



COSCO SHIPPING Energy Transportation Co., Ltd.

COSCO SHIPPING Energy Transportation Co., Ltd.

2017 Corporate Social Responsibility Report



2017 Corporate Social Responsibility Report

Hong Kong stock exchange code: 1138

Contents

Chairman's Statement	04
About Us	06
Corporate Governance	10
Responsibility Topic: Sailing on Polar Silk Route to Take the Arctic Pearl	12

Our Commitment	58
Appendix	60
Key Data	60
ESG Guidance Table	62
Comparison Table of the Ten Principles of UN Global Compact	65
About the Report	66
Reader Feedback	67

Contributing to Sustainable Future

Strategy



- 18 The Value of Responsibility and Strategy
- 19 Responsible Business Rules
- 21 Stakeholder Engagement

Promoting Common Growth of Industry

Cooperation



- 26 Supporting Global Energy Supply
- 30 Improving the Intrinsic Safety of Shipping
- 33 Serving Global Customers Professionally
- 37 Promoting Win-win Cooperation with Partners

Creating New Environment



- 42 Strengthening Marine Environmental Management
- 44 Promoting Green and Low-carbon Shipping

Enhancing Social Happiness

Together



- 50 Caring for the Growth of Employees Wholeheartedly
- 56 Committed to Targeted Poverty Alleviation
- 57 Actively Practicing Social Welfare



Chairman's Statement

2017 was an important year of implementing the "13th Five-Year Plan", was the deepening year of supply-side structural reform and also an extraordinary year. We earnestly implemented the strategic deployment of the country and COSCO Shipping Group, insisted on driven by innovation, focused on improving quality and efficiency, carried out sincere cooperations , accelerated the pace of development, kept the safety situation steady and deepened reform steadily and laid a solid foundation for the benign and sustainable development of the company.

Adhering to Strategic Guidance and Promoting High-quality Development. Focus on " Being the Global Energy Transportation Service Provider Who is Most Respected and Trusted ",target at the "Four Global Leadings" , based on the world-class scale of transportation, innovate in the model of energy transport business, optimize the structure of energy transport and global distribution, constantly strengthen the capacity of global customer service, actively serve the national "Belt and Road" Initiative, make remarkable progress in the field of oil and gas and promote the high-quality development of enterprises.

Adhering to Safe Production and Consolidating the Sustainable Foundation. We adhere to the safety concept of "Implementing High Standard Management, Ordering High Standard Ships and Manning High Standard Crew", continue to improve the safety management system, actively promote the implementation of responsibility system for safety production, strengthen the construction of shore-based management personnel and crew members, carry out the ship maintenance plan of full life cycle, strengthen the potential risks investigation, create the culture of safety production, effectively guard against security risks and improve the intrinsic safety of shipping.

Adhering to Green Development and Creating New Environment. We adhere to the concept of green development, strictly implement the provisions of the national law of the sea and international conventions, vigorously develop LNG transport business, enter the field of new energy transportation including methanol, ethanol and ethane, improve the environmental protection management system, make innovation in 5S site management, nanny management and other characteristic management methods, carry out the specific requirements of environment, health and safety to the whole process of ship construction, procurement, transportation and office. By optimizing the dispatching mode, we strengthen the technology reform of environmental protection, effectively reduce shipping energy consumption and pollutant emissions, and become the green shipping pioneer.

Adhering to Achieving Shared Growth Through Collaboration and Improving Social Well-being. We always adhere to "Talents Being the Primary Resource of Enterprises", pay attention to employee's rights and interests and their occupational health, promote the strategy of strengthening enterprises through talents, intensify employee trainings and open channels for career development, care for the life of staff, enhance staff cohesion and centripetal force. We actively respond to the national 2020 comprehensive poverty alleviation, carry out poverty alleviation and development and fixed support work in Yongde country, Yunnan province, Jiemuxi area, Yuanling in Hunan province and Riwoqe county in Tibet. We eager to join in social welfare activities, encourage employees to care about community development,

promote voluntary activities and create a harmonious and friendly external environment for the company's development.

Mission Calling for Responsibility and Leading the Future. Adhering to the "Five Transformations" and led by strategies, we are committed to achieve the transformation of fleet management from "focusing on market segments" to "providing whole-process logistics" , the transformation of marketing model from "the vessel -oriented approach" to "the customer-oriented approach" , the transformation of vessel management from "decentralized management" to "centralized management" , the transformation of operation management from "rough management" to "refined management" , and the transformation of operating personnel from "the perspective of shipping Dispatcher" to "the perspective of shipping trader" , and guarantee the national energy transportation security of oil, natural gas and other strategic energies.

We are committed to being an excellent leader in the global energy transportation industry with strong international competitiveness, brand influence and positive reputation from its clients and thus make more and greater contributions to the construction of beautiful China.

About Us

COSCO SHIPPING Energy Transportation Co., Ltd. (“COSCO SHIPPING Energy” or “the Company” , together with its subsidiaries, the “Group”) is a specialised company engaging in energy shipment such as oil and natural gas, and is a subsidiary of China COSCO Shipping Corporation Limited. Its predecessor is China Shipping Development Company Limited (01138, 600026), headquartered in Shanghai. COSCO SHIPPING Energy is committed to being an excellent leader in the global energy transportation industry with strong international competitiveness, brand influence and positive reputation from its clients. It will rely on the initiative of “One Belt One Road” with the objective of global operation strategy to serve large-scale petrochemical enterprises and strategic partners, thus provide the customers with the safest, the most secure and the best whole-process energy transportation solutions.

By the end of 2017, we owned 122 tanker capacities with a total shipping capacity of 18.73 million dwt, including an order of 24 oil tankers with 4.6 million dwt. The Company (together with its joint ventures and associates) operates 16 LNG carriers with 2.61 million cubic meters, including an order of 22 ship with 3.81 million cubic meters. The age of self-owned vessels was 7.6 year on average. Our tanker capacity scale ranked "top around the World", and the LNG capacity scale took lead domestically..



16 LNG carriers

2.61 million cubic meters

The average age of self-owned vessels

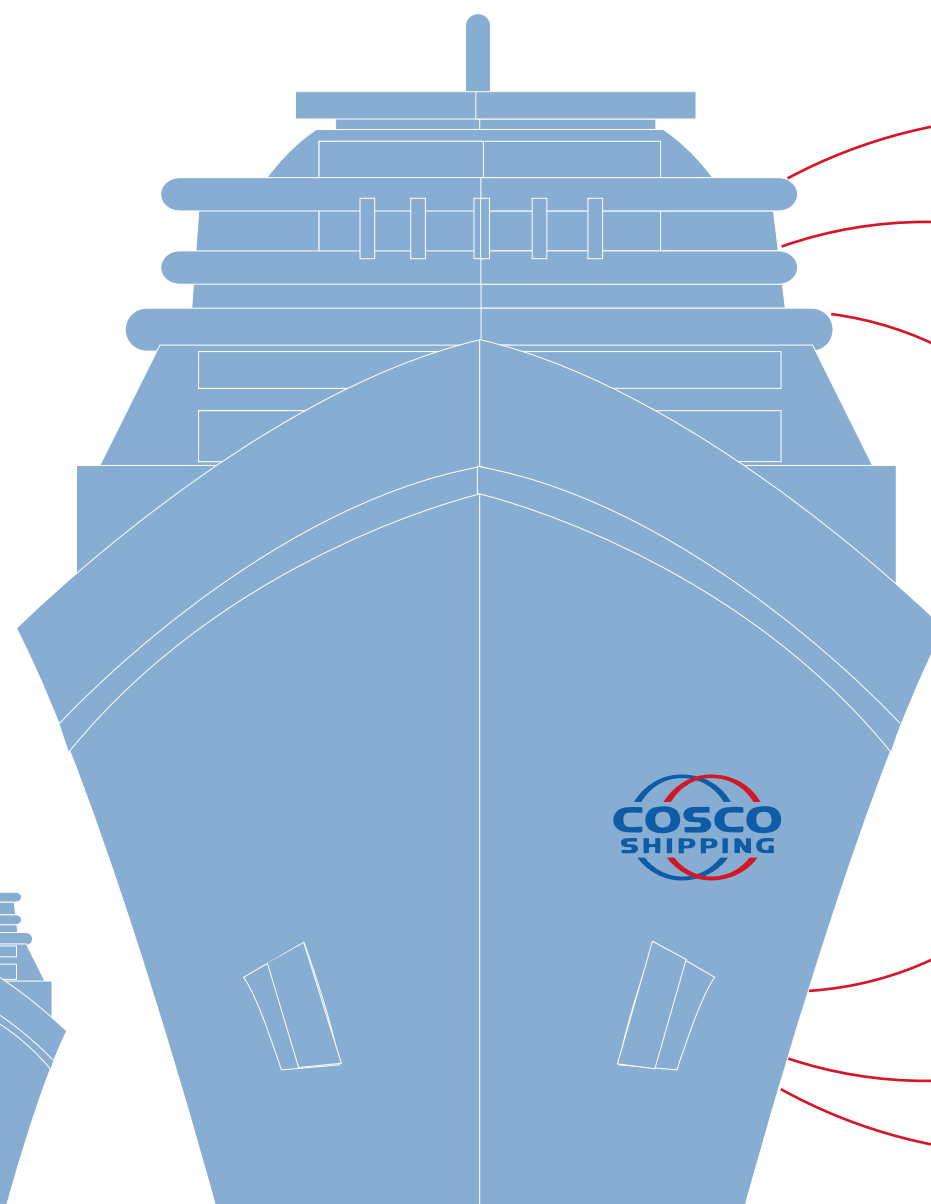


7.6 years

The age of self-owned vessels on average



Our tanker capacity scale ranked "Top around the World", and the LNG capacity scale took lead domestically.



Corporate Slogan

Integrated Capacity, Infinite Capacity

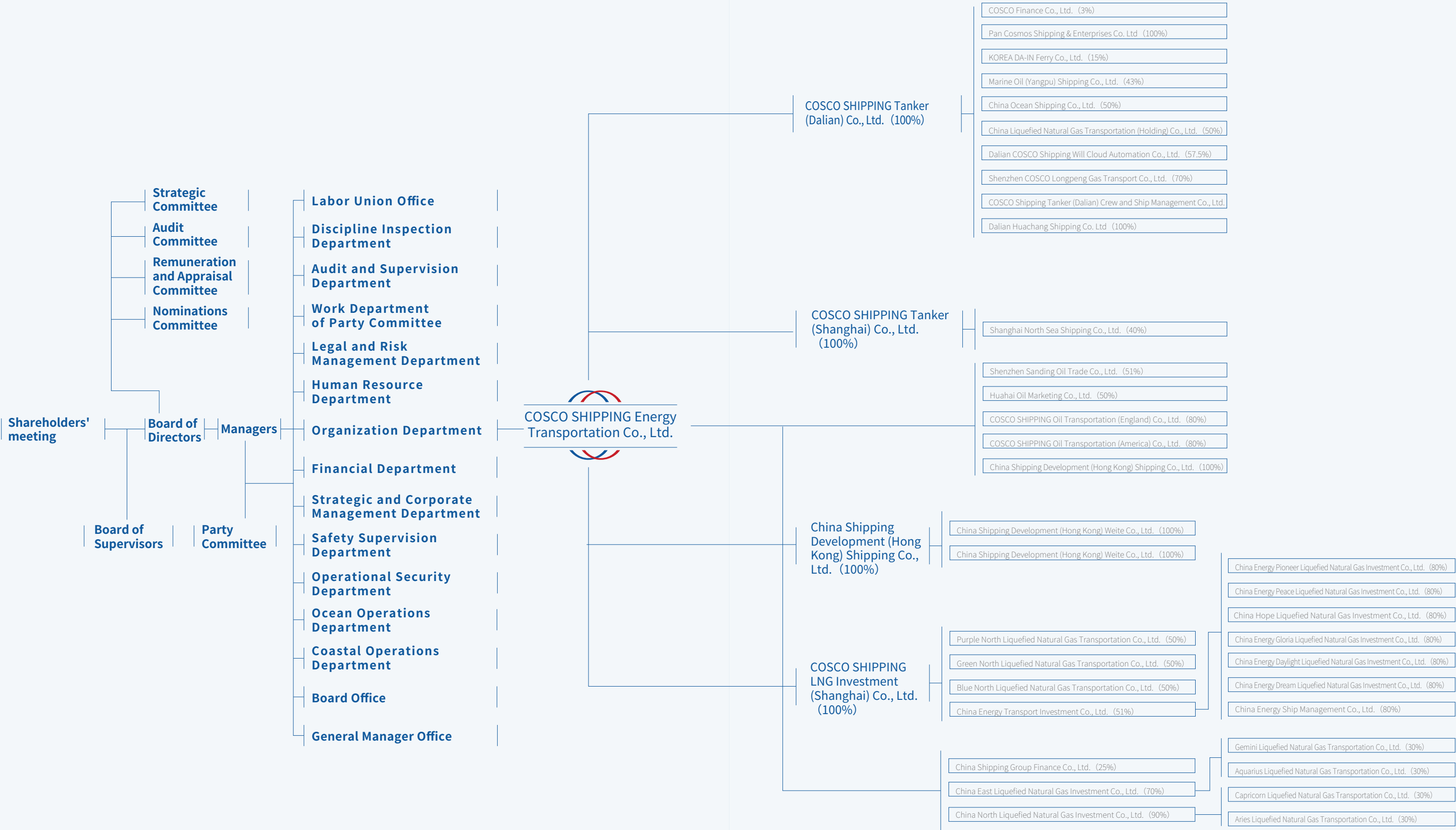
Corporate Vision

Being an excellent leader in the global energy transportation industry with strong international competitiveness, brand influence and positive reputation from its clients

Development Concept

Safe Development
Cooperative Development
Innovative Development

Organization Structure of COSCO SHIPPING Energy




Corporate Governance

We strictly comply with the domestic and overseas laws and regulations, companies listed securities regulatory rules, *the Articles of Association of COSCO SHIPPING Energy Transportation Co., Ltd.* and other rules and regulations, further improve corporate governance system, make reasonable adjustments on related issues in a timely manner, strengthen investor relations management, improve transparency in information disclosure, enhance the effectiveness of corporate governance mechanism, improve scientific decision-making and risk prevention capacity, and ensure corporate stable operation. In 2017, we have established 16 new rules and regulations.

Improving Governance Structure

We strictly comply with *the Corporate Governance Standards for Listed Companies, Shanghai Stock Exchange Listed Company Governance Guidelines of China Securities Regulatory Commission, Code on Corporate Governance Practices* of Stock Exchange of Hong Kong Limited and other rules and regulations. We have formed the corporate governance structure that consisted of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the corresponding Special Committees. Every governance body operates independently, balances effectively and runs coordinately.

the "Three Meetings and One Level" Member Structure of COSCO SHIPPING Energy

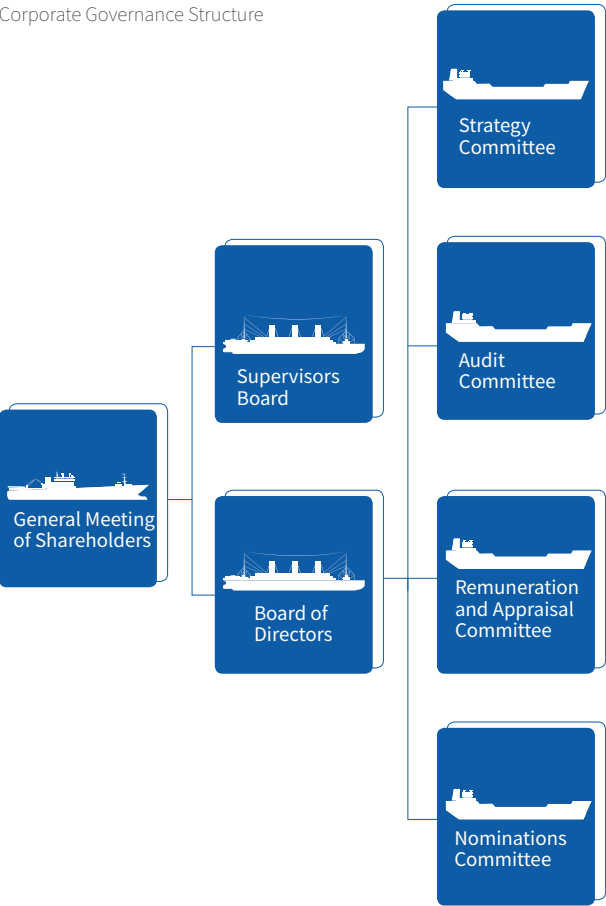
	
Shareholders Meeting	4 times
The Board of Directors Meeting	14times
The Board Bill Review	67items
The Special Committee Meeting of the Board of Directors Meeting	10times
The Board of Supervisors Meeting	8times

Note: The data above was till the end of 2017. All the meetings and decisions were strictly enforce the statutory procedures to ensure the decisions of the Board of Directors were lawful and compliant.

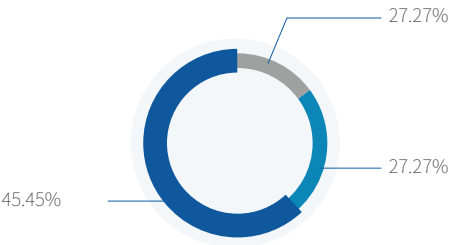
The Top 10 Stakeholders Shareholdings of COSCO SHIPPING Energy (by the end of December 31th, 2017)

China Shipping (Group) Company	38.12%	Guangdong Development Fund- Agricultural Bank- Guangdong Development and China Securities Financial Asset Management Plan	0.62%
HKSCC NOMINEES LIMITED	31.87%	China-Europe Foundation- Agricultural Bank- China-Europe and China Securities Financial Asset Management Plan	0.62%
China Huijin Asset Management Co., Ltd.	2.30%	Peng Heqing	0.46%
China Securities Finance Co., Ltd.	0.69%	Huang Peiling	0.32%
Harvest Fund-Agricultural Bank- Harvest Fund and China Securities Financial Asset Management Plan	0.62%	China Southern Asset Management Co., Ltd.- Agricultural Bank- China Southern and China Securities Financial Asset Management Plan	0.31%

Corporate Governance Structure

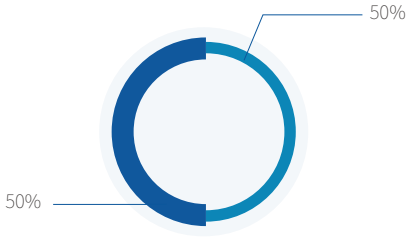


- Executive Director
- Non-executive Director
- Independent Non-executive Director



Members of the Board of Directors

- Shareholder Representative Supervisors
- Employee Representative Supervisors



Board of Supervisors



Investors visit in 2017

130

times



Receive investor calls in 2017

400

times

Strengthening Information Disclosure

We formulate the management system of information disclosure affairs and management measures of investor relations that are in accordance with the information disclosure requirements of the listed company. Disclose the relevant information normally, accurately, completely and timely through performance recommendation, reverse roadshow,conference call, investor relations website, released annual report, social responsibility report and other methods. We actively cooperate with the CSRC and the listed company association on its survey and consultation, answer and feedback the related concerns of investors, understand the appealing of the small and medium-sized shareholders through various channels, and ensure that all shareholders get effective information in a timely manner. We have released 149 announcements throughout the year of 2017.

Information Disclosure System	•Information Disclosure Transaction Management System
	•The Information Disclosure Delay and Immunities Transaction Management System of COSCO SHIPPING Energy Transportation Co., Ltd.
Information Disclosure Channels	•The designated newspaper are China Securities Journal and Shanghai Securities News
	•The designated websites are the Shanghai Stock Exchange Website, the Hong Kong Stock Exchange Website and the company official website
Investor Relations Management	•Receive the visiting of investors and analysts and answer their calls in time
	•Conduct the daily surveys of investors
	•Maintain a good relationship with the small and medium-sized investors through calls, online Q&A, e Disclosure of Shanghai Stock Exchange and other ways



Responsibility Topic

Sailing on Polar Silk Route to Take the Arctic Pearl

We should pursue the Belt and Road Initiative as a priority, give equal emphasis to "bring in" and "going global", follow the principle of achieving shared growth through discussion and collaboration, and increase openness and cooperation in building innovation capacity. With these efforts, we hope to make new ground in opening China further through links running eastward and westward, across land and over sea."

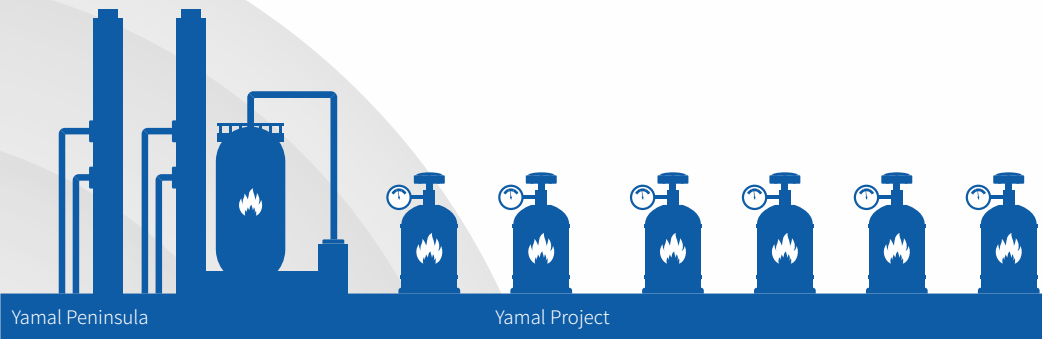
—Report of the 19th National Congress of the Communist Party of China

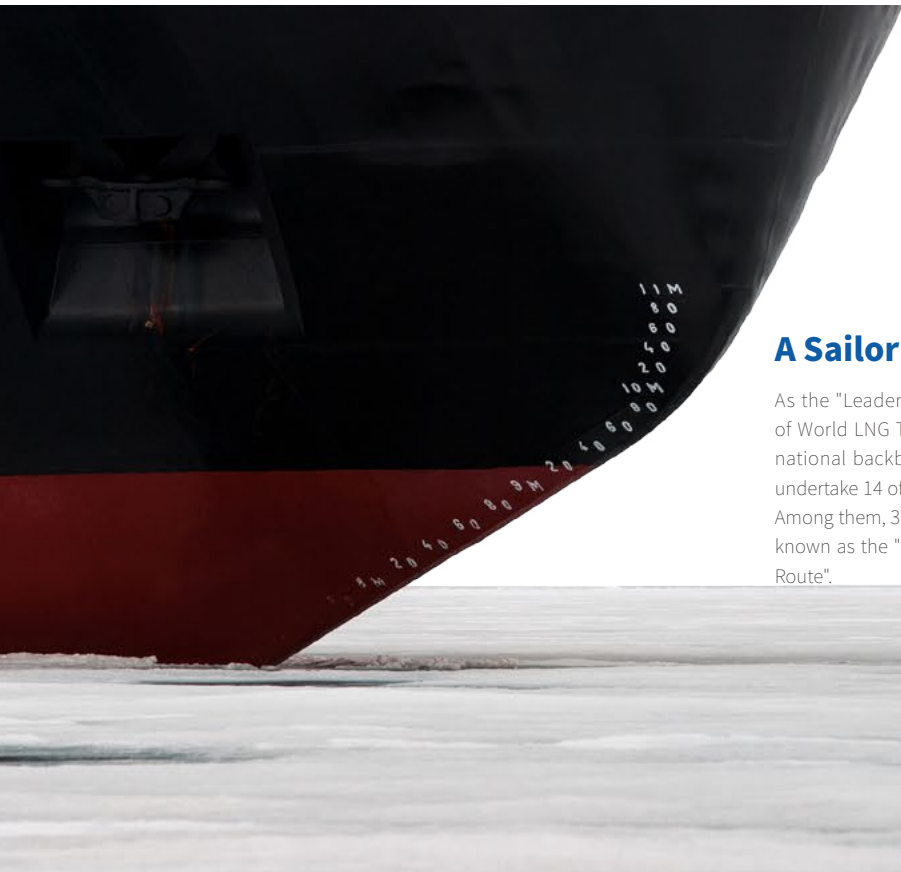
The Yamal LNG project, the largest economic cooperation project between China and Russia, is a whole industrial chain integrated project integrating natural gas and condensate oil exploitation, natural gas processing, liquefied natural gas (LNG) manufacturing and sales, and shipping. It is the first extra-large single project in the Russian core cooperation zone of the "Belt and Road" Initiative after China proposes the initiative, reflecting China's vision of building "a Clean and Beautiful World" and the silk road spirit of "Win-win Cooperation".

On 8th, December, 2017, under the unremitting efforts of the Yamal project team of COSCO SHIPPING Energy, the Yamal project was officially put into operation. It was of great significance for China to participate in the Arctic cooperation, ease the current tension of national gas supply and build the "Polar Silk Route" that connects the three major economic centers of North America, East Asia and Western Europe.

The Energy Pearl Embedded in the Arctic Circle

The Yamal Peninsula is home to Russian and the world's largest gas reserves. The Yamal project could be seen as a revolution in the development and transportation of Arctic energy (clean energy LNG) led by China and Russia. It has substantially expanded the geographical area of energy, would have a far-reaching influence on the global future energy industry development, the Arctic development, the Arctic channel and other aspects, and was honored as "the Energy Pearl Embedded in the Arctic Circle".





A Sailor on the "Polar Silk Route"

As the "Leader of China LNG Transportation" and an "Important Participant of World LNG Transportation", we fulfill the mission and responsibility of the national backbone fleets with the due boldness and courage of the sailors, undertake 14 of the 15 Arc7 polar ice-breaking LNG carriers of the Yamal project. Among them, 3 icebreaking LNG boats made by Shanghai LNG are affectionately known as the "troika" of Yamal, becoming the actual pioneer of the "Polar Silk Route".

Confronting Difficulty	Striving Ahead
Limited Time, Heavy Task	<ul style="list-style-type: none">On 3rd, April, 2017, the first ship H2424 was successfully undockedOn 11th, December, 2017, the first project ship successfully completed the gas trial mission. It established the shortest construction record of the 7-month period from the launch of the LNG ship of Korea Daewoo Shipyard to the completion of the gas and sea testOn 21st, December, 2017, the North Pole special icebreaker LNG Carrier was officially named "Vladimir Rusanov" in Korea Daewoo Okpo Shipyard.
Low Temperature Frozen Ground, and Thick Ice.	<ul style="list-style-type: none">Lead technological innovation. The icebreaker boasts the world's top ARC7 ice breaking capability. It is designed for navigation in the ice area in the way of promoting, structure and anti-freezeThe propulsion system adopts a pod type full - rotating electric propulsion system, which is powered by a dual - fuel generatorThe entire pod thrusters can rotate 360 degrees around the vertical axis of the ship. It can not only move back and forth freely, but also complete all kinds of "Difficult Movements", such as "traverse moving" and "spinning on the spot"Propeller blades are made of solid stainless steel and can be cut directly into ice



Responsibility of "Sailors"

To create our own "Queen of Ice and Snow", the team of Yamal project has been rooted in Geojedo Island over the years, overcame difficulties with due diligence, ensured the ship successfully launched on time, and laid a solid foundation for the smooth progress of the whole project.

- Chen Ming, the director of the project supervision team, was on the job as newlyweds. The bright light of the dormitory at night was the only companion of the young man in a foreign country. His only hope was: "'Queen of Ice and Snow'" would bring the Chinese New Year to the Arctic Circle.
- Xie Guangming, the captain of the supervision team responsible for Cargo tank supervision, overcame the difficulty of not driving, rode a bicycle to climb the slope for more than 20 kilometers every day to go through the scattered test sites
- Miao Zhilun, the captain responsible for the engineer supervision, was nicknamed the "Chief Engineer on Wheels". He would drive nearly 4, 000 kilometers each quarter to complete more than 20 off-site inspections



Fighters of the Dream of "Maritime Power"

In the future, COSCO SHIPPING Energy shall grasp the emerging market opportunities brought by green energy revolution, take the historical opportunity of entering the Arctic route of LNG carrier, build the strategic leading edge, better fulfill the mission of safeguarding national energy security, and at the same time, continue to play the industrial leading role in ensuring national energy security, and help China realize the "Dream of Maritime Power" at an early date.



Scanning and Looking at the Stories Behind Picking the Arctic Pearl

Strategy

Contributing to Sustainable Future

Challenges and Opportunities

"We should be good at managing risks. We will improve risk prevention and control mechanisms in all areas, skillfully handle various complex issues, overcome all difficulties and obstacles that we meet on our way, and keep a firm hold on the initiative in our work."

—Report of the 19th National Congress of the
Communist Party of China

Our Actions

- Give full consideration to the expectations of stakeholders in operation; commit ourselves to being responsible for every stakeholder.
- Adhere to managing enterprises according to law, strictly abide by the national laws and regulations of international conventions and strengthen the deep combination of legal work and production operation.
- Strictly adhere to the policies and regulations and strengthen overall risk management and internal control.



The Value of Responsibility and Strategy

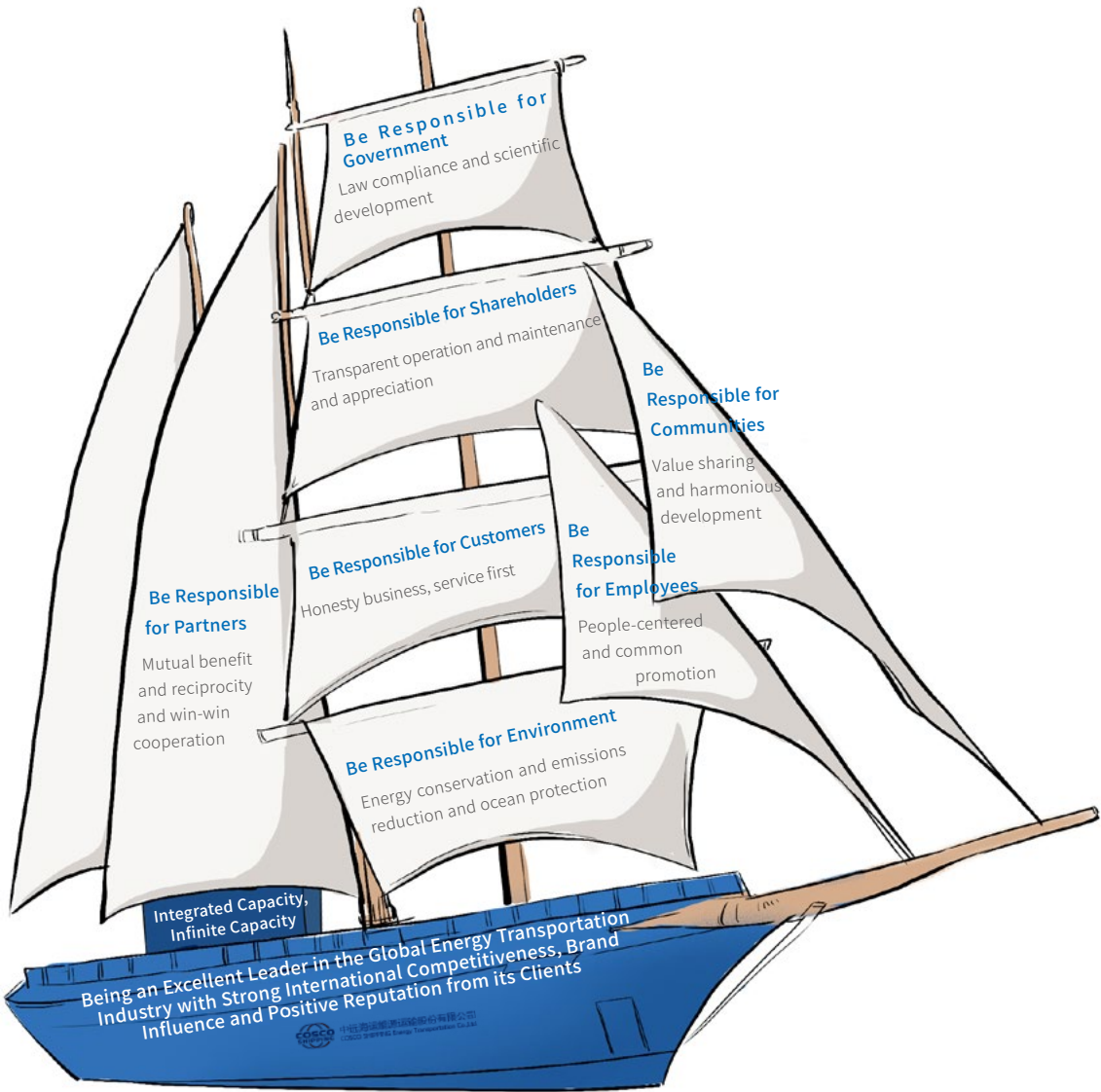
The Value of Responsibility

We take the corporate slogan of "Integrated Capacity, Infinite Capability" as the power, regard the government, shareholders, customers, partners, employees, communities, environment and other stakeholders as the indispensable important forces that guarantee the development of company, and commit ourselves to being responsible for every stakeholder.

Promotion Management of Social Responsibility

The office of Board of Directors is responsible for the social responsibility and other related matters, actively discloses social responsibility practice information to stakeholders, has compiled *Social Responsibility Report* for many years, sets "Social Responsibility" column on the company's homepage to better disclose the responsibility performance of promoting sustainable development of economic, social and environment. In 2017, we were awarded the environmental protection award of the 12th people's enterprise social responsibility award and won the corporate social responsibility award of Chinese listed companies for 3 consecutive years.

Be Responsible for Government	Conduct operation according to law and regulations, guide the company with the concept of scientific development, maximize the economical, social and environmental value
Be Responsible for Shareholders	Adhere to the principle of transparent operation, operate scientifically to achieve maintenance and appreciation of assets value, and guarantee the legitimate rights and interests of each shareholder
Be Responsible for Customers	Take the good faith as the highest criterion, adhere to the tenet of customer-centric and provide the excellent and reliable service for customers
Be Responsible for Partners	Adhere to the principle of mutual benefit and reciprocity, seek develop from cooperation, and continue cooperate from the win-win results
Be Responsible for Employees	Putting people first, safeguard the rights and interests of employees, accomplish the common development of employees and corporation
Be Responsible for Communities	Publicize the corporate value to the local community, achieve the harmonious and friendly relationship between enterprise and community
Be Responsible for Environment	Strictly follow the environmental protection requirements of energy conservation and emissions reduction, try our best to reduce the effects of maritime operations on the marine ecological environment



Social Responsibility Values Model



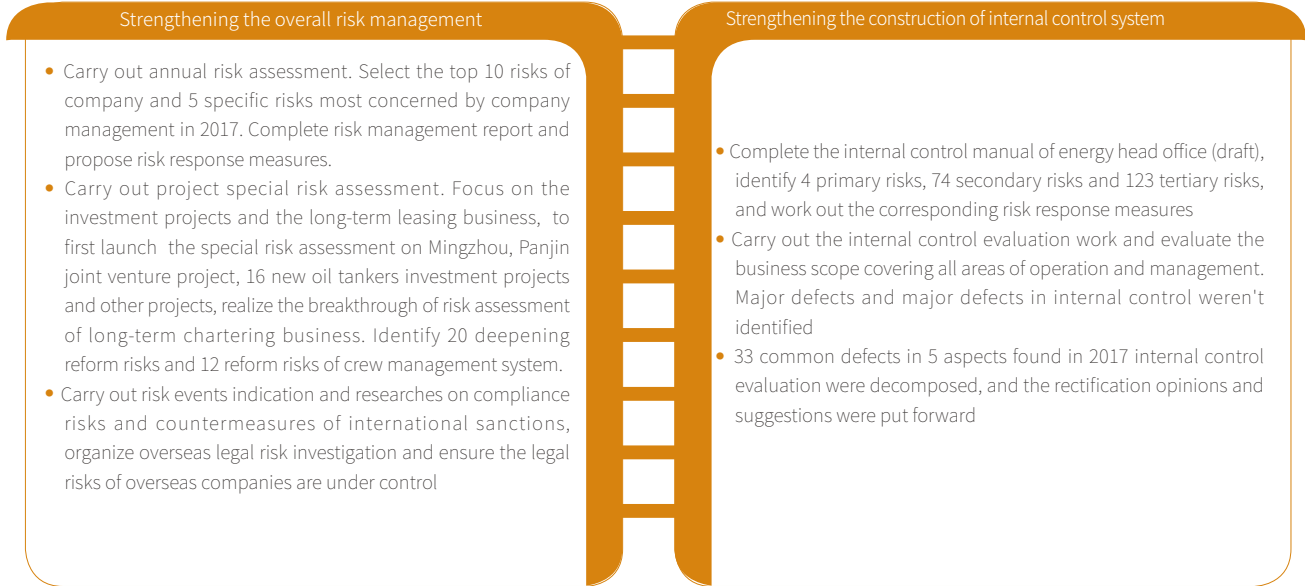
Responsible Business Logic

Operating in Accordance with the Law and Regulations

We adhere to improving the working mechanism of managing enterprises according to law, strictly abide by the international convention and the national laws and regulations, strengthen the deep combination of legal work and production operation and provide legal support for the production and operation of the company. We implement the contract management method, further strengthen contract review, seal management, major contract terms change management, contract account management and archives management, , make plans for the formulation of 2017 model contract, carry out the establishment of internal and foreign trade lease contract model, the model clauses of domestic trade demurrage and the model of domestic trade voyage charter contract. We carry out in-depth publicity of education activities and raise the legal awareness of managers and employees, and create a good atmosphere for self-learning, knowing, abiding b and using laws. In 2017, our legal review rate of internal and foreign trade lease contract and COA contract and other major business contract was 100%, the legal review rate of contract resolution and other legal documents involved in our major projects was 100%, and the legal Corporate Social Responsibility Report

Comprehensive Risk Management and Internal Control

Comprehensive risk management and internal control are the key to ensure the continuous and stable operation of company. We strictly comply with the policies and regulations, formulate the *Manual of Comprehensive Risk Management and Internal Control System Management*, carry out risk assessment and project specific risk assessment, enhance risk event indication, propose risk response measures on various risks, implement and follow up gradually. We constantly improve the internal control system and strengthen the construction of internal management system, complete the internal control manual of COSCO SHIPPING Energy (draft), integrate the COSCO SHIPPING Energy, Dalian Tanker, Shanghai Tanker, Shanghai LNG and China Shipping Development (Hong Kong) into the evaluation units, conduct internal control and self-evaluation, rectify the defect in time, improve the operating level and risk prevention ability of company.



Anti-corruption and Anti-commercial Bribery

We strictly abide by the business logic of maintaining incorruptible, take anti-corruption and anti-commercial bribery as the focus of company management, continually improve systems and mechanisms and strengthen responsibility implementation, promote integrity risk prevention, launch integrity education at all levels, and form the long-term mechanism of "dare not, cannot and do not want to be corrupt". In 2017, there were no increasing lawsuits about integrity in company.

Improve the anti-corruption mechanism	<ul style="list-style-type: none">Organize the subordinate units to sign the letters of "Two Duties for One Post", refine and clarify the assessment criteriaThrough collective and individual talks, implement the anti-corruption responsibility
Promote integrity risk prevention and control	<ul style="list-style-type: none">Make solid progress in the prevention and control of integrity risks and analyze problems, collect 31 amendments on the ship integrity risk prevention and control measuresEstablish the ship integrity risk dynamic investigation mechanism, and timely master the ideological trend of crew
Strengthen the anti-corruption campaign	<ul style="list-style-type: none">Carry out education month series activity with the theme of "Building Style Business Card, Advocating Incorruptible work", including the organization of ships to carry out discussion on integrity risk prevention and control measures, seminar on anti-commercial bribery, visit the exhibition hall of "Good Eighth Company on Nanjing Road", carry out the integrity story collection campaign of "Integrity Flowers Blooming to Escort the Voyage" and other activities.On OA platform, forward the typical case report of the group to educate the people aroundPush 13 articles on the column of "Uncorrupted Energy" in WeChat platform. The contents include the interpretation of 7 Plenary Meetings of the Central Commission for Discipline Inspection, the integrity holiday reminds and the interpretation of discipline

Stakeholder Engagement

Substantive Issues Analysis

According to the work process and methods of social responsibility issues management that are developed by research institutions, we collect and recognize the social responsibility issues from many stakeholders and various sources, analyze and determine the substance and importance of issues in accordance with the analysis matrix of "the Impact on Company-the Influence on Stakeholders" and provide guidance for the company to carry out the social responsibility work with diversification and target.

Sources of Issues	Issues List
Experience source <ul style="list-style-type: none">International standard guidelines: <i>the United Nations Global Compact 10 Principles</i>, International Organization for Standardization, <i>ISO26000 Guidance on Social Responsibility(2010)</i>, Global Reporting Initiative <i>Sustainability Reporting Guidelines (GRI4.0)</i>, Hong Kong Stock Exchange <i>Environment, social and governance reporting instructions(2016)</i>.Benchmarking: the sustainable development report of Maersk Group, the social responsibility report of Nippon Yusen Kaisha Line and so on	Anti-corruption and anti-commercial bribery; secure global energy supply; excellent service; responsible purchase; Safety shipping; Green shipping; Climate change; Green office; Rights and interests of employees; Career development; Occupational safety and health; Community participation; Sea rescue; the fixed-point poverty alleviation; Social welfare; Volunteer service
Internal source <ul style="list-style-type: none">Monitor on policy and legal environment, social and natural environmentAnalyze the social and environmental impacts in company operatingCollect social responsibility issues from the insideMonitor on corporate public opinion	
External Source <ul style="list-style-type: none">Visit investors, investigate customers, have meetings with government, communicate with media, pay visit to community, social organizations communicate with experts outside	
Theoretical Source <ul style="list-style-type: none">Triple bottom line theory, stakeholder theory and the pyramid model	

Recognition on Social Responsibility Issues

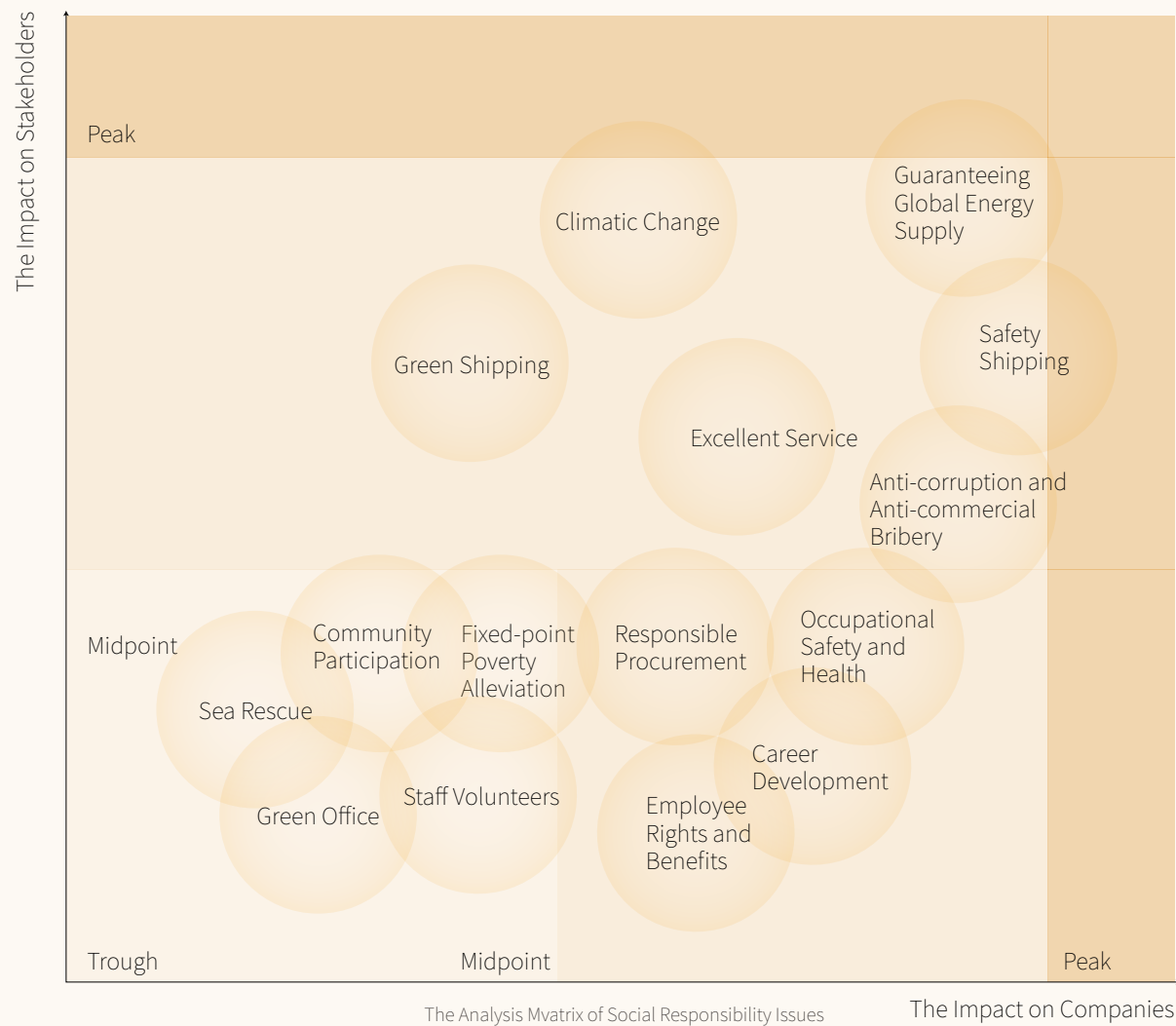


Table of Stakeholders

Category of Stakeholders	Appealing and Expectations	Company Responses
 State-owned Assets Supervision and Administration Commission of the State Council	Preserving and increasing the value of state property; Consciously accept the oversight of state-owned assets supervision and administration; Play the leading role of state-owned enterprises and actively fulfill the social responsibility	<ul style="list-style-type: none"> Promote the sustainable and steady growth of business and profit, and strengthen the communication and report with the state-owned assets supervision and administration commission Release the corporate social responsibility report, and actively implement such CSR projects as company poverty alleviation
 Shareholders	Share prices grow steadily Operate transparently and disclose major decisions to shareholders	<ul style="list-style-type: none"> Constantly improve profitability Hold the General Meeting of Stockholders Release the annual report and social responsibility report on a regular basis
 Government	Operate in accordance with the law and regulations Promote employment and local economic and social development Strengthen environmental protection	<ul style="list-style-type: none"> Observe laws and disciplines. Create jobs for business locations Drive the development of upstream and downstream All the performance of environmental protection reaches the standard
 Customers	Energy transportation is safe, efficient and lower cost Service is qualified and responded quickly	<ul style="list-style-type: none"> Optimize the layout of global network and offer personalized service Open channels for customer complaints Conduct the shipping safety management well and respond to the pirates and natural disasters
 Employees	The steady growth of wages and benefits Opportunities for Career Advancement; Safe and healthy working environment; The open channels of expressing demands	<ul style="list-style-type: none"> Provide better benefits Carry out various staff trainings Conduct staff comprehensive mutual medical security plan, comfort the frontline staff and care for the employees in difficulty Launch the workers congress, employee symposium and other communication meetings
 Suppliers	Stable business relationship; Fair open and just business procurement; Capacity promotion and mutual growth	<ul style="list-style-type: none"> Provide the fair opportunity and select the best suppliers Require reasonable price and highly qualified service Conduct responsible procurement and grow up together with suppliers
 Partners	Cooperate to play their respective advantages to achieve mutual benefit and win-win results	<ul style="list-style-type: none"> Signe a strategic cooperation agreements Open the ships to university students for internships Senior leaders also undertake the role of part-time professors in university
 Media	Transparent operation Timely communicate and respond to major issues	<ul style="list-style-type: none"> Hold media communication meetings and press conference Release news information
 Community	Protect the community living environment Promote poverty alleviation development of community	<ul style="list-style-type: none"> invest in community building and poverty alleviation Launch the fellowship activity with the street and community residents, hold the activities of sending love and warm
 Social Organizations	Protect marine environment; Participate in programs for public good like supporting of the environment protection and community development Promote the development of ocean shipping industry	<ul style="list-style-type: none"> Release the CSR Report to disclose performance in economy, safety, society, environment and other aspects on our own initiative Attend industry forum meetings Donate to social organizations or pay membership dues

Cooperation

Promoting Common Growth of Industry

Challenges and Opportunities

"Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development. Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships"

—The 2030 Agenda for Sustainable Development of the United Nations

Our Actions

- Serve "the Belt and Road" Initiative, meet the potential energy transport needs of countries along the routes, take the major project as carrier and establish coordinately a global operation and service system for whole-process energy transportation
- Spare no effort to carry out oil and gas transportation, build the world-class transportation scale, innovate in the energy transport business model and strengthen the intensity of market development in domestic and foreign trade
- Focus on the development strategy of "Big Customers, Big Cooperation and Big Service", provide customers with safer, more comprehensive and better service worldwide
- Strengthen the exchange visits and communications with partners, promote the responsibility procurement, standardize the procurement process and supplier responsibility management and enhance the overall performance of supply chains

Supporting Global Energy Supply

Focusing on the development vision of "being an excellent leader in the global energy transportation industry with strong international competitiveness, brand influence and positive reputation from its clients", we adhere to the strategic goals of "Four Global Leadings", spare no effort to carry out oil and gas transportation, build the world-class transportation scale, innovate in the business model of energy transports and strengthen the intensity of marketing development in domestic and foreign trade,and play an important role in international trade and transportation. In 2017, our rotation volume of freight transport was 406.7 billion tons miles, and the volume of goods transported by tankers was 119.35 million tons, including 109.74 million tons crude oil and 9.61 million tons refined oil.

 **119.35** million tons

The volume of goods transported by tankers

 **406.7** billion tons

Our rotation volume of freight transport

 **155** ships

We have owned or controlled oil tankers and LNG carriers of all kinds

 **19.67** million dwt

The whole scale of transport capacity was over

Building the World-class Transportation Capacity

With the direction of "the Belt and Road" Initiative, based on the "State-owned Oil with State-owned Transport", we closely follow the pace of business development of China oil and gas companies, through "Shipbuilding with Cargos" and other business innovation, solve the contradiction between the scale development of fleets and the excess capacity of market, realize corner overtaking and improve the ship structure and the modernization level of company. By the end of 2017, we have owned or controlled 155 oil tankers and LNG carriers of all kinds (125 state-owned ships in total) through acquisition, lease and other methods, and the whole scale of transport capacity was over 19.67 million dwt. We have become the largest oil and gas transportation enterprise.

Oil Transport	<ul style="list-style-type: none">Sign 7 ship construction contracts with Sino-ship International Trading Co. Ltd, and Guangzhou Shipyard International Co., Ltd., subsidiaries of China State Shipbuilding Corporation, including 2 crude oil tankers with a capacity of 64900 dwt, 2 refined oil/crude oil tankers with 109900 dwt and 3 crude oil tankers with 114000 dwtSign 4 VLCC and 3 SUEZMAX shipbuilding contracts with Dalian Shipbuilding Industry Group Co., Ltd.,a subsidiary of China State Shipbuilding CorporationSign 2 VLCC shipbuilding contracts with Dalian COSCO KHI Ship Engineering Co., Ltd.The equity acquisition project of PetroChina Shipping Dalian Company was successfully completed, which marked an important breakthrough for company in integrating the strategic business of domestic trade refined oil
	<ul style="list-style-type: none">On 11th, December, 2017, the first LNG carrier of Yamal project was completed the gas trial mission in ice zoneSuccessfully acquire 50% stakes of the 4 conventional LNG ships of Mitsui OSK Lines (MOL) with a total capacity of 174,000 cubic metersShanghai LNG received the 3 new LNG ships with 174,000 cubic meters within the APLNG project,they are CESI Qingdao Vessel, CESI Beihai Vessel and CESI Tianjin Vessel. They would serve the coastal port routes from Australia to China and the total annual volume would be over 3 million tons

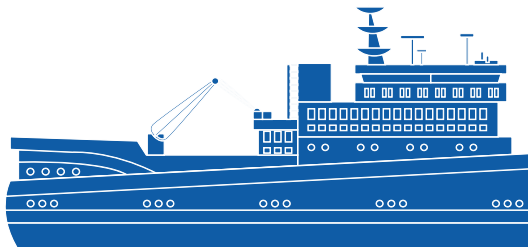
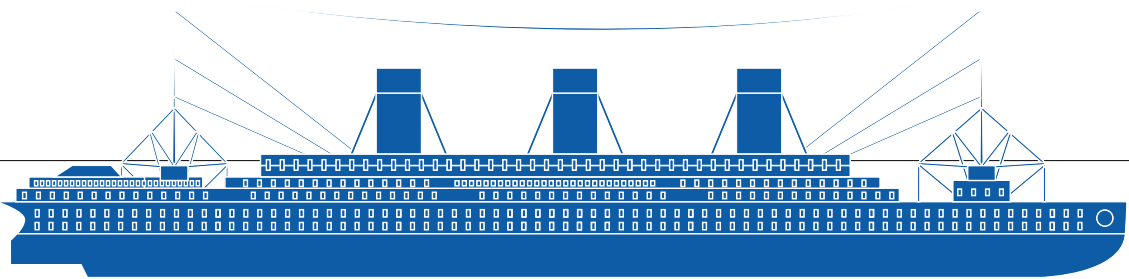
Overview of 2017 New Vessels

Date of Built	Name of Vessel	DWT/ CBM	Type of Ship
On 16th, January, 2017	Lianhuanhu	50,239	Handy-size
On 26th, April, 2017	Tianhezuo	64,986	Panama
On 4th, December, 2017	Liansonghu	72,745	Panama
On 25th, May, 2017	Lianxihu	50,252	Handy-size
On 1st, August, 2017	Lianlehu	50,239	Handy-size
On 28th, April, 2017	Nanlinwan	109,700	Aphra
On 28th, July, 2017	Ronglinwan	109,783	Aphra
On 6th, June, 2017	Xinlongyang	308,376	VLCC
On 1st, August, 2017	Xinweiyang	308,313	VLCC
On 2nd, May, 2017	Yuanzunhu	308,084	VLCC
On 12th, September, 2017	Yuanyuhu	308,085	VLCC
On 9th, November, 2017	Yuanwanghu	308,152	VLCC
On 10th, August, 2017	Yuanxihu	310,574	VLCC
On 6th, January, 2017	China Energy Qingdao	173,999	LNG
On 31st, May, 2017	China Energy Beihai	174,197	LNG
On 26th, September, 2017	China Energy Tianjin	174,000	LNG
On 18th, May, 2017	Beihai Pioneering	63,401	Panama
On 2nd, September, 2017	Beihai Progressing	63,401	Panama
On 13th, October, 2017	PANASIA	174,000	LNG
On 26th, December, 2017	Boris Vilkitsky	172,410	LNG



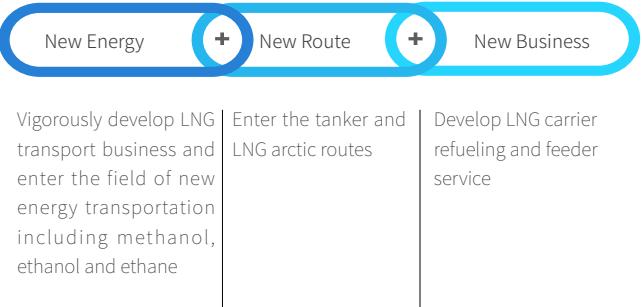
Customized Service for "Ship Building According to Cargos"

Since February, 2017, we have made business innovation in "Ship Building according to Cargos", customized the "Nanlinwan" and "Ronglinwan" Vessel for Shell, the world's largest oil company. Besides, the "Nanlinwan" Vessel was not only equipped with the energy saving device, satisfying the special space requirements for Shell to arrange the accommodation ladder in the parallel middle body and avoiding the hanging arm of the hose, but set up anti-piracy facilities to meet the requirements of Shell, making sure the two phones in contact with the outside world remain valid and effective in dangerous situations. On 18th, April, the crude oil "Nanlinwan" Vessel with a weight of 110 thousand tons appeared in Guangzhou. According to the customized agreement, the ship would provide Shell with more than 5-year oil operation service directly. In July, the "Ronglinwan" Vessel was also put into operation.



Seizing Opportunities for Green Energy Development

With the further implementation of the international policy on sulfur restriction, and the development, research and utilization of green energy ships becoming more and more mature, the green energy in marine market has become an inevitable trend. We actively grasp the emerging market opportunities brought by the green energy revolution, promote the forward-looking layout and overall upgrade of business structure, vigorously enter the field of "New Energy, New Routes and New Business", and implement the "advancing blue ocean" strategy of the emerging market.



Carrying out Tripartite Cooperation in Green Energy Revolution with IGPM and Jinguo Investment

The methanol industrial park project of American IGP Methanol Co., Ltd. planned in Louisiana, America (hereinafter referred to as "Park Project"), adopts the world's most advanced natural gas methanol patented technology to produce the basic chemical methanol. It has the advantages of technical maturity, reliable technology and low emissions. The methanol park project included 4 methanol plant projects of a capacity of 1.80 million tons per year and was divided into two phases of implementation. The first phase of the project was invested by Jinzhou Port and its wholly-owned subsidiary, Jinguo Investment (Dalian) Development Co., Ltd..

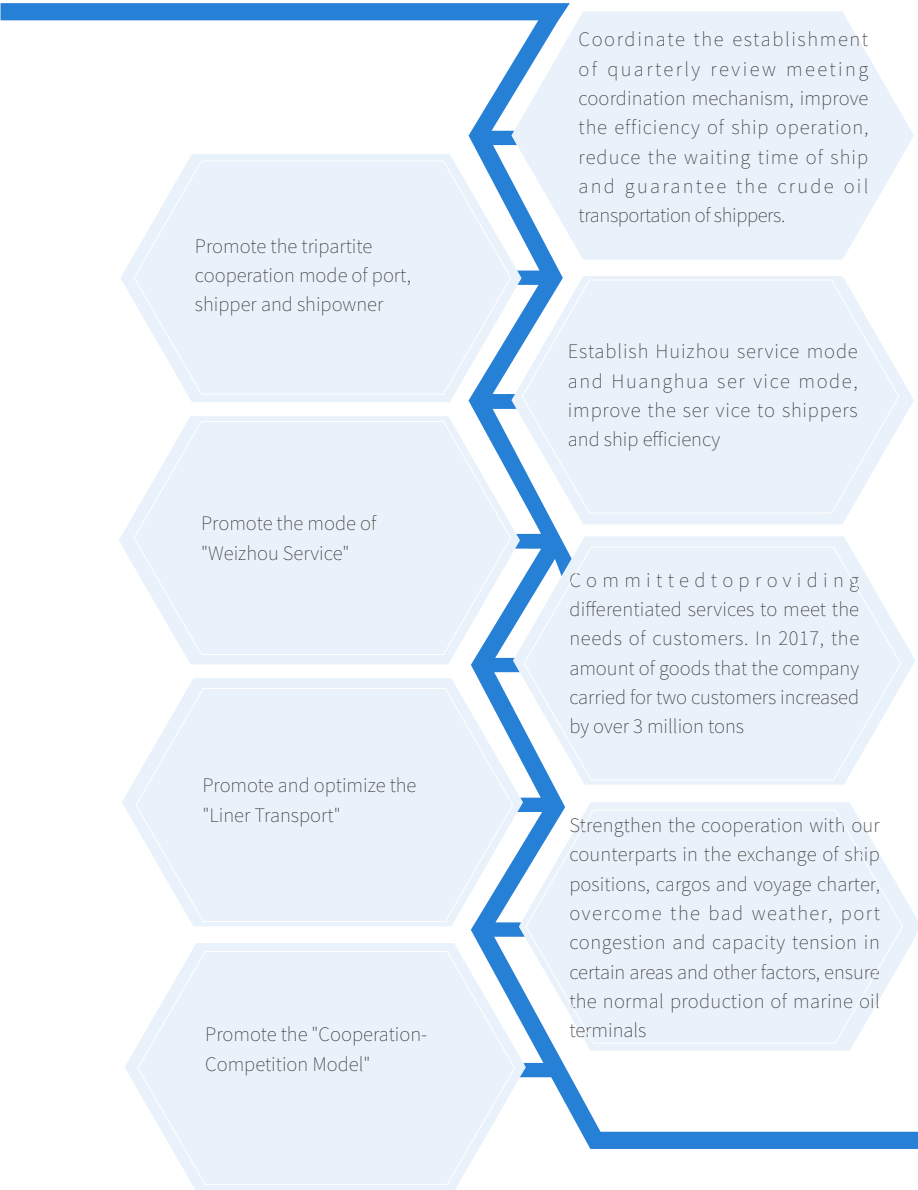
After several communications with Jinguo Investment, and the negotiations between Jinguo Investment and its partner IGP Methanol LLC (short for IGPM), the three parties finally reached the preliminary cooperation intention on jointly promoting the methanol project of the Gulf of Mexico in USA. This partnership would be an emerging market opportunity for the company to grasp the green energy revolution and the key steps towards new energy transportation. It was also an important symbol for the company to promote the transformation and upgrading of traditional business.



Innovating in Business Model of Energy Transportation

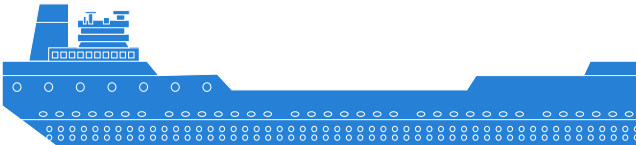
We are committed to becoming the "Whole-process Energy Transportation Provider for Global Customers". We introduce the mindset of cross-boundary integration, sharing economy and other thoughts, strengthen the innovation in business models, promote "Weizhou Service", optimize "Liner Transport", promote the "Cooperation -Competition Model" and other methods, continuously meet the personalized and differentiated needs of customers, and share win-win results and sustainable development with stakeholders.

Establishing new business model, improve customer service and ship operating efficiency



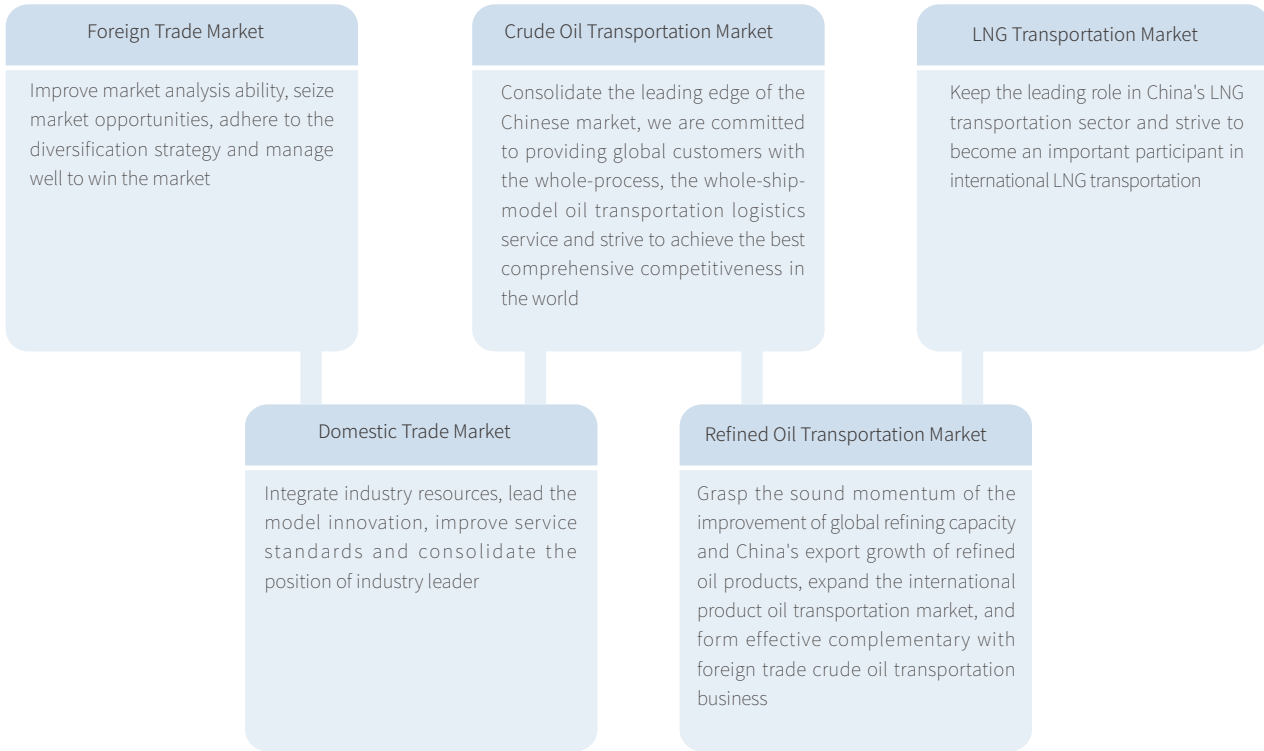
On Time Liner Shipping Project of Domestic Trade of Crude Oil

In 2017, we continued to implement and optimize "Liner Transport" in the market of domestic crude oil transportation. Provide customers with differentiated services to meet their needs and improve service quality. In 2017, there were 9 customers in the domestic trade adopted the liner shipping model of fixed ships and lines. Besides, we made innovation in the cooperation model of port, voyage and cargo, carried out coordinately the on time liner shipping model of "Fixed Ship Fixed Line" in the domestic trade of crude oil transportation market. While improving the freight quality operation efficiency and ship revenue, we provided customers with close-fitting service, formed the premium brand of company, and led the transportation market of domestic trade of crude oil.



Improving the Performance of Domestic and Foreign Trade

We constantly optimize the structure of international and domestic business, focusing on the development needs of customers, adhere to realize the "Linkage of Domestic and Foreign Trade", the "Linkage of Large and Small Fleets" and the "Linkage of Black and White Oil", realize the common development of domestic and foreign trade market, emphasize the crude oil, refined oil, liquefied natural gas and other business sectors, and provide strong support for safe and reliable transportation of global energy.



Improving the Intrinsic Safety of Shipping

We are guided by the strategy of "Safety Marketing World Leading", adhere to the safety concept of "Implementing High Standard Management, Ordering High Standard Ships and Manning High Standard Crew", conscientiously carry out the safe production policy of "Safety First, Precaution Crucial and Comprehensive Treatment", take security as product and core competitiveness, and strive to provide global customers with the safest and the best logistics solutions.



2017 Safety Performance Table of COSCO SHIPPING Energy

Performance Index	Unit	2017	Performance Index	Unit	2017 年
Investment in production safety	Ten Thousand yuan	34224.1	The success rate of typhoon and flood prevention	%	100
Extra serious accidents	unit	0	The success rate of anti-piracy	%	100
Major accidents	unit	0	ISPS passing rate of checkup	%	100
Accidents	unit	0	Potential safety hazard checking and controlling activities	Times	12
Ordinary accident	unit	0	Potential safety hazard	Items	21457
Minor accidents	unit	4	Rectify and reform	Items	21233
PSC passing rate of checkup	%	100	The rate of rectification	%	98.96
The passing rate of zero defect annotation	%	80.53	Duty-related death	Unit	0

Strengthening the Construction of Safety Management System

In 2017, we strived to establish a unified and high-standard safety management system, integrated direct company and crew resources according to the work thinking, organization and responsibilities, cost budget, action plan, overall work plan and task breakdown sheet, formulated the unified high-standard safety management system and the part of documents and records on ship management.

Throughout the year of 2017, we have basically completed the formulation of documents and records of ship management, preliminarily completed the formulation of 9 management modules, 96 documents and 403 records.

Deepening the Prevention and Control of Safety Risks

We firmly establish the safety philosophy of "Three High Standards", effectively prevent and control security risks, analyze, expect, investigate, judge and control comprehensively on all kinds of security risk points, implement seasonal and regional security measures and minimize or eliminate security risks.

Typhoon and flood prevention	<ul style="list-style-type: none">Intensify efforts to check the hidden dangers of typhoon and flood prevention, find the shortage of system management and measures implementationBy the end of 2017, 27 typhoons in the northwest Pacific have been prevented in total, 131 ships were affected and the success rate of typhoon and flood prevention was 100%
Anti-piracy	<ul style="list-style-type: none">Formulate and release the <i>Guidance on Anti-piracy Work of COSCO SHIPPING Energy</i>Strengthen the tracking and monitoring on the daily anti-piracy situationBy the end of 2017, there have been 397 ships to monitor the navigation vessels in high-risk waters, 12 ships joined the escort fleet, hire security guards 89 times and the successful rate of anti-pirate was 100%
Winter precaution work	<ul style="list-style-type: none">From November 15th, 2017 to March 15th, 2018 is regarded as the winter safety working activity period. Release the <i>Notice on Conscientiously Doing the Winter Defense Work</i>, timely make preparation and arrangement of winter defense work, strengthen the inspection with the safety inspection activities
Potential risks identification	<ul style="list-style-type: none">With the principle of "Network Type and Full Coverage", inspect the vessels, including the ship of the joint venture companyBy the end of 2017, we have carried out 12 safety hazard inspection activities, checked 21457 safety hidden dangers, rectified 21233 items and other rectifications are ongoing
Ship safety	<ul style="list-style-type: none">Adhere to the maintenance management of ship life cycle plan, identify maintenance standards and establish a complete planned maintenance systemIn 2017, we completed the repair of 39 ships in total



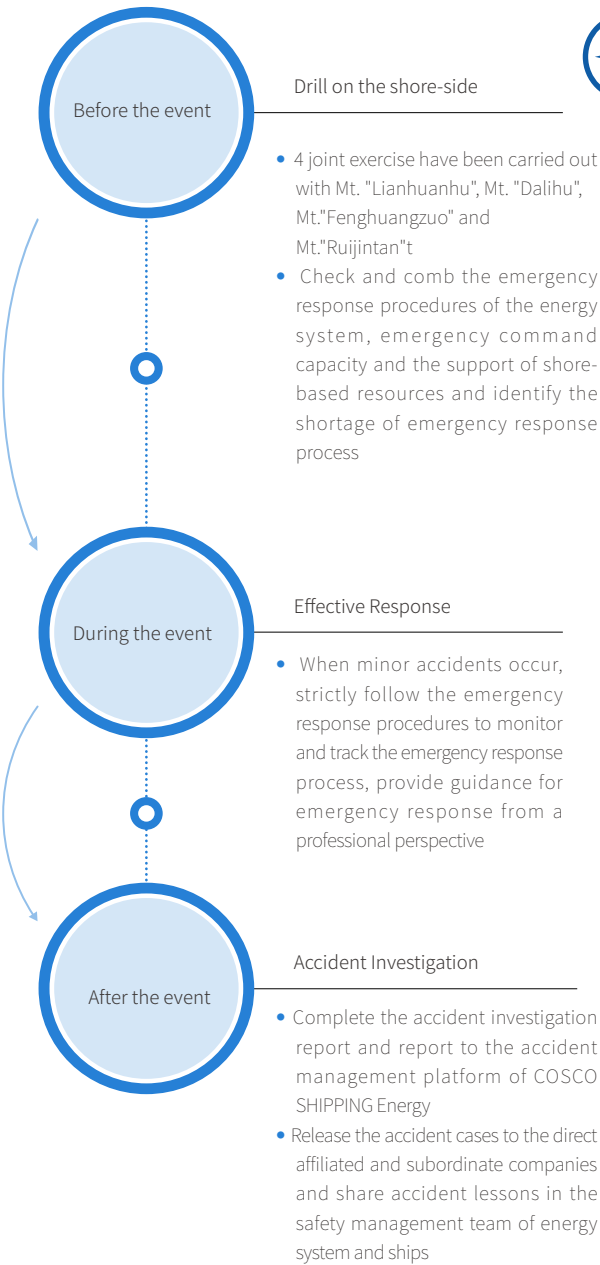
Adhere to Operating Standards, Serving Charterers Well

In 2017, the "Yuechi Vessel" 1715 voyage of Shanghai Tanker carried out the lease task for SHELL from Dalian loading to Kawasaki. According to the forecast about the typhoon, the vessel would meet with the No. 5 typhoon "Aolu" in this year, one of the oldest typhoons in the history.

The "Yuechi Vessel" of Shanghai Tanker strictly complied with the control standards of company, being unified commanded, scientific scheduled, it had performed due duty and closely collaborated, strictly implement all measures to ensure the safety of the vessel, crew and cargo. Meanwhile, strengthened the communication with the charterer, did a good job of coordinating interpretation work, performed the lease contract safely and efficiently, successfully avoided the "Aolu", one of the oldest typhoons in the history, and safely and successfully completed the transport mission.

Improving the Capability of Emergency Response

We move the security management forward, establish the necessary response in the process of beforehand precaution, in-process handling and afterward analysis of emergency, improve emergency response capability for safety accidents, to reduce or avoid unnecessary casualties and economic losses. In 2017, we established branches in London and Houston as part of the company's global emergency response system. It has improved our capacity of global emergency response and resource utilization.



"Tianhezuo" Vessel Successfully Completing the Joint Emergency Exercise of Oil Spilling in Weizhou Terminal

On 21st, September, 2017, Guangxi Autonomous Region underwent the largest comprehensive multi-party joint offshore oil spilling emergency exercise—the 2017 Single point operation Joint Oil Spilling Emergency Exercise was launched in Weizhou Terminal. "Tianhezuo" Vessel of the COSCO SHIPPING Shanghai Tanker successfully completed the exercise task as the leading ship. The exercise employed 8 Marine surveillance ships and environmental protection ship 255, 1 helicopter, over 10 police cars, ambulances, engineering vans and over 100 people.

Through this exercise, we enhanced the linkage and coordination ability of the relevant parties, the terminals points, the front-line lift ship and other operation sites in Weizhou Terminal, tested the feasibility of the emergency plan of Shanghai Tanker and Weizhou Terminal, further enhanced the personnel's emergency response ability and the awareness of marine environmental protection, also further enhanced the guarantee ability of the operation safety of Weizhou Terminal crude oil transportation.



Creating a Cultural Atmosphere of Safety Production

We thoroughly implement the requirements of the security overhaul proposed by the Group and the State Administration of Work Safety of the State Council, formulate the *Security Overhaul Plan of COSCO SHIPPING Energy*, comprehensively deepen the work deployment of the Group and "Security Overhaul Plan" on energy, actively carry out the safety inspections throughout the year, and ensure the energy system continues to maintain security and stability. Meanwhile, through carrying out the safety production month, "119" fire propaganda month and other activities, we deepen the connotation of safety production, strengthen the education on safety production, and create a safety production atmosphere. In 2017, we completed 38 security trainings of the crew, covering 705 employees.

Completed 38 security trainings of the crew, covering



705 employees

Serving Global Customers Professionally

Closely focusing on the development strategy of "Big Customers, Big Cooperation and Big Service", we are committed to leading the innovation in industry model and upgrading the industry service standards, move forward to the world-class company that is "More Large-scale, More Global, More Competitive and More Valuable", provide customers with safer, more comprehensive and better service globally, and become the most respected and trusted global energy transportation service provider.

By the end of 2017, we have maintained good cooperative relationships with more than 440 customers throughout the world with our routes cover all over the world.

Accelerating the Global Layout

We constantly accelerate the global layout and the construction of overseas branches, relying on the location advantages of overseas platforms and professional support from the Head Office, strive to realize the four functions of global customer marketing network, global regional operation center, global cross-regional scheduling (operations) support and global security management platform. Meanwhile, depending on overseas business expansion of Chinese energy enterprises, we have deeply integrated into the international oil market.

In February, 2017, we completed the funding of the American company and it was officially established, the establishment of which marked the company's initially realization of the globalization layout according to the strategy of "One Brand and Global Marketing".

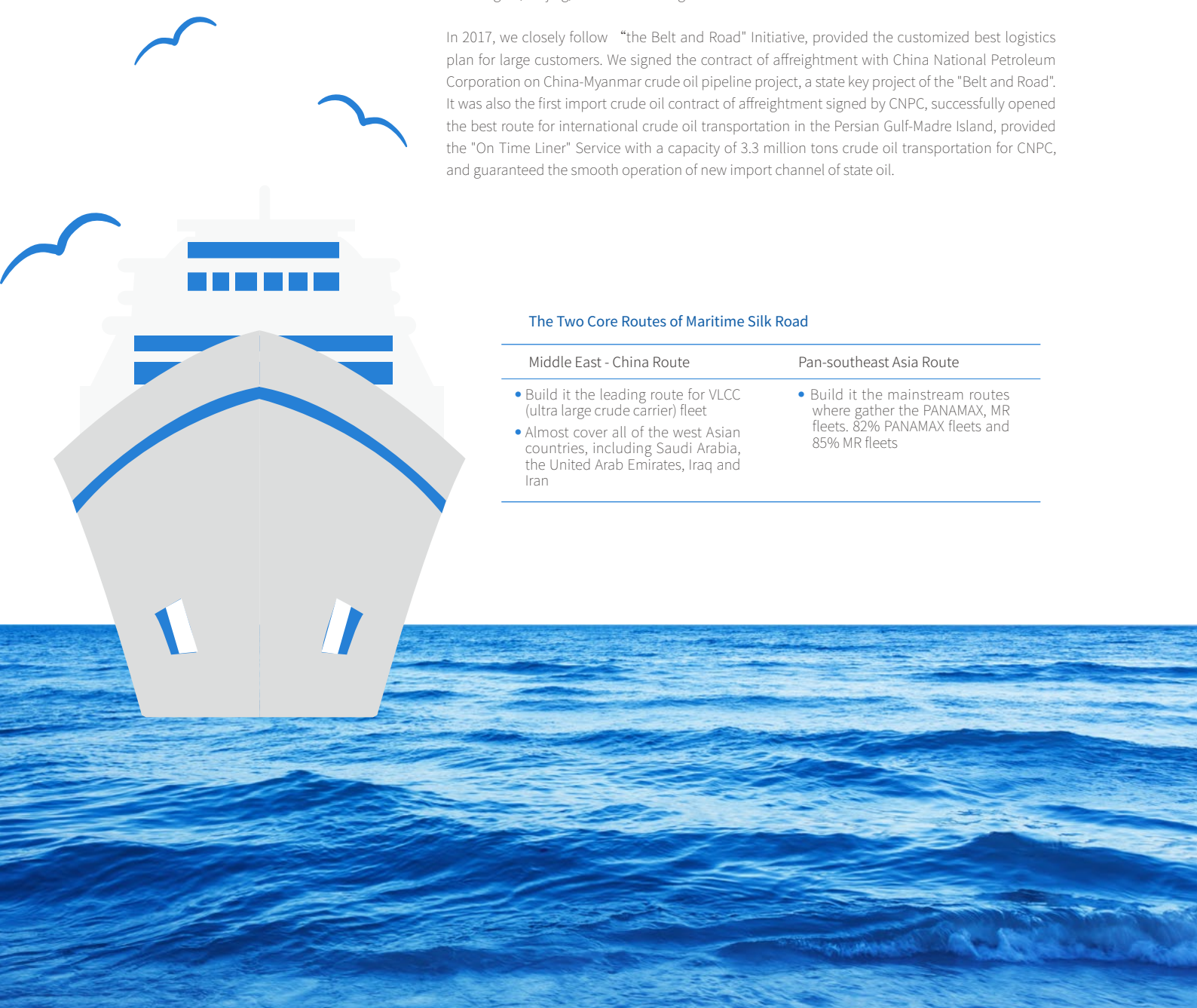


Safety Being the Lifeline of Oil Transportation Enterprise

Shanghai Tanker earnestly implements the concept and mode of innovative safety management, pays close attention to the implementation of responsibility, strengthens security measures and actively fosters a safety cultural

- Strengthen on-site safety inspection of vessel commissar and monitoring and inspection of CCTV, focus on strengthening on-duty discipline supervisions and regulating the on-duty behaviors of the crew to ensure the safety production of ships.
- In accordance with the safety management principle of "All Employees, Overall and Whole Process", we call on all staff to carefully carry out hidden trouble check in accordance with *Manual on Safety Hazard Troubleshooting*, arrange high-risk safety precautions and conduct on-site safety supervision.
- Launch the "Are We Ready on a New Starting Point?", "Classroom on Sea" and other thematic activities to enhance the crew's awareness of safety production.





Serving “the Belt and Road” Initiative

We combine the corporate development strategy of "Four Global Leadings" with “the Belt and Road” Initiative, meet the potential energy transport needs of countries along the routes, take major projects as the carrier, preliminarily form an energy transportation global operation and service system covering the American region with the center of Houston, the European region with the center of London, the Southeast Asia region with the center of Singapore and the domestic sites of Shanghai, Beijing, Dalian and Guangzhou.

In 2017, we closely follow “the Belt and Road” Initiative, provided the customized best logistics plan for large customers. We signed the contract of affreightment with China National Petroleum Corporation on China-Myanmar crude oil pipeline project, a state key project of the "Belt and Road". It was also the first import crude oil contract of affreightment signed by CNPC, successfully opened the best route for international crude oil transportation in the Persian Gulf-Madre Island, provided the "On Time Liner" Service with a capacity of 3.3 million tons crude oil transportation for CNPC, and guaranteed the smooth operation of new import channel of state oil.

The Two Core Routes of Maritime Silk Road

Middle East - China Route	Pan-southeast Asia Route
<ul style="list-style-type: none">• Build it the leading route for VLCC (ultra large crude carrier) fleet• Almost cover all of the west Asian countries, including Saudi Arabia, the United Arab Emirates, Iraq and Iran	<ul style="list-style-type: none">• Build it the mainstream routes where gather the PANAMAX, MR fleets. 82% PANAMAX fleets and 85% MR fleets



Building the Quality Route of "On Time Liner" Along “the Belt and Road”

On 23rd, December, 2017, COSCO SHIPPING Energy, CNPC Yunnan Petrochemical Co., Ltd. and China Petroleum International Co., Ltd. signed the *Memorandum of Carrying Out Crude Oil Package Shipment and Other Cooperation*. So far, the three parties had reached comprehensive strategic cooperation on China- Myanmar crude oil pipeline project. COSCO SHIPPING Energy became the only maritime transport contractor of this project.

The Port of Madre island is the first large international crude oil port in Myanmar, located at the Bay of Bengal in Nakhon state, Myanmar. It is a natural harbor that can dock VCLL at 0.3 million tons and 0.15 million tons oil. But the port has never been anchored by any VLCC. And there are problems such as no effective port chart, difficulty in sailing and berthing of large ships. Confronting with so many difficulties, we are brave to be the first to assume responsibility. With confidence and expertise, we help customers overcome difficulties and ensure the smooth operation of this project.

At Present

- Prior to the opening of port, the former China Shipping Oil Transportation and Dalian Ocean Shipping Company had made several trips to the port of Madder Island for on-site exploration and measurement and formulated plan for reaching port
- On 2nd, February, 2017, Xinrunyang Vessel of COSCO SHIPPING Energy anchored smoothly at the port of Madre island Island, becoming the first VLCC to berth at the port.
- On 13th, July, 2017, the Yuanqiuahu Vessel of COSCO SHIPPING Energy was fully loaded at the port of Madeleine Island, becoming the first fully loaded VLCC to berth the port

Serving the National Energy Strategy

- Perform the national backbone fleet mission, and the national "Belt and Road" Initiative responsibility in the field of tanker transportation

In the Future

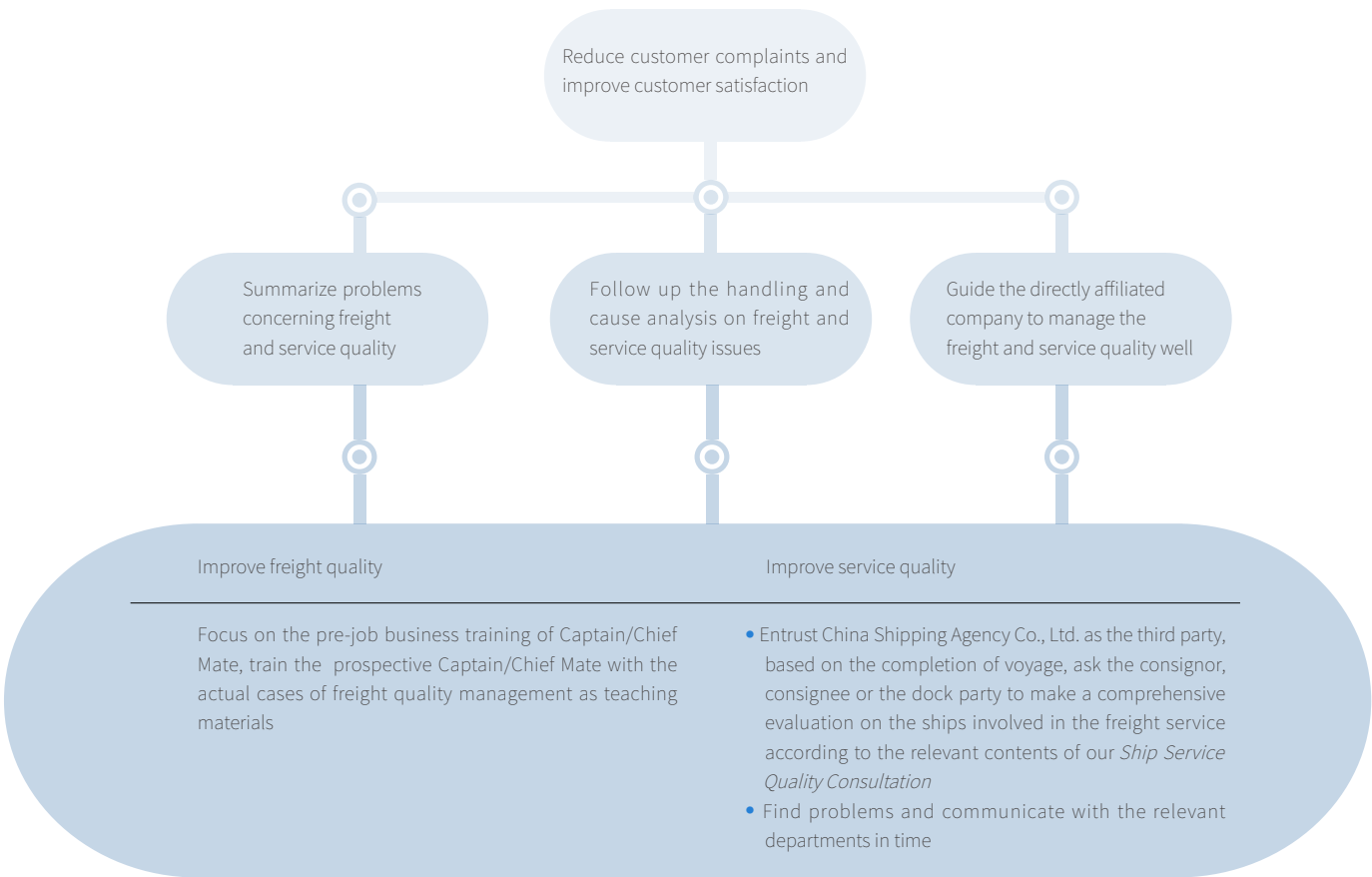
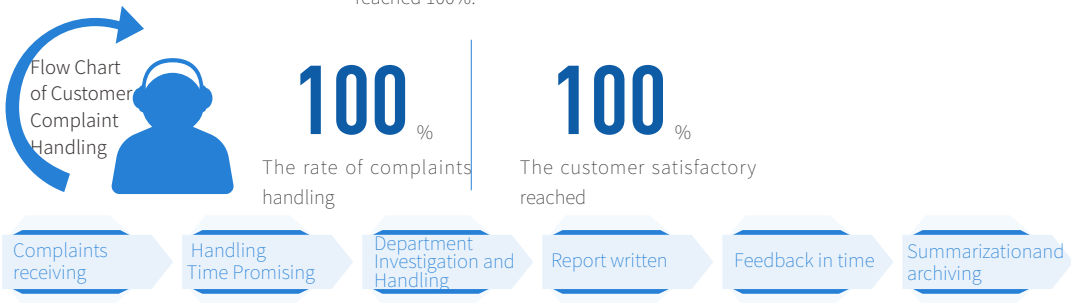
- Try to build the Middle East / Myanmar Route the VLCC Quality Route of "On Time Liner"
- Effectively ensure the smooth operation of the new import channel of national petroleum--China-Myanmar Crude Oil Pipeline Project
- Effectively promote deeper and broader cooperation between the two Groups
- Continue to expand various forms of cooperation with international oil companies
- Strive to serve the national "Belt and Road" Initiative well

Achieving the Sustainable Development of Enterprise

- Committed to providing the whole-process energy transportation customized service for strategic customers
- Strive to be an excellent leader in the global energy transportation industry with strong international competitiveness, brand influence and positive

Promoting Customer Service Capability

We strive to advance customer service level, improve every customer service system, optimize service work procedure, effectively handle customer complaints in time and maintain good customer experience and satisfactory. In 2017, we received 15 commendatory letters in total, the rate of complaints handling was up to 100%, and the customer satisfactory also reached 100%.



Promoting Win-win Cooperation with Partners

We actively participate in various industry associations, and strengthen the exchange visits and communications with partners, carry out in-depth strategic cooperation and promote the industry information sharing and the healthy development of industry partners. We also continue to promote the responsibility procurement, standardize the procurement process and supplier responsibility management, enhance the overall performance of supply chain and work together with partners to enhance the capability of sustainable development.

Promoting Industrial Exchanges

We participate in various activities of external organizations (association/ academy/council/seminar and others) and strengthen communication and collaboration with industry partners, give full play to our unified influence and participation in energy sector extremely through participating in various industry associations/ academy, promote industry information sharing and exchanges, and strive to achieve the healthy and rapid development of the whole industry.

Category	Associations
Associations that We Have Joined	Association of Chinese Ports
	China Association of Port-of-Entry
	Shanghai Maritime Association
	Shanghai Academy of Ship and Ocean Engineering
	China Maritime
	COSCO Shipping Charitable Foundation
	The World Shipping Council of Dalian Maritime University
Associations that we Exercise Members' Rights (Direct Affiliations that Have Joined)	China Shipowners Association (Newly Added in 2017)
	China Intelligent Ship Innovation Alliance (Newly Added in 2017)
	China Maritime Law Society
Associations that we Exercise Members' Rights (Direct Affiliations that Have Joined)	Shanghai Ship Owners' Association
	International Association of Independent Tanker Owners

Academies/ Association We Have Attended Till the end of 2017



Undertaking the 8th China Oil Transportation Safety Forum

On 26th, October, 2017, China Oil Transportation Safety Forum, co-sponsored by China Classification Society, China Ocean Shipping Group Co., Ltd. and China Petrochemical Corporation, undertaken by COSCO SHIPPING Energy was launched in Shanghai with the theme of "Security, Intelligence and sharing". It played an active role in promoting the research and development of the oil transportation policy and safety standard in China, ensuring the safety development of oil transportation in China and even around the world and preventing the pollution of marine environment. More than 160 representatives of domestic and overseas energy companies, oil terminals, oil companies, shipyard, colleges, financial institutions and news media participated in this Froum.



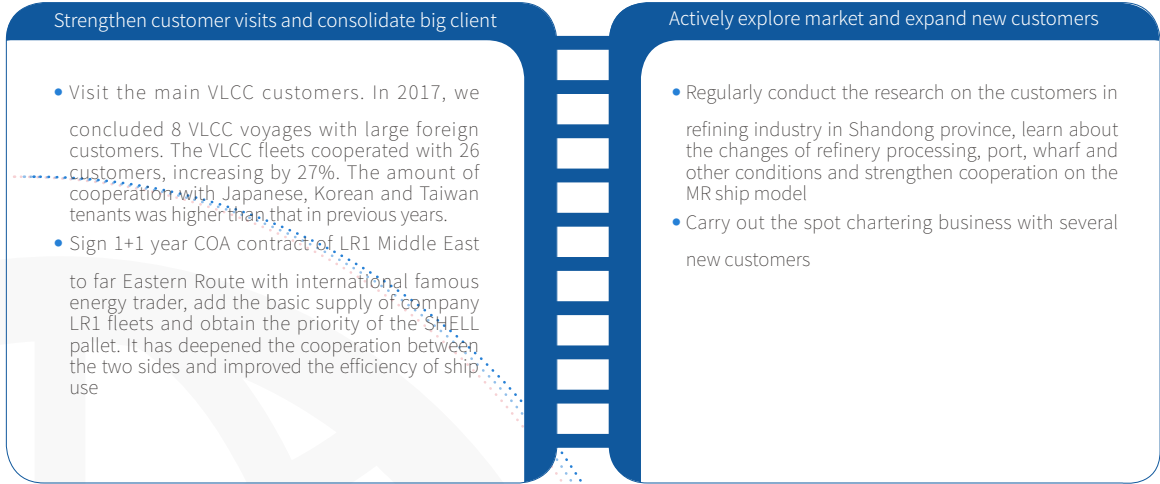
Attending the 82nd Thessaloniki International Fair in 2017

On 9th, September, 2017, we attended the 82nd Thessaloniki International Fair launched in Thessaloniki, Greece ("TIF" for short). The exhibition hall covered an area of 108 square meters. Through interactive and experiential participation, we demonstrated the achievements of the Group's shipping development and the efforts and achievements made in promoting China- Greece cooperation. At the exposition, we introduced our company to people around the world, including the Greek Prime Minister. Under the guidance of "the Belt and Road" Initiative, we are committed to providing the whole-process transportation solutions for global customers with our leading capacity, the world-class safety management, and the scientific and reasonable strategic planning, and safeguarding the world energy transportation security.



Strengthening Exchange Visits and Communications

To consolidate the existing cooperation with large customers at home and abroad is an important means to protect the basic goods of company and preventing from market risks. Meanwhile, expanding new customers is the sally port to open the western market and optimize the route layout. In 2017, we adhered to the "Going Out and Inviting in" strategy, strengthened customer visits and communication, allowed customers to have a deep understanding on our fleet development, business philosophy, globalization layout and other aspects, and laid a solid foundation for promoting the follow-up cooperation and achieving the common and sustainable development.



Promoting Strategic Cooperation

We carry out strategic cooperation with partners, combine the business advantages and development needs of both sides, realize the complementary advantages, resources sharing, win-win cooperation and achieve the goal of both parties jointly realizing the leap-forward development.



Signing a Cooperation Agreement with Xizhongdao Management Committee of Dalian city

To further implement the overall plan of the Party Central Committee and the State Council to promote the new round of revitalizing Northeast China and other old industrial bases strategy, and to implement 2017 Counterpart Cooperation Plan of Shanghai and Dalian, from the 3rd, September to 4th, September , 2017, we carried out a series of economic cooperation and exchange activities like "Shanghai Enterprises Going to Dalian".

As one of the "Shanghai Enterprises Going to Dalian" of economic cooperation and exchange activities, we signed a strategic cooperation agreement at the "Signing Ceremony of Shanghai-Dalian Cooperation Projects" with Xizhongdao management committee of petrochemical industry park in Dalian. In the future, based on the respective advantages of development and the needs of business, the two sides would actively promote the early landing of oil, gas, terminals and other logistics cooperation projects and achieve the goal of mutual benefit.

Building Responsible Supply Chain



We continuously promote the fair, impartial, open and centralized procurement, formulate and release the Procurement, Outsourcing and Supplier Management Program and other rules to standardize the management procedures of procurement and outsourcing business and the control procedures for suppliers, and regulate the entry, selection, evaluation, elimination and other mechanisms. We fully evaluate the influence of suppliers on environmental society in procurement, and put forward the specific requirements of security, environmental protection, occupational health and energy management to suppliers. The commercial bribery is also introduced into part of the contract clauses as one of the offers to improve suppliers' consciousness of social responsibility management and accountability gradually and achieve our mutual sustainable development.

In 2017, there were 666 suppliers cooperating with our directly affiliated companies, including 106 Hong Kong, Macao, Taiwan and overseas suppliers and 560 Mainland suppliers. The rate of supplier review coverage was 85%.

Green

Creating New Environment

Challenges and Opportunities

"The modernization that we pursue is one characterized by harmonious coexistence between man and nature. In addition to creating more material and cultural wealth to meet people's ever-increasing needs for a better life, we need also to provide more quality ecological goods to meet people's ever-growing demands for a beautiful environment."

—Report of the 19th National Congress of the Communist Party of China

Our Actions

- Strengthen the marine environment management, carry out the specific requirements of environment, health and safety to the whole process of ship construction, procurement and transportation, and ensure that the company operates in an orderly manner under the international standards of health, safety and environmental protection.
- Build green ships, optimize the way of navigation, advocate green procurement and green office, and promote green shipping of clean and low-carbon energy conservation and emission reduction.
- Vigorously invest in the construction of liquefied natural gas (LNG) ships, make carriers, contributions to the national strategic policy of "National Gas Only Transported by National Vessels".

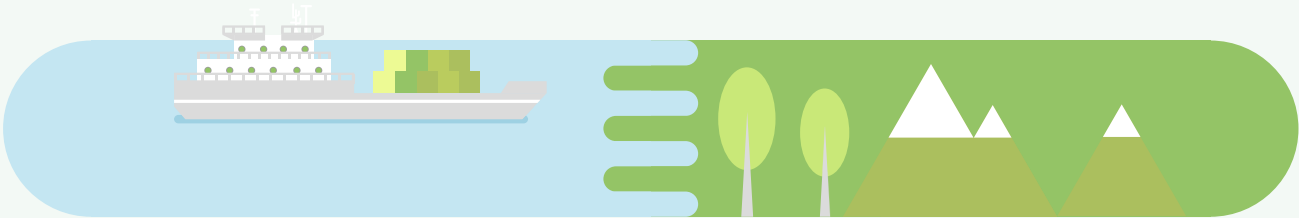


Strengthening Marine Environmental Management

We continue to strengthen our own environmental management system, strictly implement the provisions of the national law of the sea and international conventions, continuously improve the construction of energy management system, OHSAS18001 and ISO14000 environmental management system, develop excellent HSE supervisor and green technology team, make innovation in 5S site management, nanny management and other characteristic management methods, carry out the specific requirements of environment, health and safety to the whole process of ship construction, procurement and transportation, and ensure that the company operates in an orderly manner under the international standards of health, safety and environmental protection.

In 2017

The total energy consumption was about 1232387.1571158 tons of standard coals,	the unit turnover emission was about 3.1687 kg standard coals /thousand tons miles
The amount of greenhouse gases emission was 2807280.380667 tons,	the unit turnover emission was 7.2181 kg/thousand tons miles
The amount of nitrogen oxide emission was 74987.225397 tons,	the unit turnover emission was 0.1928 kg/thousand tons miles
The amount of sulfur oxide emission was 51715.32786 tons,	the unit turnover emission was 0.133 kg/thousand tons miles
The amount of carbon dioxide emission was 2680577.82741 tons,	the unit turnover emission was 6.8923 kg/thousand tons miles
The amount of hazardous wastes emission was 301.73 tons,	the unit turnover emission was 0.0008 kg/thousand tons miles
The amount of non-hazardous wastes emission was 558.87 tons,	the unit turnover emission was 0.0014 kg/thousand tons miles





The two "Codes" Guaranteeing Green Development of LNG Ships Carriers

LNG transportation is one of the major businesses of COSCO SHIPPING Energy. The environmental management of LNG carriers is directly related to the environmental performance of the company. Large LNG carriers requires longer construction period and more difficult safety quality control. And it would be even harder to build a green one. In the sister ships construction of APLNG project, the supervision team dispatched by Shanghai LNG company carried out its work in accordance with the two "Codes" concerning LNG ship construction, the conventional ship quality management system that is peculiar to LNG carriers. We shall have the code to abide by and the code must be observed and firmly implement the basic concept of protecting the human health and environment protection.

Taking Carbon Trade as Pioneer Pilot, Exerting Effect of a Role Model

As a key energy consumption company, COSCO SHIPPING Tanker (Shanghai) Co., Ltd. has been included into the "A Thousand Key Carbon Emission Enterprises" by Shanghai municipal government. In 2017, according to the time node stipulated by the Energy Conservation and Emission Reduction Promotion Center of Shanghai Municipal Development and Reform Commission, we completed the verification and settlement of 2016 carbon quota. On June 26, 2017, we completed 1436494 tons carbon emission credits(SHEA) and 14355 tons voluntary emission reduction (CCER) ,which were certified by the nation. The total carbon transaction amount was 612.067 thousand yuan. As the first shipping company to carry out carbon trading this year, we fulfilled the corporate social responsibility of energy saving and emission reduction and had played a demonstration role of implementation for the industry.

COSCO SHIPPING Energy Electric Propulsion Mode: It boasts the features of low noise and small vibration to reduce the damage to the crew.

Ballast Water Treatment Device: Two sets of electrolytic + special filters are adopted to purify the ballast water and avoid damage to the seawater quality, environment and marine biological system.

Promoting Green and Low-carbon Shipping

We integrate the green and low-carbon concepts into each and every operating process, not only reducing the negative impact posed on environment by hardware facilities, but also decreasing energy consumption and emissions during the navigation by optimizing the transportation mode. We also actively advocate green procurement, green office and strive to be a green shipping pioneer.

Building Green Vessels

Improving the energy conservation and environmental performance of transport ships constitutes the basis of green shipping. We focus on energy saving, noise reducing, waste and waste water treatment and other aspects to vigorously carry out research on environmental protection technology innovation, promote the application of green technology equipment, build a series of energy-saving and environmentally-friendly transportation fleets, establish new standards for green ships, thus to fundamentally guarantee the green and low-carbon shipping of COSCO SHIPPING Energy.



APLNG Project Sister Ship- Global Leading Green Ship System

In 2017, as a major shareholder, the 3 ships of APLNG project invested by COSCO Shipping Energy, a major shareholder, "CESI Qingdao", "CESI Beihai" and "CESI Tianjin" were put into operation successively. These LNG ships are among the largest, the most advanced and environmentally friendly vessels in the Group, China and even in the world. The environmental concepts and bright spots surrounding them are numerous.



"CESI Beihai" Vessel

Dual Fuel Power System

With the fuel of natural gas evaporates from the cargo, each ship can save up to 140 tons of fuel per day. It can reduce 20-25% CO2 emissions and 90% NOx emissions.

Electric Propulsion Mode

It boasts the features of low noise and small vibration to reduce the damage to the crew

Ballast Water Treatment Device

Two sets of electrolytic + special filters are adopted to purify the ballast water and avoid damage to the seawater quality, environment and marine biological system

Main green equipment (system) of APLNG Project Sister Ship

New Tail Shaft Sealing System

The sealing effect is achieved by increasing the compressed air between the inner oil seal and the outer sea water, and the possibility of direct leakage between the lubricating oil and the seawater is cut off, which greatly improves the environmental performance of the ship

Special Anti-fouling Paint

It can promote the ship to keep smooth during the whole voyage, reduce the shipping resistance, save fuel and reduce carbon dioxide emission

High Standard Ballast Tank Paint

The warranty period of such paint lasts for 10 years, which reduces the maintenance frequency of the ship's ballast tanks and decreases the pollution to the surrounding environment



"CESI Qingdao" Vessel



"CESI" Tianjin" Vessel



Two Research Projects on Vessel Pollution Treatments of Ships Having Been Approved

To advocate the concept of "Green Development", fulfill corporate social responsibility, implement the requirements of company to "Build High Standard Ships", we have jointly declared the 2 research projects of "Development and Demonstration Application of New Waste Incineration System" and "Development of New Marine Sewage Treatment Equipment" with China Oasis and other units, and been approved by the Ministry of Industry and Information Technology of the People's Republic of China. The two research projects shall bring new solutions to waste disposal and resource utilization in shipping, and further enhance the green level of ships.



Mt. Liansonghu showing a remarkable performance in Ship Rapidity and Daily Fuel Consumption reduction. Through the Effective Control of Vibration and Noise, a Good Ship Comfort Level is Obtained, which marks the Best Level among the Same Type of Ship

Devoting to Green Shipping

There is a great potential and space of energy saving in the mode of management and operation in sailing process. We are committed to advancing green shipping, relying on information management means, and actively promoting the construction and application of "Energy Efficiency Module" of Group shipping management platform. Begin with resource and energy utilization in shipping, the mode of transportation mode and pollution end treatment, then spread to the whole process, we will continuously improve the operation efficiency of the ship, reduce the fuel consumption, water consumption and pollution discharge during the voyage transportation, and establish a responsible image of environmental friendliness for the company.

In 2017



150,825.56

cubic meters

The total water consumption was 395314.4 cubic meters and the water conservation was



7642

tons

The lubricating oil consumption



914.3

thousand tons

The Gross oil consumption was about 914.3 thousand tons, the unit oil consumption was about 2.25 kg/ thousand tons miles, declining by 2.5% year-on-year and reducing 41.08 million yuan.



Optimize the utilization of energy resources

- Adopt the low sulphur fuel to reduce pollution emissions at the source
- Develop scientific and reasonable heating system for cargo oil
- Strengthen the tracking and monitoring of daily oil consumption
- Strengthen water conservation management and rainwater recovery and utilization of ships



Optimize the mode of handling

- Comprehensively measure the best economic vessel operational speed scheme
- Improve the efficiency of ship turnover by "Loading According to Discharging"
- Optimize route layout and capacity interchange to improve ship utilization
- Improve unloading efficiency and reduce pollutant discharge



Optimize the mode of end treatment

- Strengthen the control of fuel oil filling, using and oily water treatment in the whole process
- Develop marine sewage treatment and refuse incineration system
- Clean up the pollutants of hull
- Carry out quota management and daily monitoring on major pollutants of ships

Launching Green Office

We integrate the concept of clean and low-carbon environmental protection into the work environment and work habits of employees and protect their physical and mental health by creating a green and healthy cabin environment and office environment. Meanwhile, we advocate resource conservation and green travel in the daily work, using information technology to reduce the consumption of material resources, and create the environmental friendly office atmosphere.

In 2017



8,421

tons

The water consumption in total in Shanghai Head Office



715,891

degrees

The electricity consumption in total in Shanghai Head Office



46,366

L

The fuel consumption of official vehicles in Shanghai Head Office



296

times

Hold over video conferences



Creating green and healthy working environment

- Ship materials are passed the asbestos certification; which strictly reflects the concept of health and environmental protection
- All interior decoration materials in the cabin are strictly environmentally and friendly
- Office furniture and others are strictly adopted the E0 standard board
- For glue and other volatile materials adopt the specified qualified varieties are adopted
- The curtain made by environmental protection materials with formaldehyde absorption function is choosed



Cultivating energy conservation and environmental protection working habits

- Promote video conference system and reduce business travel
- Using OA office platform and reduce the paper transferring
- Establish the centralized purchasing management system and unify the information collection platform
- Encourage employees to save electricity and materials for office

Together

Challenges and Opportunities

"We will see that everyone performs their duties and shares in the benefits. We will see basic needs are met, prioritize key areas, improve institutions, and guide public expectations. We will improve the public service system, ensure people's basic quality of life, and keep up with people's ever-growing needs for a better life. We will continue to promote social fairness and justice, develop effective social governance, and maintain public order. With this we should see that our people will always have a strong sense of fulfillment, happiness, and security."

— Report of the 19th National Congress of the Communist Party of China

Enhancing Social Happiness

Our Actions

- Adhering to "Talents Resource Being the Primary Resource of Enterprises", strive to build a world-class talent team with international competitiveness, care for the growth and development of employees and enhance the sense of happiness and gains of employees.
- Responding to the national 2020 comprehensive poverty alleviation, we provide targeted support to Yongde country, Yunnan province, Jiemuxi area, Yuanling in Hunan province and Riwoqie county, Tibet.
- We are Enthusiastically devoted in social welfare activities, encouraging employees to care about community development, actively organizing and participating in volunteer activities for fund-raising, employee volunteers and pairing support, improving community environment and promote community development.

Caring for the Growth of Employees Wholeheartedly

We always adhere to "Talents Being the Primary Resource of Enterprises", establish the correct direction of employment, innovate in methods of candidate selection, combine strict regulation with great kindness, incentive with constraint, strive to build a world-class talent team with international competitiveness, and lay a solid talent foundation for our development strategy of the "Four Leadings".

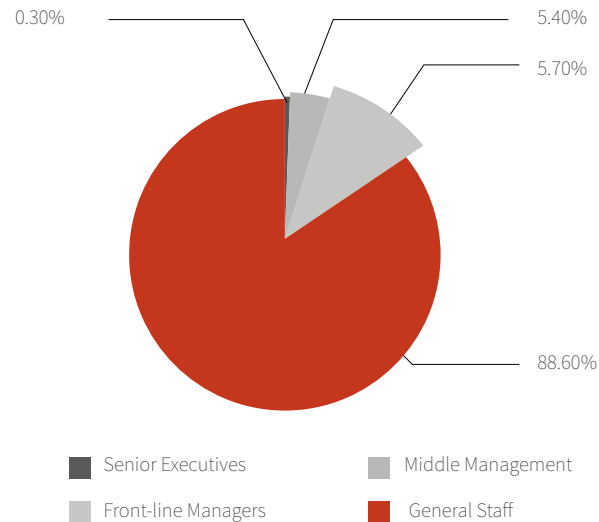
Safeguarding the Rights and Interests of Employees

We strictly abide by such laws and regulations as *the Labor Law of the People's Republic of China*, and the international conventions, the international labor standards promised by Chinese government, to ensure employees' legitimate rights and interests in equal employment, salary and welfare, democracy participation and other aspects.

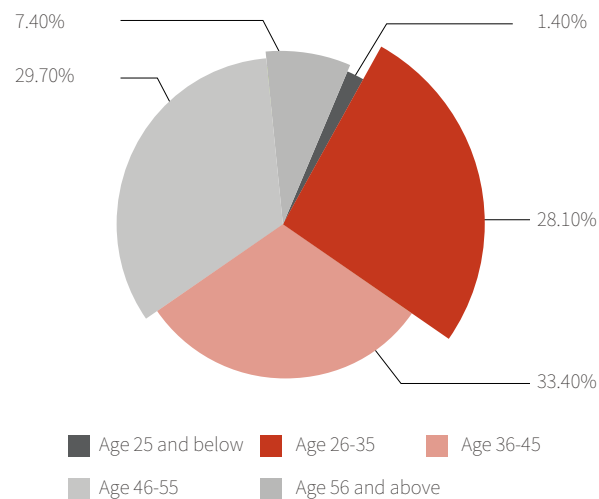
Equal Employment in Accordance with the Law

We adhere to the principle of "Open, Fair and Just" employment by law, and put an end to any discrimination in recruitment, provide the equal work rights and development opportunities for the female, the minority and the disabled, clearly ban the use of child labor, oppose to the forced labor; strictly abide by the national Labor Law, sign the labor contract with every employee, pay the social insurance according to law, ensure the statutory leave rights of employees and strive to create equal and compliant working conditions for employees. In 2017, we had 3157 employees, including 5.9% female employees, 131 minority employees, 11 disabled employees, 4 new employees and 18 expatriate employees.

Staff Position Structure of COSCO SHIPPING Energy



Staff age structure of COSCO SHIPPING Energy



	Coverage rate of labor contract	100%
	Coverage rate of social insurance	100%
	The return rate after parental leave	100%
	Employee turnover rate	3.9%
	The average days of employees paid annual leave	9.3 day

Improving Compensation Incentives

Concerning the complex historical problems on different compensations of the subsidiary companies after reform and reorganization, we accelerate to promote the reform of compensation incentive system. Adhering to the value-orientated incentives and restraints of international enterprises and the fair and reasonable principle, we draft the regulations on salary management for staff in head office, study and design the "Trinity" monthly performance salary assessment system of financial budget, department performance and employee performance. We also carry out the 360-degree appraisal on cadres in head office, promote the implementation of energy equity incentive plan, closely follow the introduction of shipping talents, actively address the practical problems of talents settling and children attending schools, provide competitive compensation and benefits for employees and motivate employees.

Improving Democratic Management

We highly respect the basic rights of employees' democratic participation, take the expressing and safeguarding employees' interests as the starting point and foothold of our work. We have established the employee democratic management committee, convey the conditions of corporate deepening reform to employees through annual congress of workers and staff, the whole committee, the leader meeting of labor union, the experience exchange meeting of energy system union and other channels and forms, actively advocate the idea of fair, just and open, learn about the ideology of employees on deepening reform, listen to the mand create a harmonious, fusion, open, and democratic atmosphere.

Congress of workers and staff	Collect 18 proposals of employee representatives, which cover production technology, welfare benefits, management and other aspects, and we will feedback according to the actual situation
Big discussion on "Management, Reform and Development"	Receive 300 topic posts and over 800 employees attend it
Staff rational "Gold Ideas" activity	General departments of Head Office, Shanghai, Dalian and Shanghai LNG participated in it and sorted out over 50 "Gold Ideas"

Promoting Staff Development

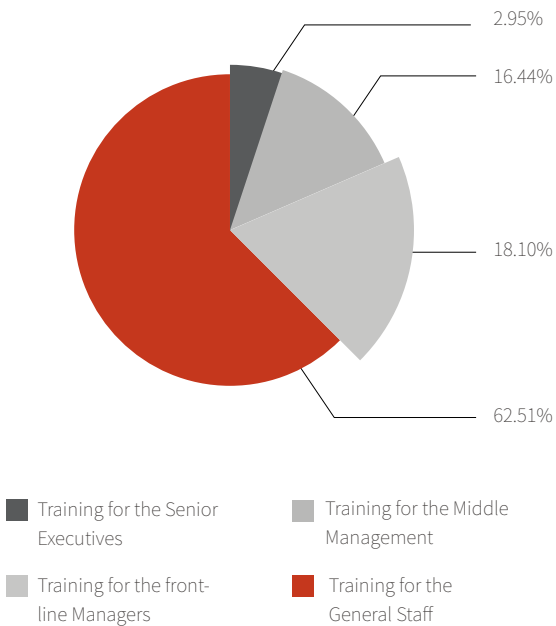
We vigorously advance the strategy of strengthening enterprises through talents, emphasize employee trainings and career development, strive to build a talent team that boasts both ability and political integrity, and is accountable, reasonable and positive and lay a solid talent base for achieving corporate development strategy.

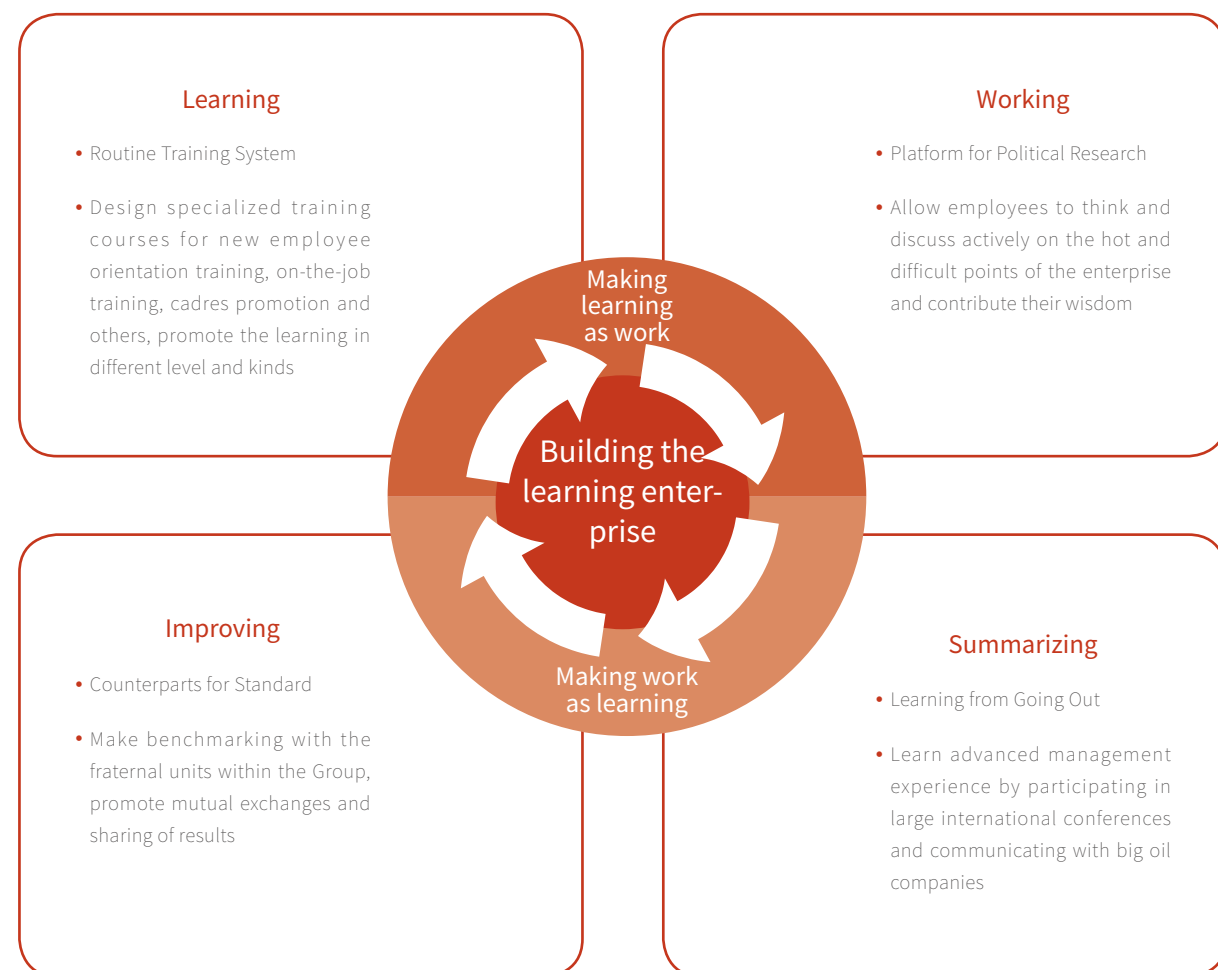
Improving Employee Ability in All Aspects

We make great efforts to build our company a learning-oriented one, constantly innovate the ideas and methods of staff training, and upgrade the multi-tiered and diversified training system. We vigorously strengthen the training for middle-level cadres, focusing on the general manager team, international operation, risk prevention and other key demands, carry out the learning and trainings in different level and kinds, actively encourage and guide employees to learn from practice and practice in learning, continuously improve the theoretical literacy, party spirit and business execution of staff.

In 2017, the total investment on trainings was 3.6585 million yuan. 462 trainings had been conducted with a person-time of 6516 attending and 48 training hours per person. Besides, 199 crew trainings were completed with a person-time of 3758 in total.

Staff Training Proportion at All Levels





Promoting the Career Development of Employees

We pay attention to employee career development, broaden the talent development channels and provide employee with diversified growth options through cadre exit mechanism, dual-channel promotion mechanism of post and rank, breaking through the transformation of technology and management jobs and etc. Meanwhile, we should strengthen the training and cultivating of young talents, and strive to realize the early discovery, cultivation and development of young talents. In 2017, we intensified efforts to cultivate young cadres. Among the 15 promoted cadres, 8 cadres are the post-70s generation (including 5 cadres the post-75s generation) and 4 cadres are born in the 80s (including 1 cadre the 85s). Those post-70s and -80s generation accounted for 80% of all promoted cadres.

Strengthening the Training on International Talent Team

We accelerate the selection of and training on international talent teams, advance the cadres selection of overseas branches, try to build an international talent team who boasts international vision and is familiar with international business and capable of international operation and communication. In 2017, we completed the approval and dispatch procedures of the cadres for British and American companies. 2 cadres dispatched to the British company, would go to appointed posts in late March, 2018, and 1 cadre dispatched to the American company, would go to appointed post in early June. We have strengthened the English selection test for reserving personnel of overseas cadres, organized 104 applicants for the foreign language examination from the head office and direct affiliated companies, arranged 5 expatriates to go to Qingdao Ocean Shipping Mariners College for intensive training. We actively cooperate with the legal committee to host English speech contest, combining the discovery with the utilization of talents, therefore to raise the enthusiasm of cadres to learn foreign languages and to create a favorable atmosphere for learning foreign languages. By the end of 2017, altogether 26 employees have been included into the talent pool of COSCO Shipping Group.



On May 12th, 2017, We Hold the First English Speech Contest, to Promoting the Exploration and Cultivation of International Talents

Caring for Employees

We pay high attention to the physical and mental health and mood of employees, do our best to ensure occupational safety and health, help employees in difficulty, build the home of workers and carry out abundant and various recreational and sports activities, create a warm, harmonious and healthy working atmosphere for employees, seek the balance between the work and life for employees and enhance their sense of happiness and gain.

Employee Safety and Health

We put occupational safety and health first in caring for employees, strictly abide by the rules and standards of labor safety in operating locations, create a safe and healthy working environment for employees and improve their self-protection ability through the all-around methods including rules and regulation formulation, contract signing management, health surveillance, daily management, publicity and training, protection against hazards, emergency rescue. In 2017, the coverage rate of employee physical examinations was 100%, and the number of occupational injuries dropped 50% than that of 2016.



Hongkong Company Encourages Employees to Take Part in Physical Exercise and Competition, and Establishes Incentives for Employees who won in Competition

We launching the Construction of "Construction and Road Initiative" and Overseas M&A Legal Risk Prevention Training

To thoroughly implement the spirit of the 19th National Congress of the Communist Party of China, advance legal publicity and education, according to the company's 2017 general publicity campaign monthly arrangement and annual legal training plan, on 19th, December, 2017, we launched the "Belt and Road Initiative" construction and overseas M&A legal risk prevention training. Li Zhuoqiong, general counsel of the headquarter, the directors of relevant departments of head office, Dalian Tanker, Shanghai Tanker and Shanghai LNG attended the training.

Carrying out English Training on Shipping to Cultivate International Talents

To cooperate with the strategic layout of building an international first-class enterprise, Dalian Oil Ship, Shanghai Oil Ship and other subsidiaries incorporated the English training into employee regular trainings. We invite external training institutions to teach in company on business writing and oral communication related to shipping industry, enhance the overseas communicative abilities of employees. In 2017, over 440 person-time were trained, among which 3 employees of Shanghai Oil Ship were selected into the international reserve talent pool.

Rules and Regulations Formulation



Formulate the *Liability System on Protection against Professional Hazards of COSCO SHIPPING Energy* and other documents

Contract Signing Management



The target of occupational health should be included in the annual security production contract signing management of the company to achieve the synchronous deployment, implementation, check and assessment

Health Surveillance



Improve the health care records of laborers and organize workers to take physical health examinations before going on duty, during or leaving the post

Daily Management



Fulfill the obligation to inform the workers (crew) of occupational hazard, protection measures and physical examination results; let them carry out self-check and rectification on occupational hazards in workplaces

Publicity and Education



Promote education and improve the safety and health awareness and ability of employees via the publicity week of *Law on Prevention and Control of Occupational Disease*, the safety month, the safety training and etc.

Protection against Hazards



Equip vessel with gas mask respirator and other emergency rescue facilities are equipped with ships, install the automatic defibrillator AED is installed in the head office to ensure the last line of defense

Emergency Rescue



Establish and improve the emergency rescue plan for occupational-disease-inductive emergency and carry out the occupational disease inductive emergency rescue drill on a regular basis

Helping Employees in Difficulty

We devote greater efforts to poverty alleviation, make depth and specific efforts on warming, gathering, winning and comforting hearts, establish the employee assistance system, continue to express our solicitude to workers on board, the sick and the retired on New Year's Day, Spring Festival, Mid-autumn Day and National Day send overtime food for staff on duty during the holidays, carry out "cooling summer and warming winter" activity. Meanwhile, we go deep into the staff to understand the difficulties and demands of employees, help the Dalian-to-Shanghai employees solve the specific problems of admission, children enrollment and other difficulties, participate in the Shanghai staff medical mutual protection plan, vigorously launch the activity of education assistance in golden autumn, and send care and love of organization to the staff in time.

In 2017, we visited 78 person/times sick and difficult employees/crew, offered our solicitude to vessels over 60 times, issued 468 thousand yuan solatium, helped 146 person-time in difficulty, released 21 thousand yuan "Education Assistance in Golden Autumn" and helped 14 children of employees in difficulty attend schools.



Visited sick and difficult employees/crew

78

person/times



Offered our solicitude to vessels over

60

times



Granted condolence payment

46.8

thousand yuan



Granted "Education Assistance in Golden Autumn"

21,000

yuan

Building Harmonious Corporate Culture

We strive to create a harmonious and upward corporate atmosphere, cultivate the staff's taste inside and advocate the positive spirit outside through building the home of workers and carry out rich and colorful recreational and sports activities, which fully reflect the corporate culture of "Integrated Capacity, Infinite Capacity", adding flavor to work and life of employees, increasing their happiness index, and greatly enhancing the enterprise's cohesive and centripetal force.

Strengthen the construction of workers' home

- Carry out the constructive activities of Woman Civilization Station, Ankang Cup Excellent Team and the Workers' Home and the Small Family of Ship Workers, integrate the construction of the Workers' Home with safety production, civilized production, the basic management and the construction of spiritual civilization
- We won the Shanghai Labor Awards, and Shanghai Oil Ship won Shanghai Outstanding Home of Workers

Carry out rich and colorful recreational and sports activities

- Establish 6 recreational and sports clubs and carry out table tennis, badminton, basketball, football, photography, yoga and club activities
- Organize the lantern riddles guessing on Lantern Festival, the staff outing and hiking, and the red tour activity to welcome the 19th CPC National Congress etc.
- Host the "Value of Leaders" art performance of the 19th CPC National Congress



On 16th, December, 2017, We organizing 20 Young Employees to Take Part in the "New Silk Road New Journey Eurasian Silk Road Dream Relay Race", Reflecting the Vigorous, Progressive and Enterprising look of COSCO SHIPPING Energy



On 9th, Feb. 2017, We Launched to the Staff Activity of Celebrating the Lantern Festival and Over 30 Employees Engaging in it Enthusiastically

Committed to Targeted Poverty Alleviation

We actively respond to the national 2020 comprehensive poverty alleviation , launch poverty alleviation,development and fixed supported work in Yongde country, Yunnan province, Jiemuxi area, Yuanling in Hunan province and Riwoqe county, Tibet. The total donation was 4 million yuan in 2017, which supported 8 projects including industry poverty alleviation, infrastructure poverty alleviation, ability education poverty alleviation and difficult rescuing. We organized the young workers to voluntarily help 14 poor children from Yongde country, Yunnan province to complete their education. We sponsored 18 children in total, and vigorously promoted the economic and social development in poor areas.

Jiemuxi area, Yuanling in Hunan province

- Help the development of collective economy and pro-poor tourism
- Intensify the poverty alleviation of infrastructure construction
- Donate education infrastructure and carry out the grant-in-aid and scholarship program
- Carry out technical training for farmers in Yuanling
- Launch special hardship relief
- Help Yuanling develop special industries

Riwoqe county, Tibet

- Help COSCO Shipping Energy Charity to carry out "Voyage · Home" talent training in Leiwuqi country
- Help COSCO Shipping Energy Charity to carry out "Voyage · Home" fund projects in Leiwuqi country

Eager to Implement Public Welfare

We are committed in social welfare activities, encourage employees to care about community development, actively organize and participate in volunteer activities for fund-raising, employee volunteers and pairing support, improve community environment and promote community development, enjoy the happiness of "the fragrance always stays in the hand that gives the rose" with concrete action, and create a harmonious and friendly external environment for corporate development. In 2017, we raised money for charity through "Learning from Leifeng Charity Sale".



"Learning from Leifeng" Charity Sale Activity at Shipping Building

On 6th, March, 2017, we launched the 2017 "Learning from Leifeng" charity sale activity at the hall of the first floor of Shipping Building on Yuanshen Road with COSCO Marine Heavy Industry, China Shipping International, China Marine Party School and other buildings. On the sale site, there were a wide variety of voluntary donations, including books, small appliances, daily necessities and other goods. On-site handmade pastry and coffee also attracted the staff of the building, with the generosity of our employees, we had raised 1544 yuan.



Participating in the "Last Stand" Long-distance Running to Advocate Environmental Protection Concept

In response to the "World Water Day"'s, call on all sectors of society to pay attention to the water shortage in arid areas, in 2017, the Hong Kong branch of COSCO SHIPPING Energy organized employees to participate in the "Last Stand" Long-distance Running voluntarily. Participants completed 15 km or 30 km distances while carrying 4.5 L water, This activity not only raised funds for water storage and water purification facilities in arid areas, but also let employees experienced the value of water resources, and arose the low-carbon life concept of employees and the public.

Party Members Going into Community and Love Going into Thousands of Families

On 26th , June, 2017, 106 party members of Dalian Oil Ship Company actively participated in the service day of "Welcoming the 19th of CPC National Congress and Being a Qualified Party Member" launched by the community. They jointly visited the people in difficulty, participated in charity donation, distributed fire control and health pamphlets, reassessed oath of the party with community members, participated in cleaning up the corners of community, eliminate illegal advertisements and other cleaning community environment work, and highlighted the spirit of serving the society wholeheartedly as party members.



Our Commitment

Continuing to Accelerate the Strategic Transformation of Sustainable Development

Continuing to Optimize the Layout of Global Energy Supply.

Continuing to Create a Stable Situation for Security Management

Continuing to Protect the Green Hills and Clear Waters of Mankind

Continuing to Create a Favorable Environment for Enterprise Development



2018 marks the first year to implement the spirit of the 19th National Congress of the Communist Party of China and the crucial year for the continued implementation of the 13th Five-Year Plan. We shall seize the opportunities afforded by the new era firmly, meet the challenges proposed by new situation, keep the mission in mind and never slack, accelerate to achieve the strategic goal of "Four Global Leadings", promote high-quality development of company, strive to build an international first-class energy transport enterprise, and make more contribution to build China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious and beautiful .

Continuing to Accelerate the Strategic Transformation of Sustainable Development.We shall be committed to "Being an Outstanding Leader in Global Energy Transport with International Competitiveness, Brand Influence and Customer Reputation", realize the transformation from a participator of global energy transportation to a leader, vigorously promote the "Five Transformations", accelerate the strategic transformation into the whole tanker transportation service provider, push aggressively into the field of "New Energy, New Routes and New Business", implement the blue ocean strategy, develop LNG transport business, enter the field of new energy transportation including methanol, ethanol and ethane, expand the arctic route of oil tanker and LNG transportation, and promote benign and sustainable development of enterprise.

Continuing to Optimize the Layout of Global Energy Supply.We shall combine the advantages of domestic and foreign trade to form an operation pattern that connects internal and external markets, supplements eastern and western routes, optimize the fleet operation layout, improve authorization and linkage mechanism of overseas company, let London company, Singapore company and Hong Kong company fully play their functional role and take advantage of West African, Southeast Asian and American markets respectively to form an operation layout of regional markets that coordinates and links inside and outside markers. We will actively implement the national "Belt and Road" Initiative, build the route networks relying on "State-owned Oil with State-owned Transport" and following the Belt and Road Initiative.

Continuing to Create a Stable Situation for Security Management.We shall continue to be guided by the strategy of "Security Marketing Global Leadership", adhere to security concept of "Three High Standards", improve the safety management system, based on the safety inspection to further strengthen the hidden trouble investigation, build a capable security management team, give play to the internal synergies, promote the overall security management ability and achieve the intrinsic safety.



Continuing to Protect the Green Hills and Clear Waters of Mankind.We shall fully practice the concept of "lucid waters and lush mountains are invaluable assets", focus on global climate change, strengthen marine environmental management, intensify technical transformation of energy


conservation reduce greenhouse gas and pollutant emissions from the whole process of ship building, shipping and berthing, integrate green development concept into daily operation, minimize the environmental damage of enterprise operation, thus to make our hill greener, sky more blue and water much clearer.

Continuing to Create a Favorable Environment for Enterprise Development.We shall adhere to strict governance and reinforce our mission, fully practice the "Four Senses", consolidate the "Two Duties for One Post", intensify efforts to combat corruption, create an upright and clean business atmosphere, improve the talents selection mechanism, optimize the incentive mechanism, fully mobilize the enthusiasm, initiative and creativity of employees and stimulate the vitality of enterprise development. We will insist on targeted poverty alleviation and help win the fight against poverty, eager to join in social welfare activities, advocate volunteer service, promote community development and share the fruits of enterprise development with society.

Appendix

Key Data

Category	Index	Unit	2017 年
<div>Economic Performance</div> <div></div>	Total assets	100 million yuan	(A-shares) 603.85 (H-shares) 603.85
	Operating income	100 million yuan	(A-shares) 97.59 (H-shares) 95.05
	Net profit	100 million yuan	(A-shares) 17.66 (H-shares) 17.75
	Self-owned ships	set	125
	Gross tonnage	10 thousand dwt/10 thousand cubic meters	1717/70
	Volume of freight	100 million tons	1.20
	Rotation volume of freight transport	100 million ton miles	4068
	Volume of crude oil shipment	10 thousand tons	10974
	Volume of refined oil shipment	10 thousand tons	961
	Average age of boat	year	7.6
	Total number of suppliers	Unit	666
	Hong Kong, Macao, Taiwan and overseas suppliers	Unit	106
	Mainland suppliers	Unit	560
<div>Environmental performance</div> <div></div>	Nitrogen oxide emissions	ton	74987.2254
	The unit turnover emission of nitrogen oxide	kg/thousand tons miles	0.1928
	The amount of sulfur oxide emission	ton	51715.3279
	The unit turnover emission of sulfur oxide	kg/thousand tons miles	0.133
	The amount of greenhouse gases emission	ton	2807280.3807
	The unit turnover emission of greenhouse gases	kg/thousand tons miles	7.2181
	The amount of carbon dioxide emission	ton	2680577.8274
	The unit turnover emission of carbon dioxide	kg/thousand tons miles	6.8923
	The amount of oil pollutant emission	ton	90810.78
	Oil content of oil pollutant	ton	15381.64
	The amount of hazardous wastes emission	ton	301.73
	The unit turnover emission of hazardous wastes	kg/thousand tons miles	0.0008
	The amount of non-hazardous wastes emission	ton	558.87
	The unit turnover of non-hazardous wastes emission	kg/thousand tons miles	0.0014
	Total energy consumption (electricity, gas and oil)	10 thousand standard coals	1232387.1571
	The unit turnover of energy consumption	Ton standard coal/thousand tons miles	3.1687

	Gross oil consumption	10 thousand tons	86.1922
	Unit oil consumption	kg/thousand tons miles	2.2162
	Oil and gas conservation	ton	2015.578
	Lubricating oil consumption	ton	7642
	Total water consumption	cubic meter	395314.4
	Water conservation	cubic meter	150825.56
	The total office water consumption in Shanghai Head Office	ton	8421
	The total office electricity consumption in Shanghai Head Office	degree	715891
	The total fuel consumption of official vehicles in Shanghai Head Office	L	46366
<div>Social performance</div> <div></div>	Total number of employees	person	3157
	Number of expatriate workers	person	18
	Number of new employees	person	4
	Number of minority employees	person	131
	Number of the disabled	person	11
	Coverage rate of labor contract	%	100
	Coverage rate of social insurance	%	100
	The return rate of parental leave	%	100
	Total investment in trainings	10 thousand	365.85
	Times of employees trainings	term	462
	The person/time of Training staff	person	6516
	Per capita training time	hour	48
	Customer Satisfaction	%	100
	Number of Customer Complaints	piece	1
	Complaints Handling Rate	%	100
	The supplier audit coverage	%	85
	The passing rate of zero defect annotation	%	80.53
	The success rate of preventing typhoon	%	100
	The success rate of anti-piracy	%	100
	ISPS passing rate	%	100
	Potential safety hazard checking and controlling activities	times	12

ESG Guidance Table

Subject Areas, Aspects, General Disclosures and KPIs				Page
"Comply or Explain" Provisions		Recommended Disclosures		
A. Environmental				
Aspect A1: Emissions	General Disclosure Information on: The emission of waste gases and greenhouse gases, pollution discharge into water and land and the production of harmful and non-hazardous waste generation (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and Sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	/		P41-P42
		KPI A1.1	The types of emissions and respective emissions data.	P42
		KPI A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P42
		KPI A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P42
		KPI A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P42
		KPI A1.5	Description of measures to mitigate emissions and results achieved.	P43
		KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	P42-P47
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	/		P46
		KPI 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)	P47
		KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P47
		KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P46-P47
		KPI A2.4	Description of whether there is any issue in sourcing water that is for purpose, water efficiency initiatives and results achieved.	P46-P47
		KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	Not suitable
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources	/		P44-P47
		KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	P44-P47

Subject Areas, Aspects, General Disclosures and KPIs				Page
	"Comply or explain" Provisions	Recommended Disclosures		
B. Social				
Employment and Labour Practices				
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.	/		P50
		KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	P50
		KPI B1.2	Employee turnover rate by gender, age group and geographical region.	P50
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.	/		P53
		KPI B2.1	Number and rate of work-related fatalities.	P53
		KPI B2.2	Lost days due to work injury.	P53
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P53
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	/		P51-53
		KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P51
		KPI B3.2	The average training hours completed per employee by gender and employee category.	P51
Aspect B4: Labour 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 labour.	/		P50
		KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	P50
		KPI B4.2	The average training hours completed per employee by gender and employee category.	Not suitable
Operating Practices				Disclosure of the position
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	/		P39
		KPI B5.1	Number of suppliers by geographical region.	P39
		KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P39

Operating Practices				Disclosure of the position
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, labelling and privacy matters of products and services provided and methods of redress.	/		P31-P33
		KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not suitable
		KPI B6.2	Number of products and service related complaints received and how they are dealt with.	P36
		KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	P36
		KPI B6.4	Description of quality assurance process and recall procedures.	P36
		KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P36-P37
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.	/		P20
		KPI 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.	P20
		KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P20
Community				Disclosure of the position
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.	/		P56-P57
		KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P56-P57
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	P56-P57

Comparison Table of the Ten Principles of UN Global Compact

Main disclosure level and principles		Disclosure of the Position
Human Rights	(1) Enterprises should respect and maintain the internationally recognized human rights	P50-P55
	(2) Never participate in any behavior that disregard for or abuses human rights	P50
Labor Standards	(3) Enterprises should maintain the freedom of association, and accept the rights of collective bargaining	P51
	(4) Eliminate all forms of forced labor radically	P50
	(5) Eliminate child labor	P50
	(6) Put an end to any discrimination in employment and industry	P50
Environment	(7) Companies take precautions to deal with environmental challenges	P40
	(8) Take the initiative to increase the responsibility of environmental protection.	P40-P47
	(9) Encourage the development and promotion of harmless environmental technology	P44-P45
Anti-Corruption	(10) Enterprises should oppose all forms of corruption, including extortion and bribery	P20

About the Report

Report Scope of Time	This report is from January 1st, 2017 to December 31, 2017. Part of contents is beyond the scope above.
Report Scope of Organizations	COSCO SHIPPING Energy and its subsidiaries. To facilitate elaboration and reading, "COSCO SHIPPING Energy Transportation Co., Ltd." is abbreviated as "COSCO SHIPPING Energy" and "we". "COSCO SHIPPING Tanker (Shanghai) Co., Ltd." is abbreviated as "Shanghai Tanker"; "COSCO SHIPPING Tanker (Dalian) Co., Ltd." is abbreviated as "Dalian Tanker"; "COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd." is abbreviated as "Shanghai LNG".
Release Cycle of Report	Every financial year. This report is the second social responsibility report released after COSCO SHIPPING Energy restructured.
Report Data Description	All information and data included in this report come from the official documents and related statistics of COSCO SHIPPING Energy.
Report Reference Standard	<i>Environmental Information Disclosure of Listed Companies of Shanghai Stock Exchange Guidelines</i> , the <i>Annex II Compilation Guidelines of Company Performing Social Responsibility Report of No.1 Annual Report of Listed Companies in 2009</i> Memos, Hong Kong Stock Exchange <i>Environment, Social and Governance Reporting Instructions(2016)</i> , the United Nations <i>Global Compact 10 Principles</i> , International Organization for Standardization, <i>ISO26000 Guidance on Social Responsibility(2010)</i> , Global Reporting Initiative <i>Sustainability Reporting Guidelines (GRI4.0)</i> .
Release Form of Report	The report is released with the two forms of print and online publication, and the search and download of online publication link is: http://www.coscoshippingenergy.com/
Report Language Version	This report has the 3 versions (Chinese Simplified, Traditional Chinese, English version) . If any questions, the Chinese Simplified version shall prevail.
Report Obtaining	Board Office of COSCO SHIPPING Energy Add: Floor 18, No.118, Yuanshen Road, Pudong New Area, Shanghai, China Postal Code: 200120 Tel: 021-65967678 Fax: 021-65966160 Email: ir.energy@coscoshipping.com

Reader Feedback



Dear Readers,

Thanks very much for reading '2017 COSCO SHIPPING Energy Corporate Social Responsibility Report'. Flaws and omissions are hard to avoid in the process of writing this report. We are looking forward to your valuable suggestions and give feedbacks to us so as to help us improve further.

Thank you.

COSCO SHIPPING Energy Transportation Co., Ltd.
March, 2018

Multiple Choice Questions (Please tick ☒ in the corresponding position)

Does this report comprehensively and accurately reflect the significant impact of COSCO SHIPPING Energy on economy, society and environment?

Best ☐ Better ☐ General ☐ Worse ☐ Worst ☐

How about the response and disclosure of this report on the stakeholders' concerns?

Best ☐ Better ☐ General ☐ Worse ☐ Worst ☐

Is the information, index and data disclosed in this report clear, accurate and complete?

Best ☐ Better ☐ General ☐ Worse ☐ Worst ☐

How about the readability of this report, i.e. the logic thread, content design, language and words and format design?

Best ☐ Better ☐ General ☐ Worse ☐ Worst ☐

Open Questions

What do you think is the part of this report that makes you most satisfied?

What's your advice on our social responsibility report released in future?



This report is made of environmentally
friendly recycled paper



COSCO SHIPPING Energy Transportation Co.,Ltd.

Add: 18th Floor, No. 118, Yuanshen Road, Pudong New Area,
Shanghai, the People' s Republic of China.

Postal Code: 200120

Tel: 021-65967678

Fax: 021-65966160

Email: ir.energy@coscoshipping.com