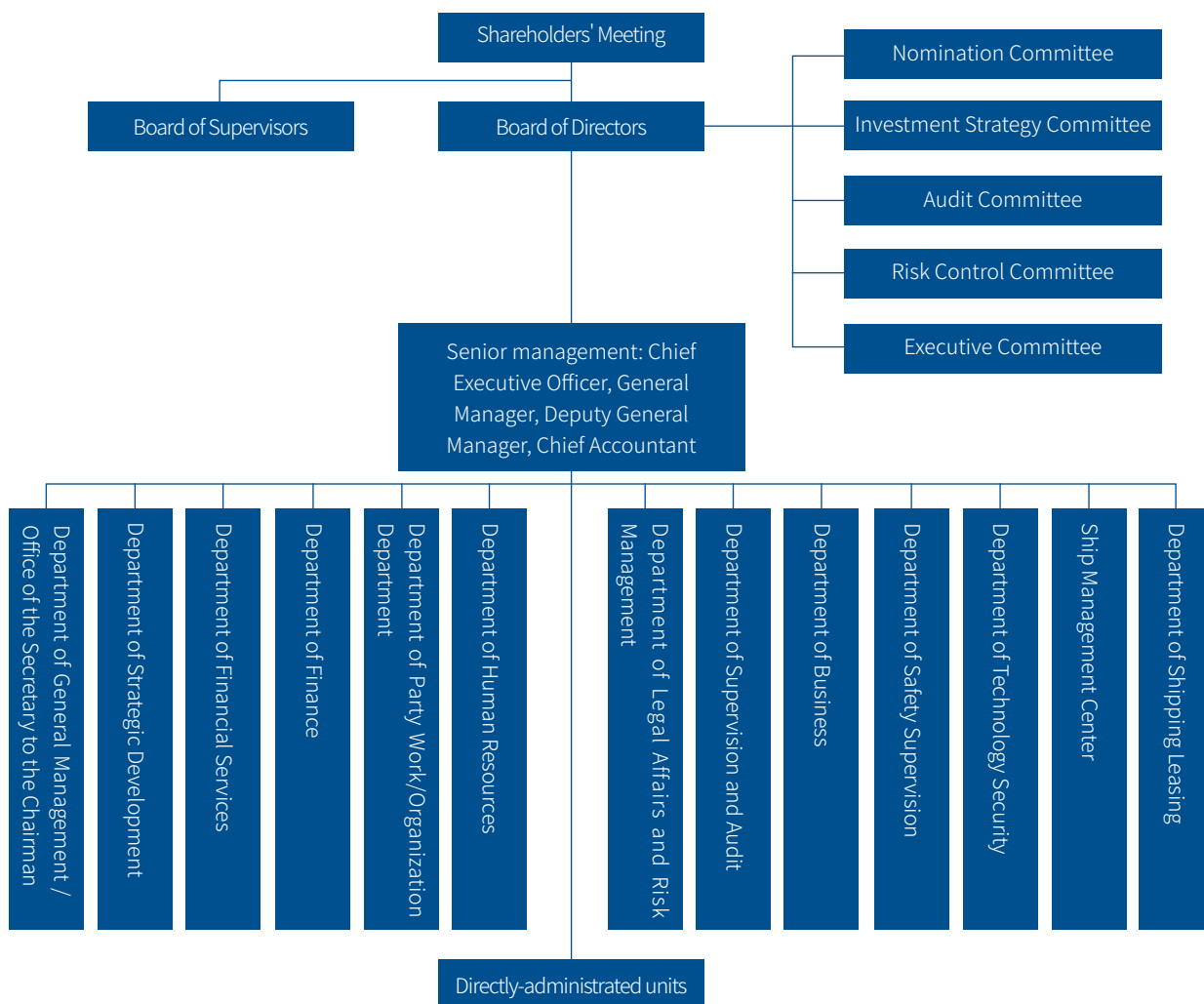
We are now full of ambition and ready to move toward greater goals. With the transformation of China's economy from high-speed growth to high-quality development, sustainable development has become a key focus in this new era. In 2018, COSCO SHIPPING DEV will face new situations, new changes and new requirements, and take the initiative to develop new ideas. The Company will give full play to the role of financial service in pursuing high-quality economic and social development, accelerates the integration of social responsibility into day-to-day management and operations, creates more comprehensive values for all stakeholders, and seeks for a bright future of common sustainable development with partners.

Wang Daxiong  
Executive director and Chief Executive Officer,  
COSCO SHIPPING DEV

## About Us

COSCO Shipping Development Company Limited (formerly China Shipping Container Lines Company Limited) is a corporation affiliated to China COSCO Shipping Corporation Limited specializing in comprehensive supply chain financial services. The Company was established in 1997 and has headquarters in Shanghai, China. It is listed both in Hong Kong and Shanghai. The registered capital of COSCO SHIPPING DEV is 11.68 billion yuan. On 1 February 2016, following the approval of shareholders at the general meeting, CSCL launched a major asset restructuring, transforming the company from a container liner operator to a comprehensive financial service platform for shipping-related finance. We mainly focus on diversified leasing business such as ship leasing, container leasing and other industrial leasing, container manufacturing business, investment and service.

As a shipping-related financial service provider, we integrate premium resources, and utilize our advantages in the shipping industry to promote the development of multiple financial services in order to build COSCO SHIPPING DEV into the leading financial service provider both in China and the world.



Organization Structure of COSCO Shipping Dev



In 2017, after the reorganization, COSCO Shipping Dev organized a corporate culture consensus workshop concerning the new organizational structure and management structure to diagnose the corporate culture of the transformed company, and initially formed a distinctive cultural system including corporate mission, vision, and core values in line with the transformed and reconstructed company.



Mission



Finance promotes entities, and  
development creates value



Vision



To build an outstanding  
financial service provider



Core values



Integrity, efficiency,  
progress, win-win

## 2017 Honors and Awards

In January 2017, COSCO SHIPPING DEV won the China Shipping Finance Service Innovation Award of the Thirteenth China Freight Industry Awards held by China Shipping Gazette; Wang Daxiong, Executive Director and CEO of COSCO SHIPPING DEV, was selected among the China Shipping Celebrities List 2016.

On 7 June 2017, COSCO SHIPPING DEV won the GoldenBee Excellent CSR Report 2016 • Growing Enterprise at the 12th International CSR Forum and the Award Ceremony of "2016 GoldenBee CSR China Honor Roll" co-hosted by China WTO Tribune, CSR Europe, Council for Better Corporate Citizenship (CBCC), co-organized by Foreign Trade Association (FTA), and supported by UNICEF and Centre for Corporate Social Responsibility of the Embassy of Sweden in Beijing.

In November 2017, the Sino-foreign Corporate Culture Summit 2017 themed "Firming the confidence of the culture, cultivate brand culture and build the Chinese brand culture" was held in Changsha. COSCO SHIPPING DEV won the honor of "2012-2017 Top 30 Enterprises of Brand Culture Construction", its direct subsidiary DFIC Jinzhou won the honor of "2012-2017 Excellent Units of Brand Culture Construction", and five individuals of COSCO SHIPPING DEV was honored "2012-2017 Advanced Worker of Corporate Culture Construction".

On 17 November 2017, National Spiritual Civilization Building Commendation Conference convened in Beijing, where COSCO SHIPPING DEV was honored as a "National Civilized Unit".

China Shipping Investment Co., Ltd., a subsidiary of COSCO SHIPPING DEV, won the 2017 M&A Deal Service Award issued by Shanghai United Assets and Equity Exchange.

# Responsibility Performance

Indicator		2016	2017
E c o n o m i c value	Total revenue (billion yuan)	15.636	16.34
	Profit (million yuan)	368.59	1,461.89
Employee care	Number of employees (including part-time workers)	6,538	8,278
	Training hours per person (hour)	18.1	16
Environmental protection	CO <sub>2</sub> emission (ton)	18,458	110,465
	Hazardous waste discharged/treated (ton)	1,046.27	4,736
	Non-hazardous waste discharged/treated (ton)	2,791.11	16,106
	Lubricant consumption (ton)	6,080	5,950
	Fresh water consumption (ton)	233,657	211,597
	NO <sub>x</sub> emission (ton)	—	3.53
	SO <sub>x</sub> emission (ton)	—	0.01
	Particulate matter emission (ton)	—	0.24
	Energy consumption (tce)	—	18,572
	Total contribution to environmental protection (million yuan)	—	830.99
C o m m u n i t y development	Total investment in targeted poverty alleviation (million yuan)	2.96	3.43
	Total tax payment (million yuan)	92.6	237.29

Notes for responsibility performance in 2016:

"Training hours per person" refers to data from COSCO SHIPPING LEASING;

"Hazardous waste discharged/treated" and "non-hazardous waste discharged/treated" refer to the aggregated data of DFIC Guangzhou, DFIC Lianyungang, and DFIC Jinzhou;

"Lubricant consumption" shows the lubricant consumed by COSCO SHIPPING DEV's self-owned ships (excluding overseas ships managed by China Shipping International Ship Management Co., Ltd.);

"Fresh water consumption" refers to the fresh water consumed by COSCO SHIPPING DEV's self-owned ships (excluding overseas ships managed by China Shipping International Ship Management Co., Ltd.);

"CO<sub>2</sub> emission" is calculated according to the lubricant consumption and related coefficients;

"Total investment in targeted poverty alleviation" refers to COSCO SHIPPING DEV's aggregated investment over the years till 2016;

Notes for responsibility performance in 2017:

"Training hours per person" refers to data from COSCO SHIPPING DEV;

"CO<sub>2</sub> emission", "hazardous/non-hazardous waste discharged", "fresh water consumption", "NO<sub>x</sub> emission", "SO<sub>x</sub> emission", "particulate matter emission" and "energy consumption" refer to the aggregated data of DFIC Guangzhou, DFIC Lianyungang, and DFIC Jinzhou;

"Lubricant consumption" shows the lubricant consumed by COSCO SHIPPING DEV's self-owned ships (excluding overseas ships managed by China Shipping International Ship Management Co., Ltd.);

"Total investment in targeted poverty alleviation" refers to COSCO SHIPPING DEV's aggregated investment over the years till 2017.



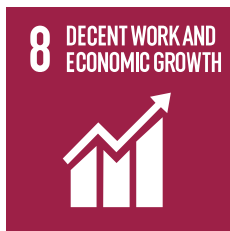
# Laying a solid foundation

## Building a path for value creation

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The constant expansion of globalization has on the one hand opened a new era of development for all countries, and on the other created an increasingly complicated development environment. Under such a backdrop, gaining an insight into the development trend and insisting on sustainability has become an important approach for countries and enterprises to deal with changes and challenges. As a pioneer in shipping-related finance industry, COSCO SHIPPING DEV has begun to take sustainable development as the lighthouse to guide the company to move forward. By making the most of our resources and advantages, and working with stakeholders, we have set out a new goal for mutual development between enterprises and the economy, society and environment.

### UN SDGs:



*Note: Sustainable Development Goals (SDGs) - The 2030 Agenda for Sustainable Development includes 17 sustainable development goals with the aim to end all forms of poverty and call on all countries to take joint actions to promote prosperity and protect the Earth. It also promotes to pursue economic growth and meet social needs in education, health, social safety and employment, and address climate changes to protect the environment.*







# Sustainable development background

The 19th CPC National Congress put forward that "China's economy has been transitioning from a phase of rapid growth to a stage of high-quality development. This is a pivotal stage for transforming China's growth model, improving its economic structure and fostering new drivers of growth. We will deepen institutional reform in the financial sector, make it better serve the real economy", which points out the direction for the development of financial industry. As the structure for the global shipping industry changing and centralization ratio of the shipping market rising, the shipping industry in China faces great challenges to transform and upgrade. This entails the emergence of shipping-related finance, which plays an important role in promoting the development of the shipping industry. In the meantime, the 21st Century Maritime Silk Road, the construction of Shanghai International Shipping Center, and the release of *Opinions on Promoting the Healthy Development of Shipping Industry* by the State Council have provided effective catalysts and a favorable macro environment for the development of shipping-related finance.

However, the shipping industry still faces a number of challenges. China's shipping finance is still in the stage of constant exploration and development and urgently needs a great number of relevant professional talents to provide intellectual resources for the development of the industry.

All walks of the society should keep on exploring solutions to these problems. In 2016, the municipal government of Shanghai released the *Construction Plan for Shanghai International Shipping Center*, stipulating "the development of shipping-related finance" as one of the ten major tasks. In 2017, *The 13th Five-Year Plan of Lujiazui Area of Shanghai Pilot Free Trade Zone* and *Lujiazui Finance and Trade Zone* proposing to accelerate the construction of the Yangjing International Shipping Service Innovation Pilot Area and Shanghai Shipping-related Finance Industry Base with a focus on developing high-value-added shipping services. These policies lay a solid foundation for the diversified development of shipping-related finance.

The financing and leasing sector, as an indispensable part of the finance field, has its unique advantages of financing capital and goods, which helps shipping enterprises to expand financing channels. Meanwhile, its strong ability to act against the business cycle and flexibility assists shipping enterprises to reduce cyclical risks, making it an important play in financial industry. In recent years, the state has issued a series of policies to support the future growth of the financing and leasing business and to encourage the innovation of financing and leasing business models. These policies also help provide abundant capital supply for shipping industry development, promote industrial innovation and upgrade, broaden financing channels for medium, small and micro enterprises, and promote the development of emerging industries. Moreover, they provide effective support for the implementation of the "Belt and Road" initiative, coordinated development of the Beijing-Tianjin-Hebei region and the implementation of the strategy of Yangtze River Economic Belt, which provides strong support for speeding up the development of strategic emerging industries as well as cultivating and developing new engines for development. The development of financing and leasing industry brings great opportunities for solving the problems faced by shipping-related finance, promotes development of the real economy, and boosts the development of emerging industries.

## Our strategies

In face of opportunities and challenges of the times, COSCO SHIPPING DEV has constantly enriched and improved the financial elements and systems and created financial industry clusters through successful strategic transformation, which offers strong financial support for the shipping industry and for the development of emerging businesses, thus better serving the needs of social development.

### Development strategies

As the first shipping-related finance enterprise to go public, COSCO SHIPPING DEV has transformed from a container liner operator to a comprehensive financial service provider. Since the transformation, the Company, with shipping-related finance as the foothold and by tapping into advantages of shipping logistics industry, and integrating the resources of the industrial chain, has built industry clusters with shipping lease, container manufacturing, investment and service as the core.

## Contributing to economic and social development

COSCO SHIPPING DEV utilizes unique advantages in shipping-related logistics resources to offer full-chain financial support for the shipping industry through diversified leasing and other comprehensive financial services. Meanwhile, the Company makes the most of existing resources to facilitate the development of emerging industries, optimize business models and promote the diversity of the financial industry, so as to explore a path of sustainability for the Company to serve social needs through services.



### Shipping entity leasing

Ship leasing: To conduct leasing business of various ships such as container ships and dry bulk ships so as to use ship resources effectively, innovate the "one-stop" business model, and serve the shipping industry chain.

Container leasing: To provide various types of container leasing and trade services, and continue to expand special container leasing services.

Leasing ships and containers can promote the optimal allocation of resources in the shipping industry and promote the healthy development of shipping enterprises.

### Container manufacturing

The Company extends its container manufacturing business by carrying out technological innovations, prompting the application of environmental protection technologies, and strengthening the diversified development of container products with the aim to provide high-quality container products for worldwide shipping enterprises and gain a stronger ability in integrating production of containers together with the container leasing business.

### Investment and Service

Relying on the shipping industry background, the Company continuously expands the value of customer flow, capital flow, and information flow in the supply chain to provide personalized, differentiated, and low-risk financial services and products for the shipping industry chain as well as establishes shipping and logistics industry funds for laying a foundation for the collaborated development of different businesses and the integration of production and finance, capital financing and goods financing. Moreover, it incubates the financial investment industry to promote the development of the shipping industry and emerging industries as well as provide better serves for the real economy.



# Following proper corporate values

## Developing responsible corporate governance

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COSCO SHIPPING DEV regards cultivating responsible corporate management as the basis for the Company to fulfill its social responsibilities and pursue sustainable development. Therefore, we strictly abide by national and local laws and regulations, and implement the highest standards of corporate governance and business ethics in our business operations.

### UN SDGs:









## Corporate governance

At COSCO SHIPPING DEV, we have developed a standard governance structure that outlines clearly defined power and responsibilities for the board of directors, the supervisory panel and management. In 2016, in addition to restructuring the Company, we reviewed our entire corporate system and management process. In 2017, we continued to improve our corporate governance mechanism by formulating and revising 36 rules and regulations, including the *Articles of Association*, *Rules of Procedure for Execution and Meeting of CEO/General manager*, etc.



### Investor relations management

*Formulating the Regulations of Investor Relations Management*, the Regulations of Information Disclosure, as well as other supporting systems



### Well-developed communication platform

Facilitating our long-term, stable and harmonious interaction with investors by visiting investors regularly, participating in industrial forums and seminars, and holding annual launch events



### Information disclosure in compliance with laws and regulations

Safeguarding the truthfulness, accuracy, completeness, timeliness, and fairness of information disclosure

COSCO SHIPPING DEV's investor relations management



## Compliance and anti-corruption

COSCO SHIPPING DEV implements high-standard business ethics, strictly abides by all laws and regulations including, for example, the *Interim Provisions on Banning Commercial Bribery* and the *Rules on Integrity of Executives of State-Owned Enterprises*, and has formulated the *Guidelines on Leader's Commitment to Anti-Corruption*, the *Provisions on the Accountability Mechanism for Leaders* and *Approaches to the Management of Anti-corruption Records of Administrative Staff*. Besides, to better regulate our governance mechanism, the Company has established the monthly enrichment mechanism for the central division. In addition, the Company has personnel at all levels sign a statement on building CCP culture and keeping its organizations above board, as well as providing supervision, in an effort to spread responsibility across all levels of the Company. In 2017, a total of 108 letters of responsibility and 204 letters of anti-corruption were signed.

Based on standard corporate rules and regulations, COSCO SHIPPING DEV has taken steps to cultivate and improve the anti-corruption culture inside the Company. The Company created on its OA website the education column for employees to partake in the "Two Studies, One Action" campaign, where various cases of unlawful and rule-breaking practices are presented to raise employee vigilance. We hosted an "education month" that focuses on anti-corruption activities, and organized employees to attend trials in Shanghai Pudong People's Court. Moreover, employees were organized to watch *Inspector & Prince*, a film about an incorruptible inspector from the Qing Dynasty. By watching the film, our employees not only experienced the quintessence of Chinese culture, but also were touched by the honesty and integrity of the role. Exhibitions of calligraphy works, paintings, photographs, caricatures, and pledges that convey integrity and honesty were also held to cultivate and improve the anti-corruption culture.

In 2017, the Company held integrity talks with 95 cadres, and organized 360 Party members and cadres to listen to a variety of lectures about building CCP culture and ethical organizations. In addition, 443 of our employees were organized to watch educational videos or films, 774 participated in quiz that aimed to promote professional integrity, 132 visited anti-corruption education bases. A total of 297 calligraphy works, paintings, photographs, caricatures, and pledges were collected in the past year.

## Risk management

COSCO SHIPPING DEV has a tradition of upholding stable and prudent principles in its approach to risk management. We have established a risk management system to face challenges from market disruptions and operational risks and we make regular improvements to safeguard our implementation of corporate strategies and sustainable development.



# Responsibility management

COSCO SHIPPING DEV makes sustainable development part of the DNA of our corporate management structure, and is committed to satisfying the needs of economic and social development by taking advantage of the Company's business strength, thus realizing the common sustainable development of the Company and society through responsible management and operation.

We are committed to setting up a social responsibility management committee, which, within the context of COSCO SHIPPING's sustainable development framework, will be responsible for setting goals and planning corporate social responsibility activities that embody the distinct characteristics of our company. The framework will establish social responsibility management posts that arrange issues related to our social responsibility management and practices, and establish a social responsibility management committee and mechanism responsible for communicating with specific business units and functional departments to ensure CSR is integrated into all business processes and daily operations.



The social responsibility management model of COSCO SHIPPING DEV

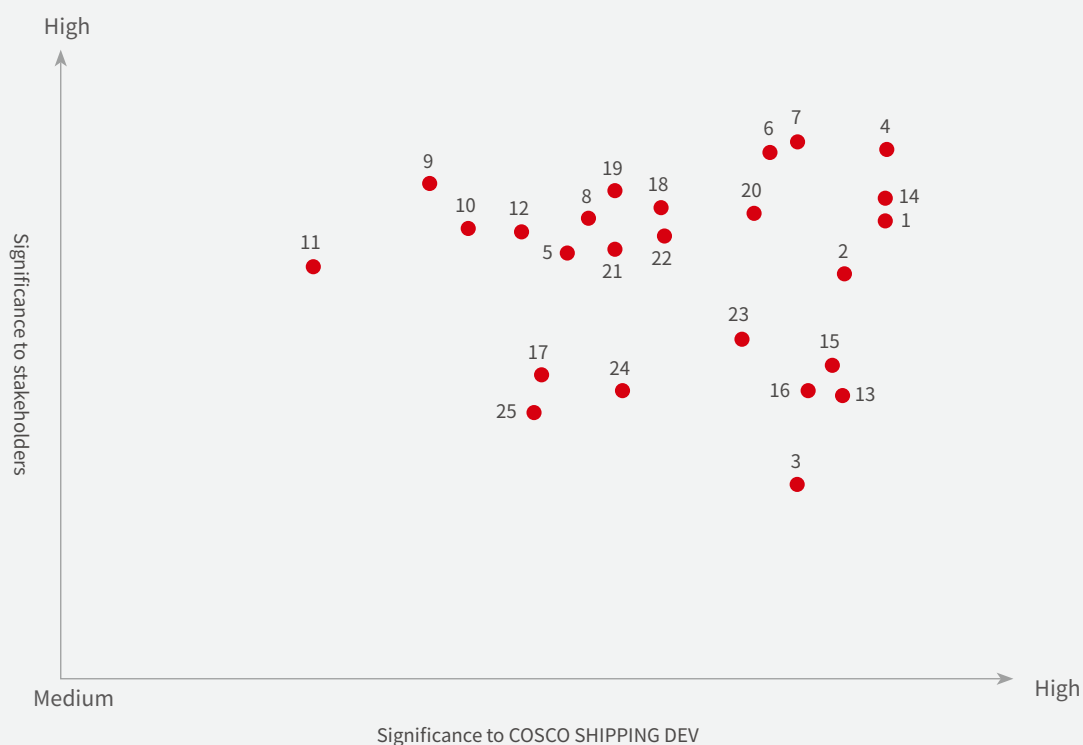
Identification of and communication with stakeholders		
Stakeholders	Core demands	Communication and responses
Government/regulatory institutions	Serving the implementation of national strategies Serving local economic and social development Compliant operation Fair competition	Official document exchange, information disclosure, policy implementation, inspection and communication
Investors/shareholders	Good business performance Good corporate governance Risk control Realization of corporate development strategy Adequate information disclosure	Shareholders' general meeting, performance report, road show, communication with investors
Customers	Efficient products Quality service Guaranteed information safety	Investigation of customers' demand, official website, WeChat
Partners	Win-win cooperation Industrial development through joined hands	Exchange and visit, industry forum
Employees	Guarantee of rights and interests Good prospect for career development Comfortable working environment	Cultural construction, congress of workers and staff, training and activities carried out among employees
Community and the public	Practice of charity Serving community development	Voluntary service, public benefit activities, targeted poverty alleviation
Environment	Systematic environmental management Supporting green industry development	Environmental policies, green investment



On 16 May 2017, The 3rd China Maritime Finance (DFTP) Summit themed "New Opportunity, New Reform, New Pattern: Diversified Development of China's Maritime Finance" was held in Tianjin. More than 600 guests from nearly 250 domestic and foreign maritime financial institutions, as well as 42 domestic and foreign media including the People.com participated in the summit, which attracted industry-wide attention. Liu Chong, general manager of COSCO SHIPPING DEV, attended the forum and delivered the keynote speech entitled "Business Innovation and Extension of Value Chain - Exploring New Opportunities for Container Leasing Industry in the New Normal". Taking the recent development of Florens, a wholly-owned subsidiary of the Company, as an example, Mr. Liu Chong shared the business model, business risks and strategies, as well as market conditions and challenges faced by container leasing companies with industry partners present at the forum, and promoted exchange.

#### Identification and analysis of material topics

This is the second social responsibility report released by COSCO SHIPPING DEV following our strategic transformation. To fully understand the expectations of our stakeholders, we identified 25 material topics of the greatest significance to both the our stakeholders and COSCO SHIPPING DEV through investigations in the first social responsibility report released in 2016. By analyzing these material topics, we made clear stakeholders' various demands and integrated our social responsibility concept into the whole process of corporate management and operation, so as to promote sustainable development of the society.



1	Development strategy
2	Corporate governance
3	Continued increase of corporate value
4	Communication with stakeholders
5	Communication with stakeholders
6	Supporting for real economy
7	Promotion of shipping-related finance
8	Service for micro, small and medium-sized enterprises
9	Promotion of regional development

10	Supporting for public service
11	Public welfare and volunteer activities
12	Targeted poverty alleviation
13	Compensation and benefits
14	Professional of personnel
15	Rights and interests of and care for employees
16	Career development
17	Low-carbon operation
18	Supporting for clean energy development

19	Green manufacturing
20	Product and service innovation
21	Satisfaction of and communication with customers
22	Customer information safety
23	Win-win cooperation
24	Fair competition
25	Supplier management

Material topics of COSCO SHIPPING DEV

# Forging ahead

## Contributing to sustainable social development

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COSCO SHIPPING DEV, upholding the idea of sustainable development, is looking for a way to meet the demands of the Company whilst fulfilling economic, social, and environmental expectations. To achieve this objective, we have supported the real economy through efficient allocation of financial resources and advanced the common development of industrial chain partners. We have also been devoted to providing a driving force for social development by improving people's livelihoods, and to building a green planet by protecting the ecological environment.

### UN SDGs:







## Escorting real economy

The real economy is the foundation of national economic development. As an emerging pseudo-financial tool, financial leasing business can nurture new driving forces by dredging the channels for more capital to flow to the real economy. Through financial leasing, COSCO SHIPPING DEV has provided the real economy with financial and equipment support by linking the demands of upstream and downstream sectors of the supply chain such as shipping and logistics. Through service innovation, we have cultivated new growth points for the real economy and served small and medium-sized enterprises by taking full advantage of our business to train new forces for real economy development. We have lifted the industry to a new level through enhanced supplier and customer management and cooperation with our partners to promote economic development.

### Promoting prosperity in the shipping industry

The shipping industry, as an important channel for global resources to circulate, has become a weathervane for the development of the real economy. COSCO SHIPPING DEV, based on ship and container leasing business, has expanded our services to the whole shipping industrial chain. By linking the needs of upstream and downstream sectors of the supply chain, we have optimized the allocation of shipping resources, thus promoting steady development of the shipping industry.

The company provides diversified ship leasing services (large container ships and bulk carriers, chemical carriers, LNG-powered multi-purpose ships, etc.) to meet different demands. We customize original ship leasing plans for our clients according to their actual demands. Our ship and container leasing business can help shipping enterprises overcome the difficulty of shipping capacity shortage and revitalize assets to achieve the effective allocation of ship and container resources.

#### Ship and container leasing



Containers are important carriers in shipping logistics. The company provides high-quality products for shipping enterprises through container manufacturing, and exerts the synergy between container production and leasing.

In 2017, Shanghai Universal ranks the third in the global container manufacturing industry.

The company provides shipping enterprises with services such as risk consulting, risk management, risk transfer and disaster prevention and control information. We are committed to integration between production and finance through shipping funds that provide financial support for shipping enterprises.

Serving growth and development of the shipping industrial chain



## Containers complementing Marseille

Shipping container house is a new type of building. It can be moved easily and bring people a more convenient and comfortable option for housing. In 2017, DFIC Jinzhou built a well-functioned shopping mall in Marseille using 604 shipping containers. The Marseille International Fashion Center, as a key program supported by Marseille government and the second largest commerce and trade platform in France, has not only promoted local trade, but also made the city more fashionable by adding fashionable elements to its development.



Marseille International Fashion Center



## Providing customer with satisfactory and quality services

Shanghai Universal has been committed to providing quality products and services for shipping enterprises at home and abroad. In 2018, Shanghai Universal launched collaboration with Orient Overseas Container Line (OOCL), the eighth largest shipping enterprise in the world, providing it with 14,000 TEU of containers products to meet their operation demand and to help them expand the market.

Shipping industry is a highly cyclical business. Shipping demand is affected by multiple factors such as the world's economy and seaborne commodity trade. Changes to these factors may lead to drastic fluctuations in operating efficiency, and may thus pose threats to shipping enterprises. The financial leasing business of COSCO SHIPPING DEV, by acting against the business cycle, has enabled us to customize financial leasing plans for shipping enterprises, helping entities reduce the risk of industrial cyclical fluctuations, and fend off risks for the real economy.

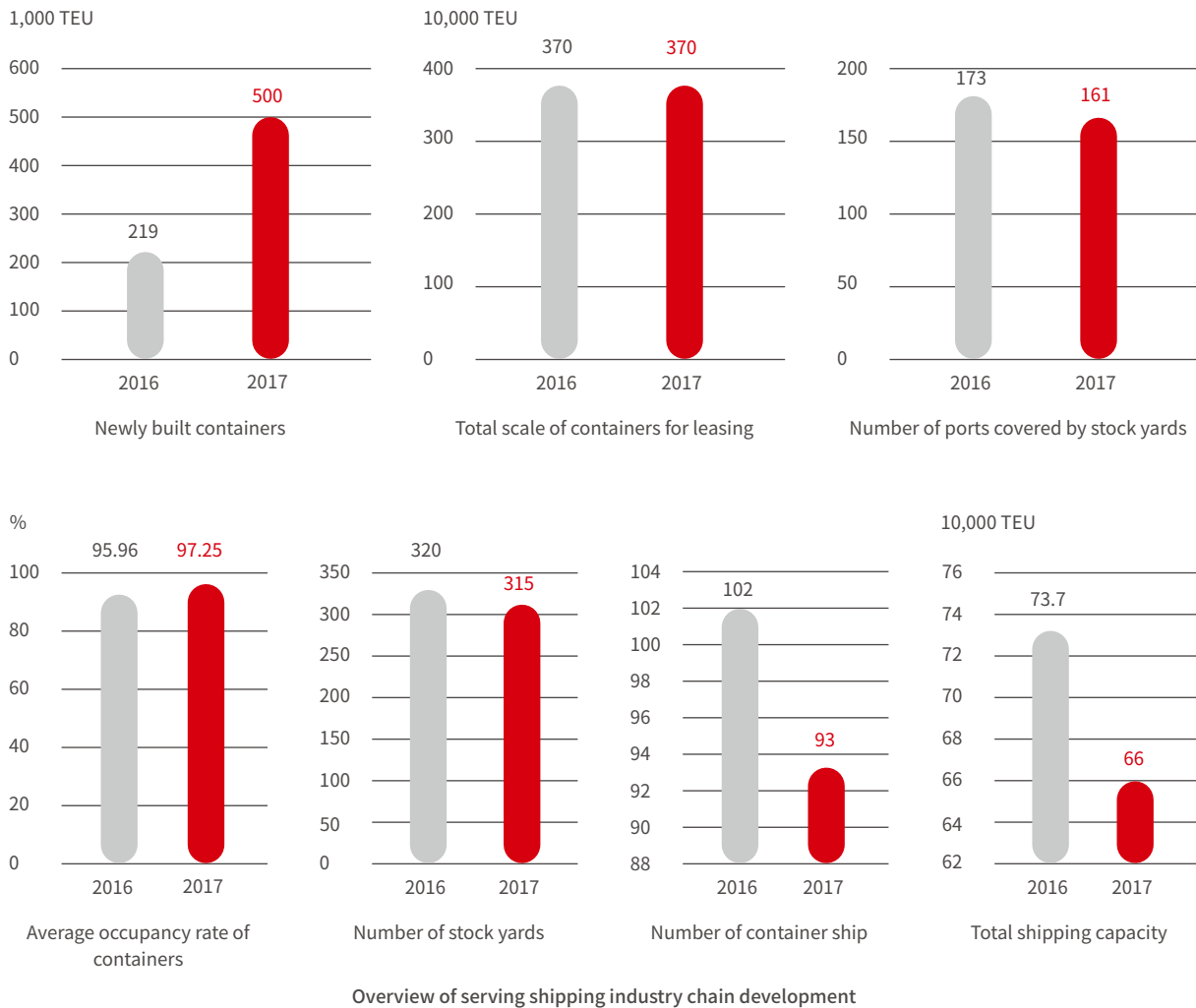


## Maximizing customers' benefits by optimizing fund operations

In 2017, Oriental Fleet, a subsidiary of COSCO SHIPPING DEV, purchased four 36,000 DWT heavy lift vessels from Chinese-Polish Shipping Brokerage Co., Ltd. through financial leasing, and then leased the vessels to Chinese-Polish Shipping Brokerage under a bareboat charter over the following decade. This helped Chinese-Polish Shipping Brokerage further optimize their financial structure by lowering financing costs, extending the leasing term and easing payment pressures.

*Note: A bareboat charter is agreed upon when an ocean shipping enterprise rents ships to the charterer in an agreed period of time under fixed leasing fee. No crew or provisions are included as part of the bareboat charter agreement.*





## Creating engines for emerging industries

Strategic emerging industries are the key to creating new drives of economic development. *A Guideline on Emerging Sectors of Strategic Importance during the 13th Five-Year Plan Period (2016-20)*, issued by the State Council, identifies seven areas as of strategic importance among emerging industries, including the new-generation information technology industry and new energy vehicle industry. The *Guideline* also states that the government should increase financial and fiscal support for emerging sectors of strategic importance.

COSCO SHIPPING DEV focuses on industries such as automobile and electronic information. Through in-depth analysis of industry development trends, we offer financial leasing support for leading enterprises in alliance with their demands, and help them expand the customer base toward upstream and downstream sectors. We have provided enterprises with financial and equipment support to help them carry out technical research and development, and apply the innovation results to production. By doing this, we have promoted the common development of the whole industrial chain, and thus helped create new economic growth point.





## Transfusing fresh blood to intelligent terminal industry

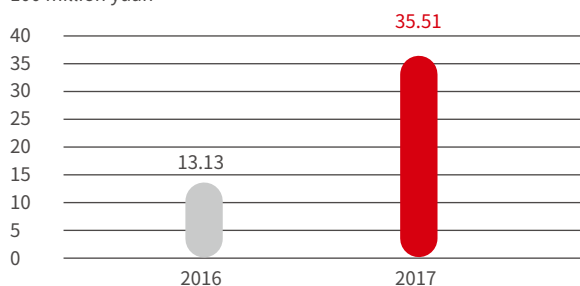
The intelligent terminal industry, as an important representative of the development of information technology, is becoming a leading force for global interconnection and innovation-driven development. Holitech Technology Co., Ltd. (hereinafter referred to as Holitech), a strong performer in the intelligent terminal industry, mainly produces core components of intelligent terminals which are widely used in mobile phones, intelligent wearable devices, industrial and medical displays and other fields. COSCO SHIPPING LEASING has provided Holitech with 264 million yuan of financial leasing support to promote its continuous innovation and technology upgrading, which accelerated the innovation in the intelligent terminal industry.

At the same time, COSCO SHIPPING LEASING is involved in the development of emerging industrial clusters. In 2017, the Company actively explored a cooperation mode with Suzhou High-tech Zone to provide financial and equipment support for the development of high-end industries. We have also helped start-ups to advance technologies and put into production, giving impetus to the development of emerging industries.

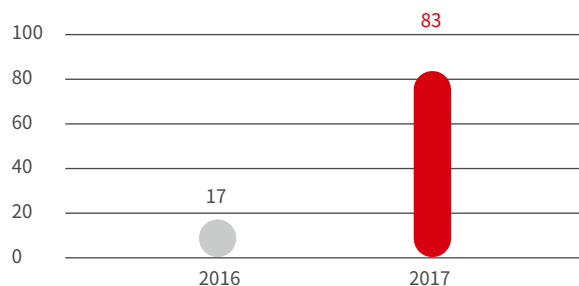
Relying on the construction urban agglomerations and focusing on comprehensive innovation reform pilot zones, we will develop knowledge-intensive strategic emerging industrial clusters and build 10 or so major industrial clusters that have global influence and lead the development of China's emerging sectors. By doing this, we will form the institutional innovation zone, the industrial and innovation chains integration zone and international cooperation zone that promote strategically important emerging sectors.

State Council, *A Guideline on Emerging Sectors of Strategic Importance during the 13th Five-Year Plan Period (2016-20)*

100 million yuan



Investment in industrial or information projects



Number of industrial or information projects

An overview of financial leasing business in industrial and information fields

## Supporting the growth of SMEs

Small and medium-sized enterprises (SMEs) are gradually becoming one of the important drives for China's economic growth, and are an important force that accelerates economic transformation and upgrading, and gives internal impetus for economic development. However, financing difficulties and high financing costs have always been the bottleneck restricting the development of SMEs. Therefore, in order to help SMEs in different industries, such as energy and medical care, to reduce their financial pressure and stimulate their development, we have purchased production equipment and revitalized working capital for them by providing them with more flexible financing and leasing services. Meanwhile, we set up Shanghai COSCO Microfinance Co., Ltd. this year to lay the foundation for providing SMEs with better services.



## Supporting the development of tier-2 hydroelectric station

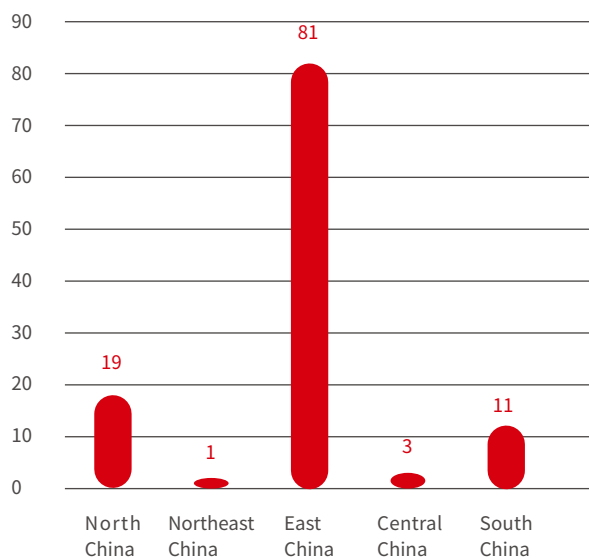
The Xiaobaihe tier-2 hydroelectric station in Maguan County, Yunnan Province is located on the border between China and Vietnam. The station ensures that local residents have access to electricity, and serves regional economic development. In order to satisfy the financial demands of Xiaobaihe hydroelectric station, and ensure their operations, COSCO SHIPPING LEASING has provided them with 120 million yuan in credit. The average annual power production of the station is 135 million kwh, which effectively protects the electricity demand of local residents and drives local economic development.

## Working with partners in seeking development

Enterprises, suppliers, and customers rely on each other, and complement each other. The development of an enterprise is inseparable from the support of upstream and downstream partners. COSCO SHIPPING DEV places emphasis on the common growth with suppliers and customers. By encouraging suppliers to fulfill their responsibilities and improving customer service, we are to create a mutually beneficial ecosystem that will promote the common development of upstream and downstream enterprises in the industrial chain.

### Supporting suppliers in fulfilling responsibilities

COSCO SHIPPING DEV not only pays attention to the impact of its operations on society and the environment, but also actively assists its suppliers in exercising responsibilities. The Company continuously improved the system for supplier management and is committed to working with suppliers in reducing the environmental impact of the whole industry. By formulating regulations such as the *Florens Sub-contractors and Suppliers Management and Review*, we have put forward a number of specific anti-pollution requirements for suppliers, urging them to reduce pollution during production.



The number of DFIC Lianyungang's suppliers in each region

### Offering better products and services

COSCO SHIPPING DEV continuously improves the quality of products and services, as well as encourages innovation to meet the diversified needs of customers.



- Shanghai Universal attaches great importance to product and service quality, and has established the QMS system, formulated the *Product Process Inspection Procedures* to ensure product quality through strict quality inspection procedures such as self-inspection, first inspection, sampling inspection, etc.
- Formulating product recall and compensation specifications: Shanghai Universal formulated the *Control Procedures for Corrective Actions and Preventive Measures*, and conducted product recalls and compensations through methods like the Substandard Product Disposal List, and tracked the quality improvement process in a timely manner.



- Offering customers around the world quality containers through research and development and product innovation.
- Shanghai Universal formulated management systems for R&D activities such as the *Project Approval Management Approaches of the Product Research and Development Department* for the standardized management of the processes, results and intellectual properties of research and development projects.



At the same time, we attach great importance to building a harmonious relationship with our customers. Through continuous improvement of the customer relationship management system, we respond positively to customer feedback, enhance customer experience and satisfaction, and achieve a mutually beneficial situation for the Company's business development and customer value.

Shanghai Universal formulated the *Customer Relations Management Approaches*, *Customer Service Management Procedures*, and *Customer Relations Management Procedures*, to improve the company's service in inspection and transportation of containers, and to develop amicable customer relations.



Shanghai Universal formulated the *Customer Satisfaction Monitoring and Measurement Management Procedures* to collect customers' feedback on its services and products, and to improve after-sales service.

In response to customer complaints, Shanghai Universal carries out timely field investigations, and develops corresponding solutions. The company actively communicates with customers in order to meet their demands.

# Spreading happiness

To promote inclusive and shared development, COSCO SHIPPING DEV endeavors to build a harmonious relationship with the community. To improve the fairness and quality of public services, the Company provides financial leasing services for enterprises that contribute to people's well-being, such as those engaging in education and healthcare. Moreover, we actively exercise responsibilities for carrying out targeted poverty alleviation, and regularly organize employees to engage in activities that promote public welfare.

## Supporting the development of public services

Education is directly related to the future of every child and their family. It is the cornerstone of national rejuvenation and social progress. In 2017, the concept that "the modernization of education supports the national modernization" was put forward, putting higher requirements on the coordinated development of the education sector, the optimization of the educational structure, and the development of Education for All. Therefore, in the current context of unbalanced educational resources and lack of quality education resources in rural areas, COSCO SHIPPING DEV focuses on underdeveloped rural areas and remote impoverished areas, offering financial leasing plans to local education sectors and institutions of higher learning. We do this to narrow the gap between rural and urban in terms of educational resources, and to make quality education accessible to every child.

### Promoting educational modernization by upgrading teaching facilities

Providing facilities and construction financing plans for schools

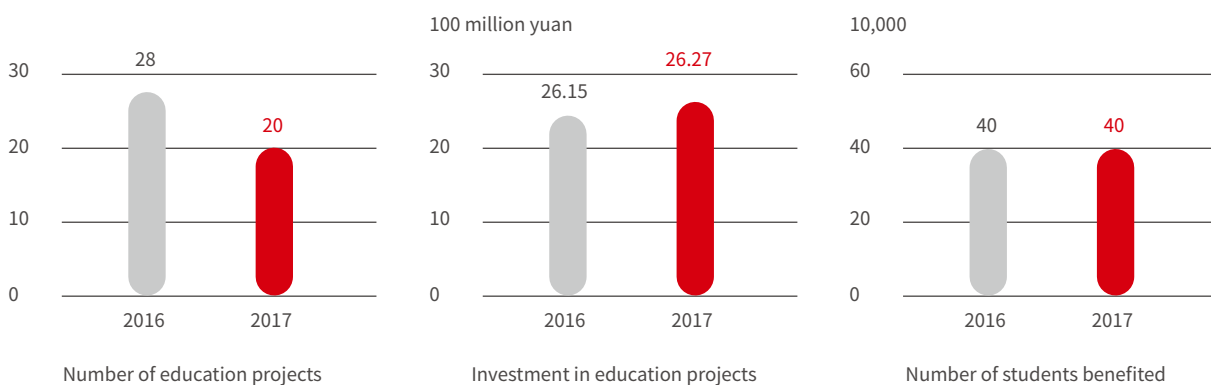
### Boosting education in underdeveloped regions

Supporting rural areas and remote impoverished areas in boosting education

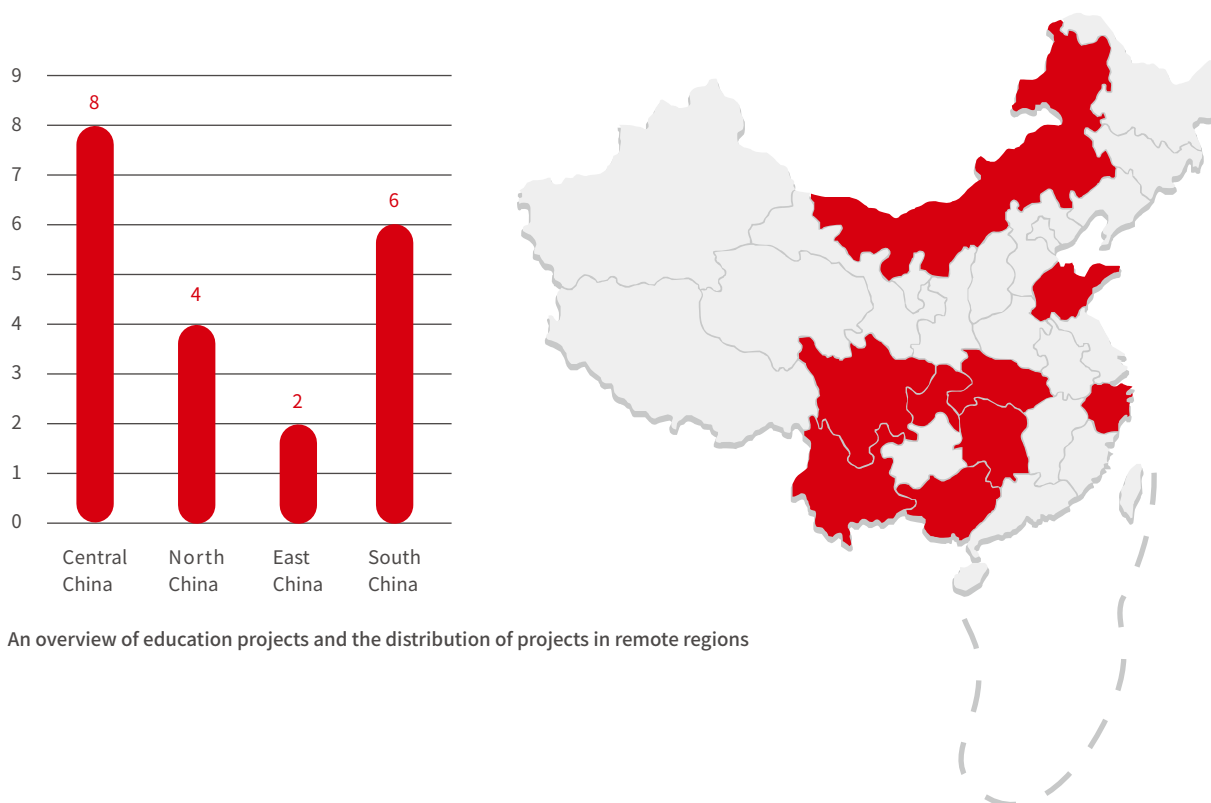
### Supporting special educational institutions

Giving financial backing to institutions such as schools for children of migrant workers and schools for deaf and mute children

#### Promoting educational equality and improving educational quality







An overview of education projects and the distribution of projects in remote regions



### Supporting the construction of frontier schools

Ruili is a county-level city in the west of Yunnan province, and also a major border crossing between China and Myanmar. Before, there were schools in towns and villages on the frontier that provided education for both Chinese and Burmese students. In order to better satisfy the educational needs of students from both countries, the Ruili government has planned to establish frontier schools, where 40% of students are from Myanmar. These schools are to be constructed by the Chinese side, which will also provide public services such as water, electricity and fuel gas.

COSCO SHIPPING LEASING supports the project by offering financial leasing services. Our efforts will make educational resources more accessible to students of both countries, and will promote the development of education in the border areas.

The report of the 19th CPC National Congress proposed the "Healthy China" strategy, which aims to provide people with comprehensive health services, build a primary-level medical service network covering both urban and rural areas, improve the medical service system for the elderly, and promote the fairness and accessibility of healthcare services. COSCO SHIPPING DEV supports public medical institutions in counties, private medical institutions and medical institutions in underdeveloped areas. And by providing them with working capital solutions that are needed for equipment, consumables, and pharmaceutical procurement, as well as other related areas, the Company has improved the accessibility and quality of medical resources and services, paving the "road to health" for the people, and contributing to a healthier China.



Coverage of public medical institutions in counties in 2017



Coverage of medical institutions in remote areas in 2017

### Supporting public medical institutions in counties

Developing primary level health care service by helping public medical institutions in counties, which are the main targets of the company's initiatives to support public services, to upgrade equipment and basic facilities

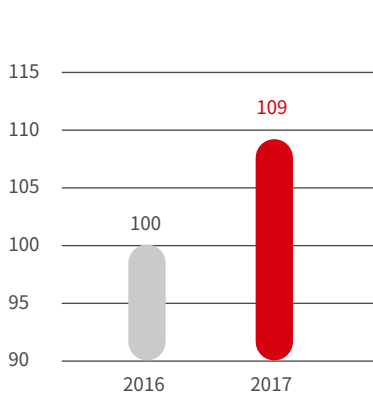
### Supporting private medical institutions

Reinforcing the commitment to private medical institutions to boost their development, and to optimize the allocation of medical resources to meet diversified needs

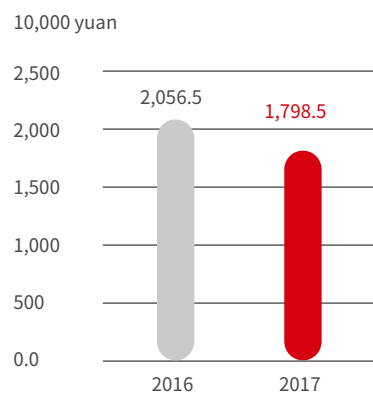
### Supporting medical institutions in underdeveloped areas

Giving continuous attention and support to medical institutions in underdeveloped areas such as remote mountainous areas, to make health services more accessible

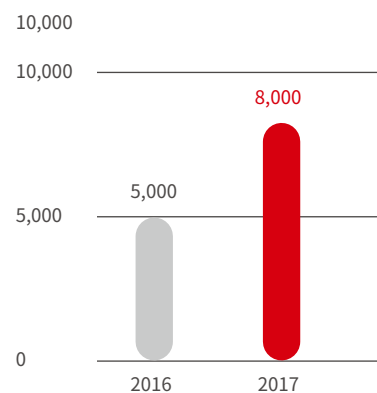
#### Supporting the development of healthcare



Number of healthcare projects



Investment in healthcare projects



Number of beneficiaries

## Conducting targeted poverty alleviation

In order to increase the efficiency of resource utilization, COSCO SHIPPING has carried out overall planning for targeted poverty alleviation work from top to bottom, aiming to allocate poverty alleviation resources more effectively and rationally to each affiliate. For the standardized and orderly implementation of targeted poverty alleviation plans, COSCO SHIPPING Charity Foundation has formulated a set of rules and regulations, including the *Articles of COSCO SHIPPING Charity Foundation*, *Regulation on Information Disclosure of COSCO SHIPPING Charity Foundation*, and *Regulation on Funds Management of COSCO SHIPPING Charity Foundation*. According to the overall planning of COSCO SHIPPING and based on the actual needs of the impoverished areas, COSCO SHIPPING DEV helped Yongde County in Yunnan and Shifobao Village in Liaoning get rid of poverty by supporting local competitive industries and improving infrastructure. In 2017, the Company invested a total of 474,100 yuan in poverty alleviation projects.



### Supporting Yongde Tea Poverty Alleviation Project

Yongde County is one of the 73 low-income counties in Yunnan province. It is a typical agricultural county located in a mountainous region with inconvenient transportation and sparse economic development. However, the local natural environment has created particularly favorable conditions for the growth of high-quality tea, which has given the area an economic asset to further exploit.

COSCO SHIPPING has carried out targeted poverty alleviation projects to promote the development of the local tea industry. Through the purchase of Love Tea produced in Yongde, we support the development of the local tea industry, and help local farmers to increase their income. In 2017, the Company purchased a total of 314,100 yuan of Yongde Love Tea.



### Improving living environment for local residents by investing in infrastructure

The village of Shifobao is located in Jinzhou, Liaoning Province. There are 91 registered low-income households totaling 196 people. Many of the local people suffer from poverty because of diseases, disabilities or inability to work and they yearn for better infrastructure and living environment.

DFIC Jinzhou invested a total of 160,000 yuan in local road infrastructure, and set up 60 streetlights in the village. The poverty relief effort greatly improved the living and work condition for local residents, and gave strong impetus for extricating every villager from poverty in 2017.

## Carrying out public welfare and voluntary activities

COSCO SHIPPING DEV pays close attention to livelihood issues of the people and encourages employees to participate in voluntary activities that promote public welfare. By organizing fundraisers and activities caring for children's growth, we actively give back to society and share the fruits of development with the community. In 2017, employees of Shanghai Universal donated 14,360 yuan to "Baby's Home", a Shanghai-based charity.



Volunteers of COSCO SHIPPING LEASING visits the "Sunshine House" to participate in the "Starfish Action" that cares for special needs children

# Being kind to the ecological environment

Green development is being recognized by more and more enterprises. The *13th Five-Year Plan for Ecological and Environmental Protection* put forward that "by 2020, energy consumption and carbon dioxide emissions, as well as the discharge of major pollutants, should be significantly reduced. Moreover, controllable environmental risks should be minimized". Against this backdrop, COSCO SHIPPING DEV regards the protection of the ecological environment as our responsibility, and actively makes efforts to minimize our ecological impact.

## Further optimizing our environment management system

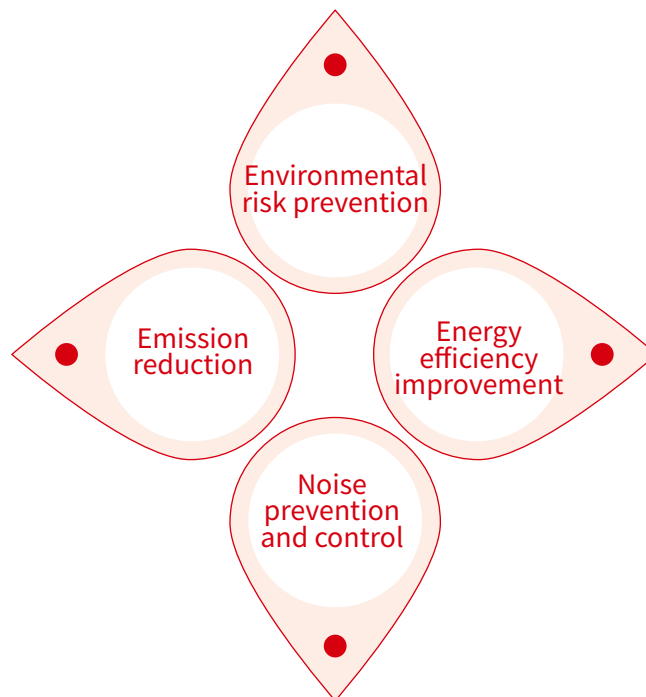
COSCO SHIPPING DEV continuously improves the environment management system. We strictly observe laws and regulations associated with environmental protection such as the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* and the *Law of the People's Republic of China on Promoting Clean Production*. Simultaneously, we organize business departments and subsidiary companies to improve their own environment management systems.

### Preventive management of potential environmental risks:

*Contingency Plan for Environmental Pollution Accident, Environmental Factor Definition, Evaluation and Management Procedure*

### Reducing the impact of emissions and discharges on the environment:

*Effluent Discharge Management Regulation, Exhaust Emission Management Regulation, Management Regulation on Solid Waste Pollution Prevention and Control, Ship Garbage Management Plan, Engine Compartment Oily Sewage and Residual Oil Disposal Regulation, Domestic Wastewater Disposal Regulation*



### Managing resource and energy consumption effectively:

*Regulation on Energy Conservation and Emission Reduction Management*

### Reducing noise pollution:

*Noise Management Regulation*

Business departments and subsidiary companies establish their environment management systems



We have expanded the environment management system from production activities to daily office work. Through improvement of rules and regulations such as the *Regulation on Workplace Waste Disposal* and *Regulation on Workplace Energy Conservation*, the Company manages the energy consumption and waste disposal in our office work, laying the institutional foundation for creating a "green" office atmosphere.

## Supporting the development of clean energy

The development of clean energy is an accelerator for clean, efficient, safe and sustainable energy development, and also helps with energy consumption reduction and air quality improvement. COSCO SHIPPING DEV continues to support clean energy including photovoltaic power, hydropower and wind power. With professional financing and leasing services, we support enterprises in green technology and equipment upgrades, as well as energy project construction, and promote the continuous development of the clean energy industry.

"The development of clean energy is a key task in improving the energy structure, ensuring energy security, and promoting ecological progress."

Xi Jinping, Chinese President

### Photovoltaic power generation

Providing financial support for the construction of ground-based photovoltaic power plants, and distributed PV plants for household electricity consumption

### Hydroelectric power generation

The Company provides comprehensive financial services for small-and-medium-sized hydroelectric stations across the country, and establishes business cooperation mechanisms with the National Development and Reform Commission, the Ministry of Water Resources, the hydropower bureau, and local financial agencies. Based on the characteristics of electric energy in different regions and the different demands of customers, we provide targeted leasing services such as hydropower exchange leasing, debt substitution leasing, and installment leasing to increase the efficiency of local energy consumption

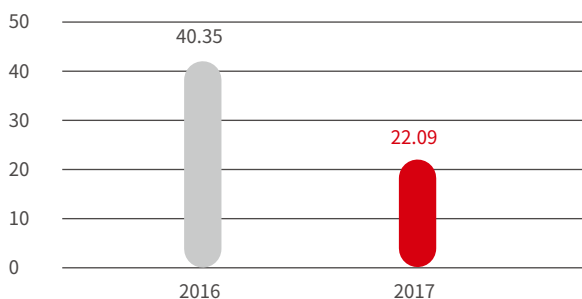




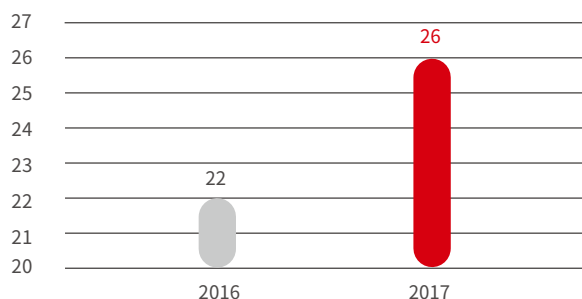
## Promoting the spread of green energy

The city of Dunhuang located in Gansu Province has abundant solar and land resources, and is an ideal region for the construction of ground-based photovoltaic power plants. COSCO SHIPPING LEASING has provided financial leasing services for local companies to help them build ground-based photovoltaic power plants. The electricity generated by those plants is transmitted to Shaoshan in Hunan Province via the UHV transmission network starting from Jiuquan. This has not only effectively promoted the development of clean energy industry in Gansu, but also provided strong support for Hunan's electricity demand and economic development, as well as promoted the effective allocation of regional power resources.

100 million yuan



Investment in clean energy projects



Number of clean energy projects

Clean energy projects invested by the Company

## Advancing the manufacturing of "green" containers

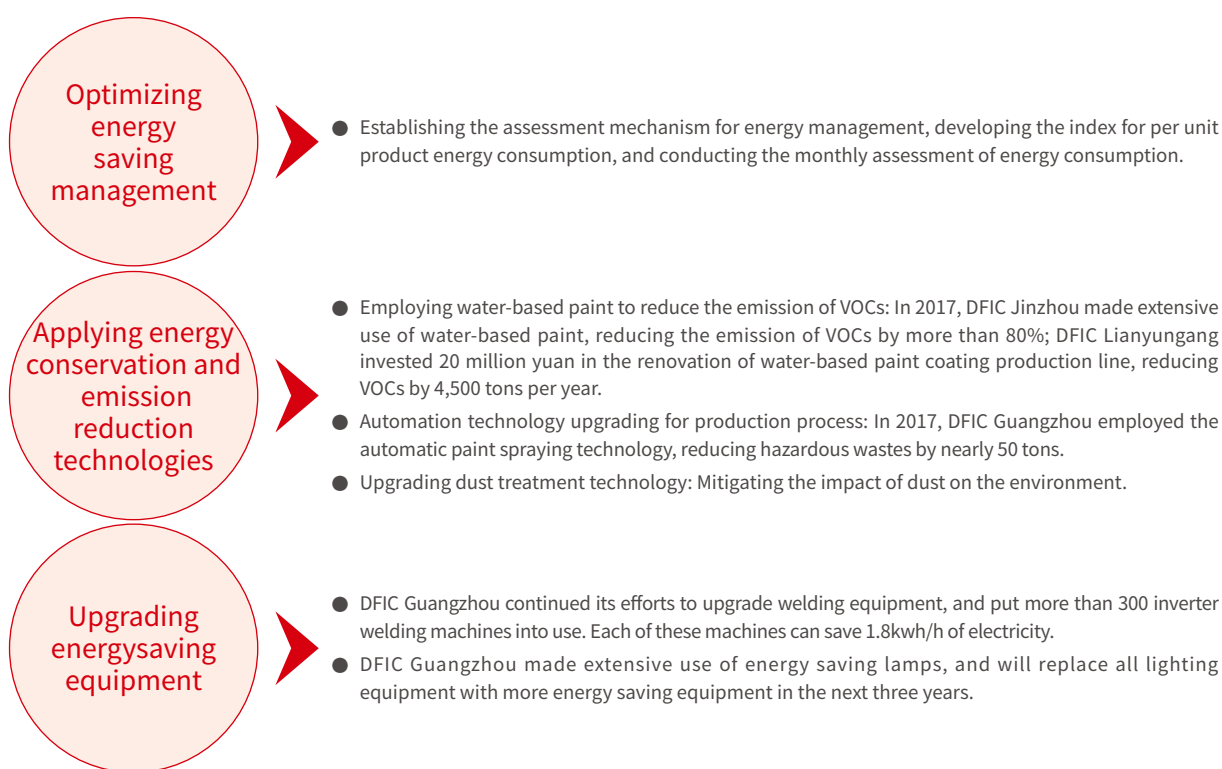
The *Notice on Carrying Out the Construction of Green Manufacturing System* by the General Office of Ministry of Industry and Information Technology mentions "to establish an efficient, clean, low-carbon, and "green" manufacturing system, and build it into a benchmark for the "green" transformation and upgrading of the manufacturing industry". Accordingly, we actively develop green manufacturing operations by applying green and low-carbon concepts throughout the whole manufacturing process covering raw material procurement, production, and waste disposal, with an aim of mitigating the impact of our operations on the environment.



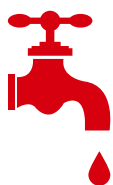
**Responsible procurement.** Forests are an important ecological resource, and also an important for human survival and development. Container manufacturing requires wood as a raw material, which means it will have an inevitable impact on forests. Therefore, DFIC Guangzhou has established the FSC-COC system to monitor the sources of timber, thus avoiding the purchase of raw materials that come from illegal logging or trade, and the destruction of protected forests.

*Note: FSC-COC refers to the supervision and confirmation of the timber trade and processing companies throughout raw material procurement, warehousing, production and sales, so as to ensure that the wood comes from certified sustainable forests.*

**Responsible production.** While manufacturing containers, Shanghai Universal pushes for higher energy efficiency of the production process by strengthening energy-saving management, applying energy conservation and emission reduction technologies, and upgrading energy-saving equipment.



**Responsible emission.** Shanghai Universal has established a waste treatment system to recycle waste and allow for cleaner emissions.



### Water recycling

DFIC Lianyungang built treatment plants to recycle wastewater. In 2017, 15,000 tons of water were saved.



### Hazardous waste treatment

DFIC Guangzhou collected solid wastes in strict accordance with the requirements of Guangzhou Environmental Protection Bureau, and hired qualified waste treatment contractors for 100% disposal.

# Going far

## Building a professional and forward-looking team

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We regard our employees as the source of the Company's development. The Company attaches great importance to recruitment and their career development, COSCO SHIPPING DEV is committed to creating a favorable work environment and career development platform for employees, so as to improve their well-being, to feel a sense of achievement, and to develop in partnership with the Company.

### UN SDGs:

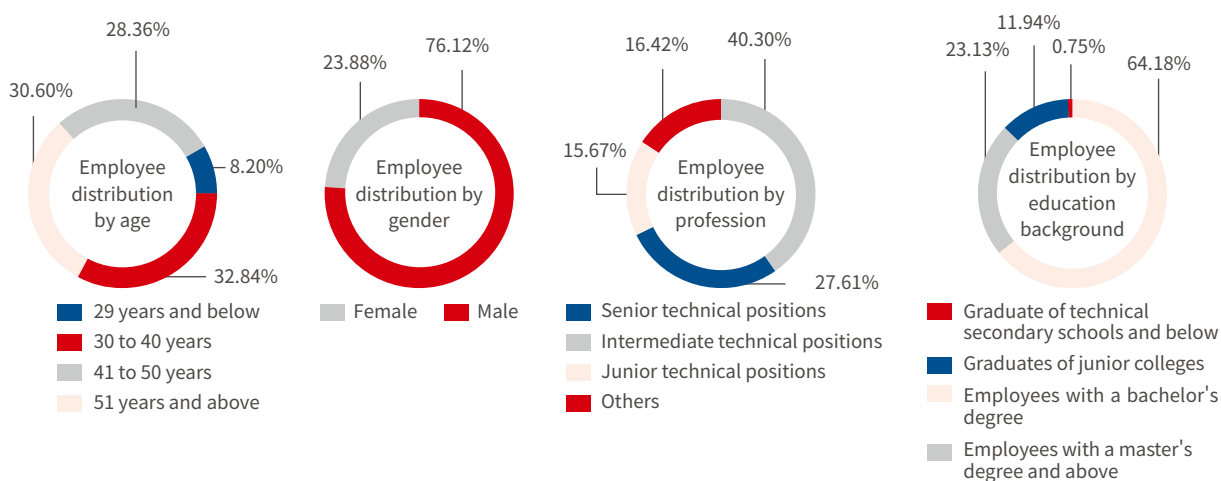






## Improving human resource management

To protect the rights and interests of our employees, COSCO SHIPPING DEV abides by all laws and regulations including the *Labor Law* and the *Labor Contract Law of the PRC*. In 2017, in order to carry out integrated human resource management systematically, the Company formulated the *Guidelines on Integrated Human Resource Management of COSCO SHIPPING DEV*. Under the Company's unified human resource management system, each directly-affiliated organization has further improved its human resource management approaches based on its own needs. For example, Florens enacted the *Employment Ordinance* and the *Regulations of Anti-discrimination*, and the three subsidiaries DFIC Lianyungang, DFIC Guangzhou, and DFIC Jinzhou established the *Female Employees and Juvenile Protection System* to strictly prohibit forced labor and employment of child labor, and to protect the rights and interests of female employees. In the process of transformation and development, we have continuously improved the professionalism of our HR team and created more favorable conditions for employees. In 2017, there were no records of any labor disputes.



The employee distribution of COSCO SHIPPING DEV headquarters

## Attracting industrial elites

COSCO SHIPPING DEV attracts top talents and stimulates employees' vitality through the implementation of market-oriented talent management and the application of professional manager system.

### Attracting top talents

Seizing the opportunity of piloting the professional manager system and issuing the *Professional Manager Implementation Plans*, and the *Opinions on Developing the System for Management of Professional Managers* to boost the efficiency of recruiting top talents and build professional teams made up by industry elites

### Stimulating employees' vitality

Issuing the *COSCO SHIPPING DEV Overall Planning of Market-oriented Staff Management Mechanism (Exposure Draft)* and establishing the system for market-oriented talent selection, appointment, evaluation, incentive and dismissal which features "one contract for one employee" and "annual evaluation for all" schemes, aiming to give full play to the enthusiasm and creativity of employees

8,278

Total number  
of employees

100%

Labor contract  
signing rate

100%

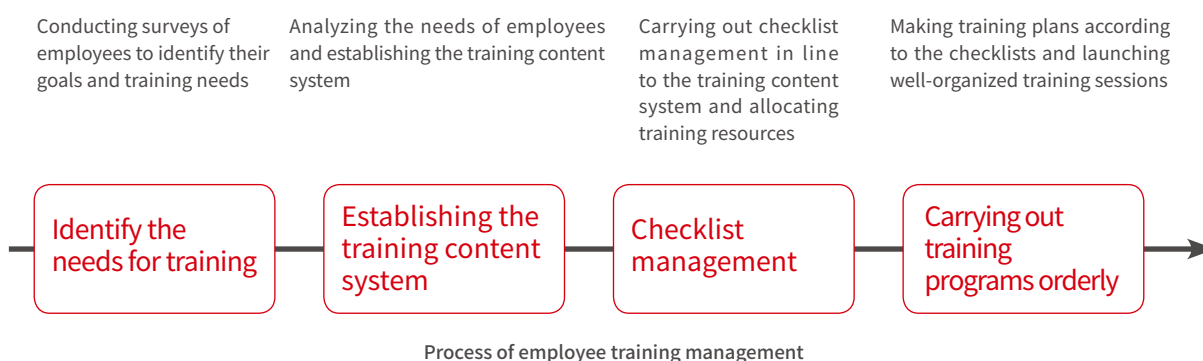
Coverage  
of social  
insurance

## Supporting employee growth and development

In order to provide employees with better opportunities for development and flexible development space, COSCO SHIPPING DEV has innovated the checklist management of employee training to improve the pertinence of training programs and the specialization of skills.

In 2017, the Company formulated the *Approaches to Management of Staff Training*. By combining the needs of the Company with the wishes of staff, we not only satisfied employees' needs for development, but also met the changing demand for high-caliber talents in new operations and areas. In addition, each affiliate has improved its staff training system to promote employees' self-improvement. For example, DFIC Jinzhou set up the *Employee Education and Training Management System* to improve employees' comprehensive skills. COSCO Shipping Leasing Company carried out leadership evaluations for middle and lower level managers, and established training plans for them based on evaluation results. The new approach effectively improved training efficiency to employees' satisfaction.

We pay attention to the needs of employees at different stages, and provide them with targeted guidance and diversified training courses to create a good atmosphere for talent development.



### Caring for the development of new employees

- Conducting the "2017 New Employee Adaptation Survey" to fully understand the needs and expectations of them, so as to improve relevant services with a clearer focus and enhance employees' satisfaction with their work
- Compiling the *Orientation for New Employees* to enable them to be familiar with the company, departments and colleagues, and to adapt to the new environment and new teams in a quick and easy manner, and fostering a sense of belonging among new employees

381

Investment in  
staff training  
(10,000 yuan)

### Enhancing the pertinence of employee development program

- Holding "Self-awareness Workshops" in major business departments, and helping employees recognize their own merits and demerits, as well as formulate self-improvement plans, through activities like interviews, experiential learning, group activities and sharing sessions

16

Average  
training period  
received by  
employees  
(hour)



# Ensuring safety and health

In order to ensure the safety of every employee, COSCO SHIPPING DEV has spared no effort to continuously invest in and improve the management of employee safety and health.

Guided by the standardized management system for work safety, COSCO SHIPPING DEV unceasingly improves the Company's safety management. Each affiliate has established its safety and health management system according to their own conditions. For instance, DFIC Lianyungang, DFIC Guangzhou, and DFIC Jinzhou have regularly revised the *Education and Training System for Occupational Health and Safety*, the *Regulation on Occupational Diseases Prevention and Control*, the *Occupational Hazard Monitoring and Evaluation System*, and the *Regulation on Management of Labor Protection Equipment*. By doing this, the above three affiliates further developed the occupational health and safety management system, and received certification from the China Classification Society.

COSCO SHIPPING DEV launched various safety and health management actions to improve employees' safety awareness. In 2017, the Company did not experience any major accidents; no work-related deaths occurred, and the number of working days lost due to work-related injuries was zero.

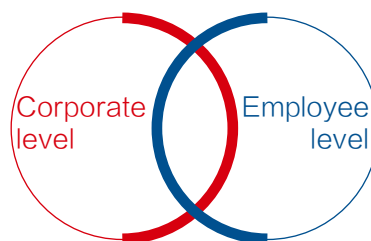


- **Developing corporate safety culture:**

Promoting the safety culture by launching the "Production Safety Month" campaign, and holdings discussions about navigation safety

- **Safety inspection and supervision:**

Establishing the safety inspection system and production safety responsibility system to ensure the effectiveness of safety management and the timely elimination of potential safety hazards



- **Safety training and publicity:**

Conducting employee safety training and issuing the internal publication of *Safety Technical Communication* to raise employees' safety awareness and skills

- **Employee medical examination:**

Organizing employees to take regular medical examinations, and establishing electronic health records for them

- **Medical emergency security measures:**

Building medical rooms and hiring specialists to ensure timely emergency treatment

## Caring for employees' happiness

In order to help all employee maintain a proper work-life balance, COSCO SHIPPING DEV is always caring for special employee groups, and regularly holds recreational activities for employees. Apart from offering basic benefits in accordance with national laws and regulations, as well as striving to meet the needs of employees, we also pay attention to special needs and provide targeted assistance for front-line employees.

### Caring for front-line employees

Showing consideration for employees working at container manufacturing shops and sailors, and boosting bonds with them

### Caring for female employees

Providing female employees with special physical examinations and health lectures, and setting up the "Loving Care Home" to meet the special needs of employees who are mothers

### Caring for employees' families

Celebrating Children's Day and during Double Ninth Festival to foster a sense of belonging among employees

● We advocate for a healthy work-life balance. Therefore, the Company have carried out a variety of cultural and athletic activities as well as skills contests to enrich the lives of our employees and encourage them to work in high spirits and to take a positive attitude towards life.





# 2020 Outlook

## Responsible vision

Integrating social responsibility into the corporate vision to fully unlock into the Company's value and potential. Against a backdrop of rapid flow of production factors caused by globalization, the Company takes sustainable development as a beacon for progress. While tapping into accumulated resources advantages in areas such as the shipping industry, we actively expand our financial business and work with stakeholders to contribute to the real economy, people's livelihood, and environmental protection.

## Responsibility management

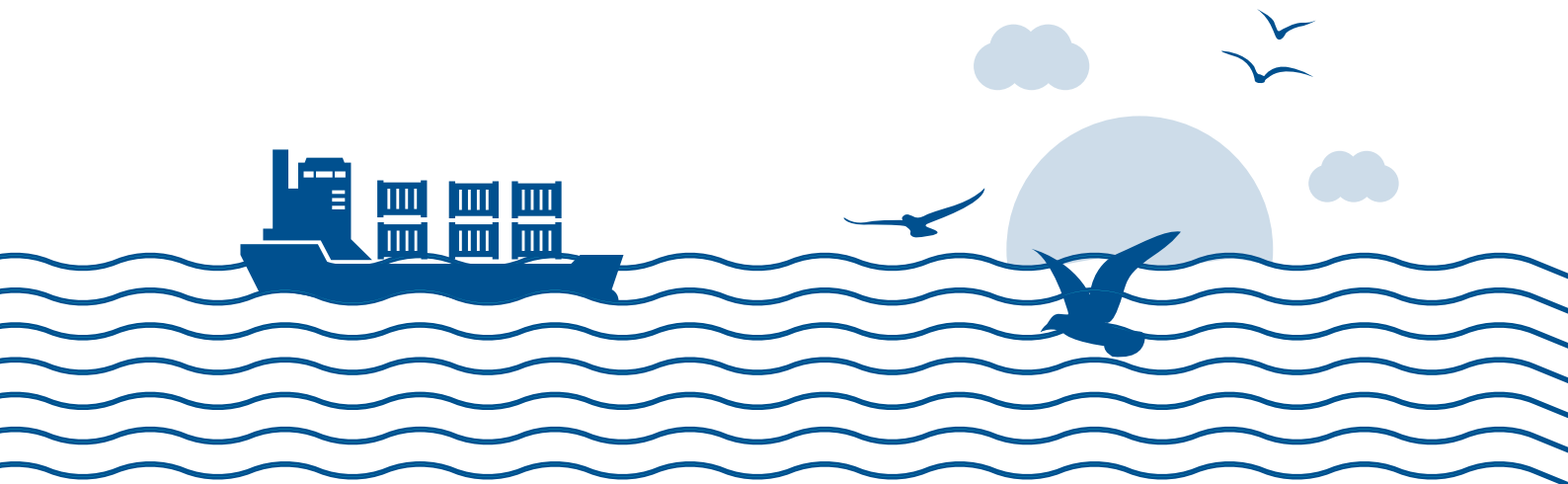
Integrating social responsibility into corporate management to form a new management model. Via our Social Responsibility Management Committee, the Company strives to incorporate the concept of social responsibility into strategic management, investment management, risk management, etc. We will further maximize the comprehensive value of the economy, society, and the environment as we realize our management goals. At the same time, we will extend our management concepts to external elements such as suppliers, this model will upgrade the existing management mechanism which serves the Company itself, and further optimize the allocation of economic as well as social resources.

## Responsible practice

Integrating social responsibility into daily operations and promoting sustainable development. The Company will further enrich the content of responsible practices and responsibly treat each and every stakeholder. By giving full play to our business advantages and innovating social responsibility practices, we are endeavoring to improve economic, social, and environmental performance.

## Responsibility team

Instilling a sense of responsibility and teamwork. The Company shall actively fulfill its responsibility to employees so as to enhance their awareness of social responsibility. We will continue to encourage employees to combine their work tasks with their commitment to social responsibility, so that they can realize personal values and make greater contributions to society.



## HK-ESG Index

Environmental				
Aspect	Index number	Index content	Page	Description
Aspect A1 - Emissions	General Disclosure	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.	P34	
	A1.1	The types of emissions and respective emissions data.	P8	
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P8	
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P8	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P8	
	A1.5	Description of measures to mitigate emissions and results achieved.	P36-P37	
	A1.6	Description of measures to mitigate emissions and results achieved.	P37	
Aspect A2 - Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P35、 P37	
	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).	P8	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P8	
	A2.3	Description of energy use efficiency initiatives and results achieved.	P37	
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P37	
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	/	Not applicable due to different business types
Aspect A3 - The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	P37	
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P37	

Social				
Aspect	Index number	Index content	Page	Description
Aspect B1 - Employment	General Disclosure	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.	P40	
	B1.1	Total workforce by gender, employment type, age group and geographical region.	P40	
	B1.2	Employee turnover rate by gender, age group and geographical region.	/	
Aspect B2 - Health and Safety	General Disclosure	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.	P42	
	B2.1	Number and rate of work-related fatalities.	P42	
	B2.2	Lost days due to work injury.	P42	
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P42	
Aspect B3 - Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P41	
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	/	
	B3.2	The average training hours completed per employee by gender and employee category.	P41	
Aspect B4 - Labor Standards	General Disclosure	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 labor.	P40	
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	P40	
	B4.2	Description of steps taken to eliminate such practices when discovered.	/	No violation
Aspect B5 - Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	P28	
	B5.1	Number of suppliers by geographical region.	P28	
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P28	

Social				
Aspect	Index number	Index content	Page	Description
Aspect B6 - Product Responsibility	General Disclosure	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, labeling and privacy matters relating to products and services provided and methods of redress.	P29	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	/	
	B6.2	Number of products and service related complaints received and how they are dealt with.	P29	
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	/	
	B6.4	Description of quality assurance process and recall procedures.	P29	
	B6.5	Consumer data protection and privacy policies, how they are	/	
Aspect B7 - Anti- corruption	General Disclosure	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.	P17	
	B7.1	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	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P17	
Aspect B8 - Community Investment	General Disclosure	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.	P32-P33	
	B8.1	Focus areas of contribution (such as education, environment, labor's needs, health, culture and sport).	P32-P33	
	B8.2	Resources contributed to focus areas (such as money and time).	P32-P33	

# Reader Feedback

COSCO SHIPPING DEV welcomes your comments and suggestions, and will carefully review the feedback of every reader of this report. Your input is important and will help us continue to promote and improve our corporate social responsibility management and practices. Please complete the form below and send it to us via mail or fax. Thank you very much!

Your contact information:

Name:                      Organization:

Tel.:                      E-mail:

1. What is your overall rating of COSCO SHIPPING DEV's fulfillment of social responsibility?

☐ Excellent ☐ Very good ☐ Good ☐ Bad

2. What is your overall rating of this report?

☐ Excellent ☐ Very good ☐ Good ☐ Bad

3. What is your rating of COSCO SHIPPING DEV's communication with stakeholders?

☐ Excellent ☐ Very good ☐ Good ☐ Bad

4. What is your rating of COSCO SHIPPING DEV's corporate administration?

☐ Excellent ☐ Very good ☐ Good ☐ Bad

5. What is your rating of COSCO SHIPPING DEV's efforts in supporting the real economy?

☐ Excellent ☐ Very good ☐ Good ☐ Bad

6. What is your rating of COSCO SHIPPING DEV's performance in spreading happiness among society?

☐ Excellent ☐ Very good ☐ Good ☐ Bad

7. What is your rating of COSCO SHIPPING DEV's performance in improving the ecological environment?

☐ Excellent ☐ Very good ☐ Good ☐ Bad

8. What is your rating of COSCO SHIPPING DEV's performance in creating talent teams?

☐ Excellent ☐ Very good ☐ Good ☐ Bad

9. Do you think the layout and design improve the readability of this report?

☐ Yes ☐ No

10. What other information not disclosed in the report would you like to know?

11. Do you have any other comments on COSCO SHIPPING DEV's fulfillment of social responsibility or any additional comments about this report?







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