



2019

Corporate Social Responsibility Report

COSCO SHIPPING DEVELOPMENT CO., LTD.

Fulfilling Our Responsibility For Further Development



Dear Reader:

Thank you for reading COSCO SHIPPING Development Corporate Social Responsibility Report 2019. We welcome your comments and suggestions, and will carefully review the feedback of every reader of this report. Your input is important and will help us continue to promote and improve our corporate social responsibility management and practices.

Please scan the QR code on the left to complete your comment, or contact us via telephone and e-mail listed below.

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About This Report

Overview

This report is our fourth CSR report for stakeholders. Focusing on the Company's ESG (environmental, social & governance) management and practice, it discloses information about our ESG management structure, strategy as well as our responses to sustainable development opportunities and challenges.

Reporting Period

The time frame for the activities mentioned in the report is 1 January to 31 December 2019, though some content may extend beyond the stated time frame when necessary.

Reporting Scope

The reporting content and information cover the business activities of COSCO SHIPPING Development and its directly-affiliated units. In some instances, the content may cover information related to the China COSCO Shipping Corporation Limited.

Reporting Cycle

This report is published annually.

Compilation Conformance

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

Data Resource

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

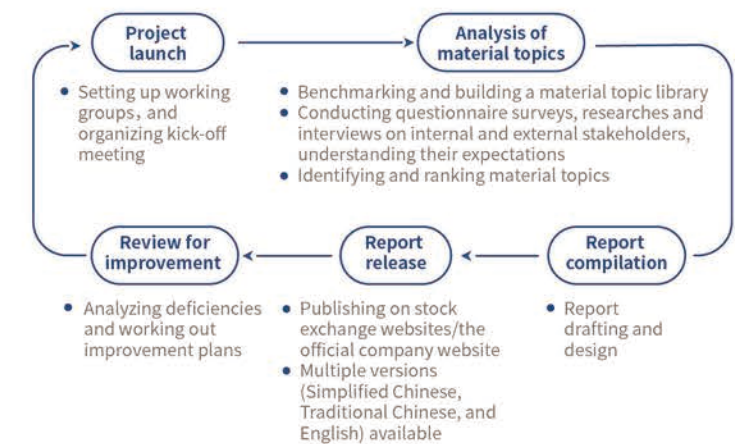
References

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

Reliability Assurance

The Company guarantees that there are no false records, misleading statements or major omissions in the report.

Reporting Process



Access to This Report

This report is published in Simplified Chinese, Traditional Chinese, and English. If discrepancies exist between the Chinese and English versions, the Simplified Chinese version shall prevail. You can download an electronic version from the official website of COSCO SHIPPING Development: <http://development.coscoshipping.com/> If you need a printed version of this report or have any suggestions about the report, please contact us.

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Message from the Chairman

In the face of profound changes unseen in a century, sustainable development has increasingly become the "golden key" to consolidating global consensus and solving global issues. The shipping industry, the most important means of transportation for global trade, is being reshaped by global economy and trade, and moreover faces opportunities and challenges brought by sustainability issues such as uneven regional economic development and climate change. In the pursuit of building an outstanding financial service provider for the shipping industry, COSCO SHIPPING Development always aims at sustainable development, advocates the corporate culture of "excellence", and actively fulfills social responsibility. The Company constantly enhances its competitiveness as a responsible corporate citizen while creating value for the entire shipping industry.

The year 2019 marked the 70th anniversary of the founding of the People's Republic of China and a key year for building a moderately prosperous society in all respects. In that year, we remained true to the original aspiration of building China into a strong maritime and shipping power, and worked with all stakeholders for shared development results. As a shipping finance platform, we stayed oriented towards customers' needs, expanded the application scenarios of container products, introduced new service models, and provided customers with quality products and services, helping realize the both upstream and downstream development of the shipping industry. Committed to minimizing environmental impact, we continuously strengthened environmental management,

adopted various measures to achieve green transformation and development, carried out the eco-friendly water-based paints renovation projects in an orderly manner, and urged 80% of our wood suppliers to obtain FSC certification, thus contributing to the building of a beautiful China. We shared development results with employees, and further improved promotion and talent flow mechanisms to meet their diverse development needs. The building of the "Excellent Team" and the "Love and Safety" management policy has achieved fruitful results, effectively protecting occupational health and workplace safety. We actively gave back to the society by using funds and technology to serve local economic and social development in the fields of medical care, education, energy, and infrastructure construction. We donated RMB 6 million to Yongde County, Yunnan Province for targeted poverty alleviation.

Upholding our vision of building China into a strong shipping power, COSCO SHIPPING Development will set sail for sustainable development with a global vision, work with all stakeholders to promote win-win cooperation, and forge ahead to create a moderately prosperous society in all respects and to realize the UN Sustainable Development Goals (SDGs).

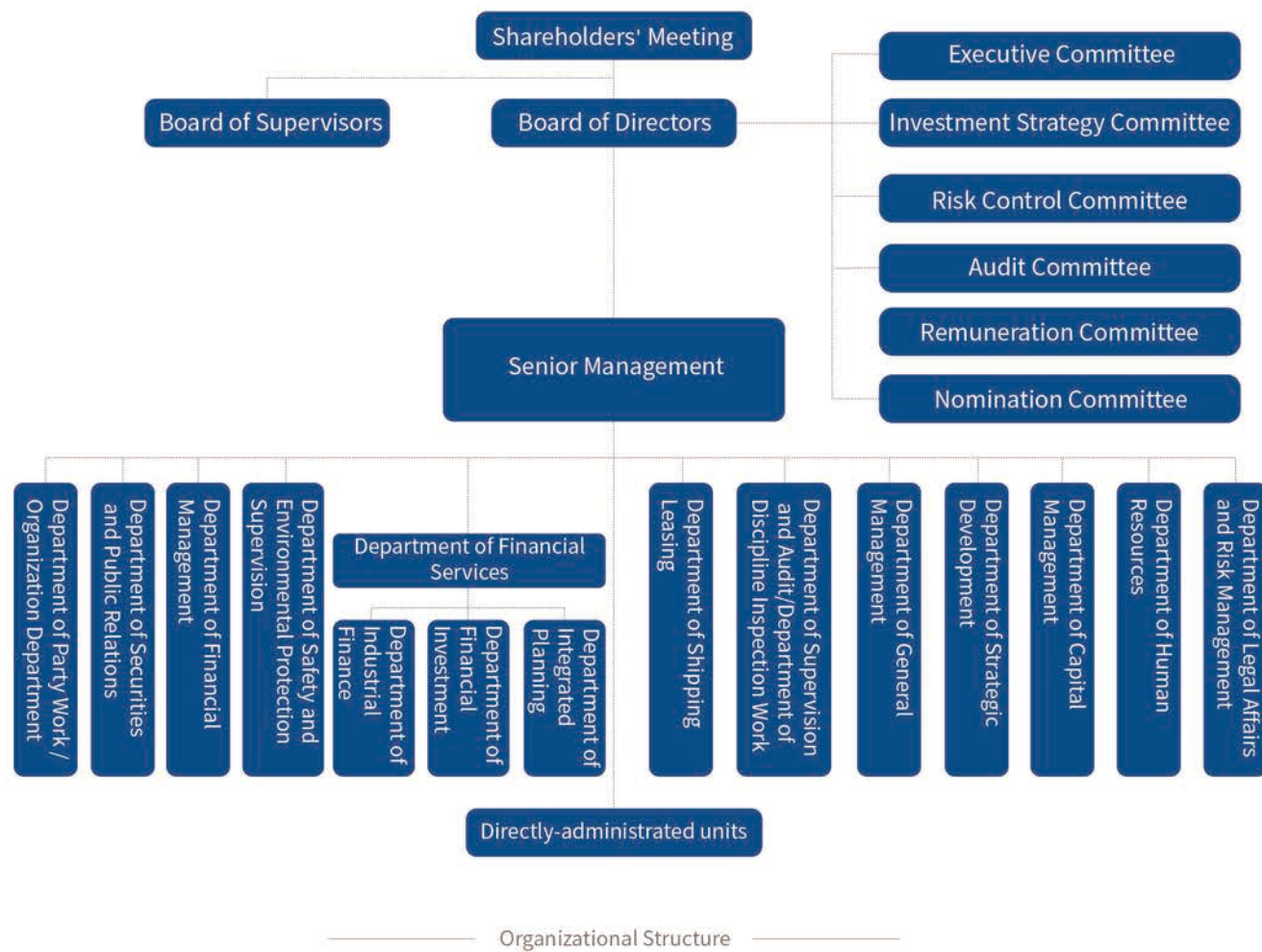
Wang Daxiong, Chairman of COSCO SHIPPING Development Co., Ltd.



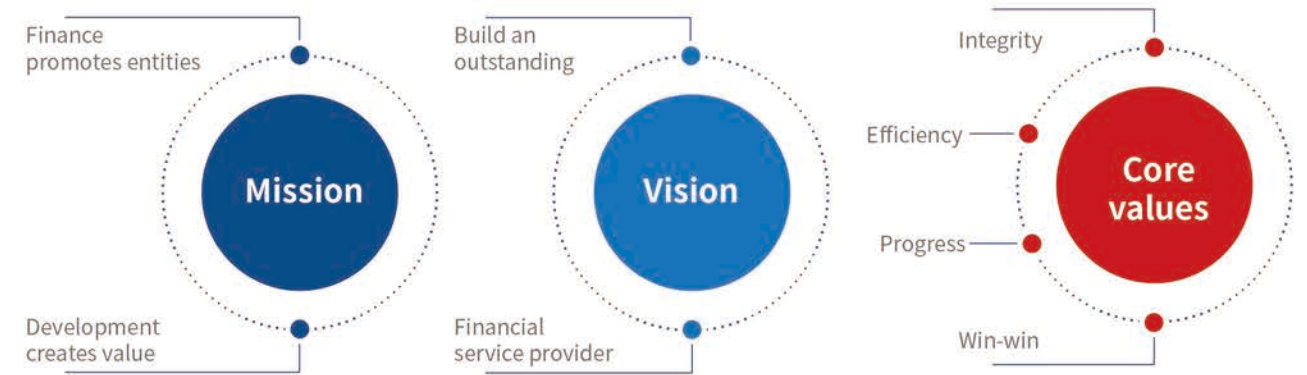
About Us

COSCO SHIPPING Development Company Limited is a corporation affiliated to China COSCO Shipping Corporation Limited, specializing in comprehensive supply chain financial services. The Company was established in 1997 and has headquarters in Shanghai, China. It is listed both on the Hong Kong and Shanghai. COSCO SHIPPING Development has registered capital of RMB 11.608 billion.

The Company is dedicated to bring into play the advantages in shipping logistics industry and integrated shipping industry chain with shipping finance as the foundation; to develop industrial cluster with shipping and industry-related leasing, container manufacturing, investment and service business as the core; and to develop into a "one-stop" shipping financial service platform by combining industry with finance, integrating various financial functions, and synergy of various businesses, featuring market mechanism, differentiated advantages and international vision.



In 2018, in the pursuit of excellence, pragmatism and efficacy, COSCO SHIPPING Development established a corporate culture centering on "excellence". In 2019, in order to further promote the "excellence" culture and deepen employees' awareness, understanding and recognition of it, extensive cultural activities were organized, which provided strong cultural guidance and value support for the Company's development and management, and united employees to promote faster and better corporate development.



Honors and Awards

In May 2019, Haihui Factoring, a subsidiary of COSCO SHIPPING Development, was awarded the "Top 100 Enterprises of the Year 2018" in Tianjin Port Free Trade Zone.

On July 10, 2019, COSCO SHIPPING Development was selected in the 2019 "Fortune China 500" list. This is the third consecutive year since the reconstruction.

On October 22, 2019, Ocean Fortune Glory Asset Management Co., Ltd. won the "China's Top 10 Fastest Growing LP" and "China's Top 20 Best Private Equity LP" awards in the 2019 CVAwards.

In November 2019, COSCO SHIPPING Development was selected in the "2019 China Business Top 100" list released by the Organizing Committee of the China Business Top 100 (CBT100) Forum.

In November 2019, COSCO SHIPPING Development won the "2019 China Shipping Finance Outstanding Innovation Award" at the Marine Capital 2019 Summit jointly hosted by www.ship.sh and BIMCO.

On December 6, 2019, COSCO SHIPPING Development was ranked among the "2019 China Business Top 100" and won the China Business Top 100 Award at the 19th China Business Top 100 (CBT100) and the 5th CBT100 City Forum.

On December 19, 2019, Ocean Fortune Glory Asset Management Co., Ltd. won the "Golden Bull Emerging Equity Investment Institution" award at the third China Equity Investment Golden Bull Award.



Laying a Solid Foundation >>>

Building a Path for Value Creation

At present, changes are brewing in the global economic landscape and governance system. Facing the uncertainties in the shipping industry brought by the turbulent international political situation and regional trade frictions, we firmly believe that sustainable development is the "golden key" to addressing global issues. As a pioneer in the field of shipping finance, we keep up with the development trend of the times and continuously exert and expand our own resources and business advantages to serve the sound economic and social development. Starting from sustainable development, we work with stakeholders to coordinate economic, social and environmental development, and explore a path for sustainable development that features joint contribution, shared outcome, openness and diversity.



Sustainable Development Background

On September 19, 2019, the CPC Central Committee and the State Council issued the *Outline on Building China's Strength in Transportation* (hereafter referred to as "the Outline"). It explicitly proposes to "build an interconnected and global transportation network" and sets the direction and goal of development to "improve the global connectivity of shipping and civil aviation, build a world-class international shipping center and promote the building of the 21st Century Maritime Silk Road" and to "build global competitive international seaport hubs, aviation hubs and postal express hubs based on Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and other world-class city clusters". The Outline brings about new opportunities for furthering high-quality development of the shipping industry and integrating with other transportation modes to build a three-dimensional transportation and logistics service network. The development of the capital-intensive shipping industry depends on financial support provided by financial institutions. Therefore, the coordinated development of shipping and finance will play an important role in China's building of transportation strength, maritime strength, and the implementation of the Belt and Road Initiative.

In 2019, relying on Shanghai's industry basis and resource advantages in the international financial sector and the favorable policies for establishing the Shanghai Pilot Free Trade Zone, the People's Bank of China, National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Finance, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange jointly issued the *Action Plan for the Construction of Shanghai International Financial Center (2018-2020)*. It puts forward the goal that "by 2020, Shanghai will basically establish its status as a global market that is dominated by RMB products and has strong financial resource allocation capabilities and influence, build a financial service system based on fairness and rule of law, innovation, efficiency, transparency and openness, and become an international financial center that matches China's economic strength and the international status of the RMB". The implementation of the action plan has strengthened the linkage between the construction of the Shanghai Free Trade Zone and that of an international financial center, optimized the Shanghai financial system and financial service environment, and created favorable conditions for improving Shanghai's capabilities and influence in financial resource allocation and for its financial industry's high-quality development.

To build an "international financial center" and "international shipping center", Shanghai leverages its advantages to vigorously promote the development of shipping finance. During the 13th Five-Year Plan period, Shanghai focused on promoting the construction of Lujiazui Maritime and Finance Excellence Center (MFE Center), which acts as a bridge between the shipping industry and financial industry and helps finance the shipping industry. The MFE Center makes Shanghai the "hub" of shipping-finance with global connectivity and nationwide influence. It brings into play and increases the value of integrated shipping resources and creates opportunities for the development of the shipping finance.

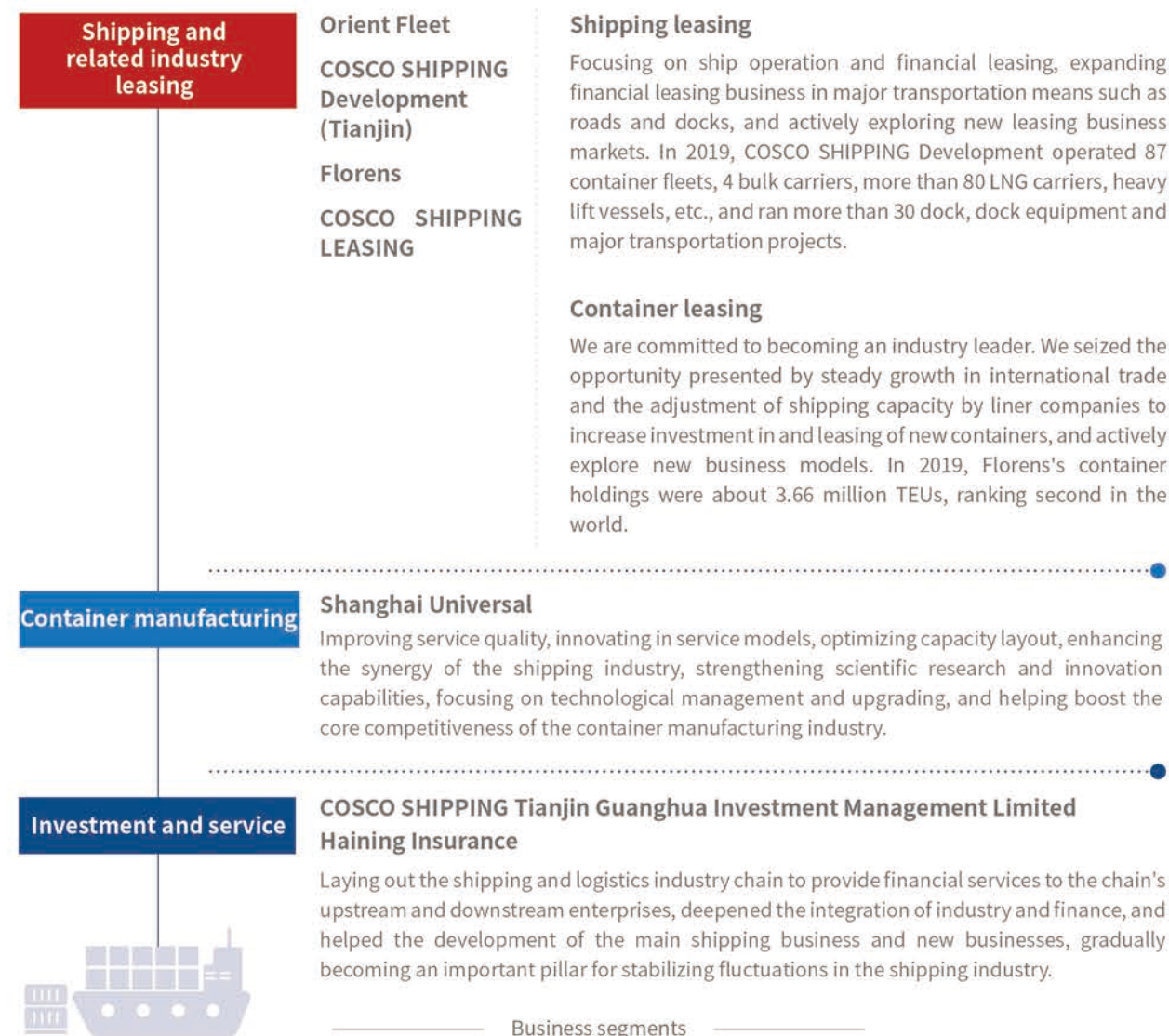


Our Strategies

The *Global Economic Prospects* released by the World Bank points out that global investment and trade would gradually recover from a severely weak state in 2019, but the downward pressure on the economy would remain. Against this background, COSCO SHIPPING Development studied industry development opportunities and challenges, gave full play to its experience in the shipping industry and advantages in the financial industry, and boosted the synergy between shipping and finance, so as to serve the higher quality development of the shipping industry and society.

COSCO SHIPPING Development has continuously optimized the industrial layout and resource allocation around its main shipping business to develop an industrial cluster with shipping and related industry leasing, container manufacturing, investment and services businesses as the core. The Company also aims to develop into a financial service platform that promotes the integration of production and finance, capital financing and goods financing, and supports the collaborative development of different businesses, professionally and comprehensively provides "one-stop" financial service solutions for the upstream, middle and downstream enterprises of the shipping industry, and builds a bridge between the real economy and the capital market.

COSCO SHIPPING Development is among the top global players in the industry in terms of the fleet scale of our ship leasing business and the container fleet scale of our container leasing business. In terms of other industry leasing business, the Company focuses on expanding financial leasing business in medical services, education, new energy, construction and industrial equipment. In terms of container manufacturing business, Shanghai Universal, a subsidiary of the Company, with designed annual capacity of 550,000 TEU. The Company also focuses on the development of investment and service business, promotes the integration of industry and finance, and optimizes the business models by leveraging our experience in the shipping industry, as well as the existing resources of the financial service industry, in order to achieve the balanced development of shipping-related finance business.



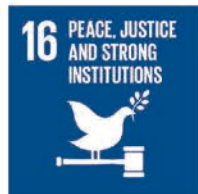
Index	Unit	2019	2018	2017
Total Revenue	RMB Million	1,414.59	1,624.20	1,590.12
Profit	RMB Million	174.47	138.43	146.38
Total Tax Payments	RMB Million	59.82	72.14	49.63

Notes The total tax payments in 2019 refers to COSCO SHIPPING Development and subordinate companies. The total tax payments in 2017, 2018 refers to COSCO SHIPPING Development only.

Following Corporate Values >>>

Developing Responsible Corporate Governance

Scientific and stable corporate governance underpins sound and sustainable corporate development. COSCO SHIPPING Development integrates the philosophy of compliance into corporate value, institutions and culture, so as to cultivate high-standard business ethics and a responsible working environment, better manage and control business and operational risks, and strengthen our abilities to guard against and recover from risks, laying a solid foundation for sustainable development.



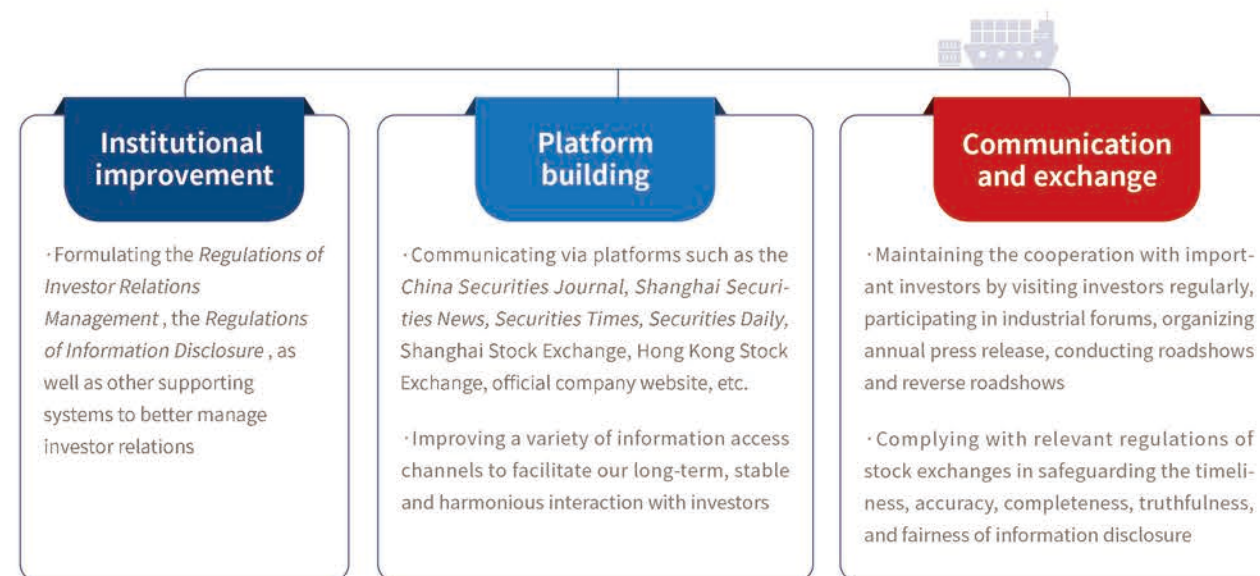
SDGs



Corporate Governance

At COSCO SHIPPING Development, we have developed a standard governance structure that outlines clearly defined power and responsibilities for the board of directors, the board of supervisors and the management. In 2016, following the restructuring the Company, we reviewed our entire corporate system and management process, and later continued to improve our corporate governance mechanism by formulating rules and regulations, including the Articles of Association, Rules of Procedure for Execution and Meeting of CEO/General manager, and Internal Control And Risk Management Measures; focusing on "lowering leverage, guarding against risks and complying with regulations," we also refined our comprehensive risk control and compliance management system, all of which institutionalized the corporate governance framework and system, thus further enhancing our lean management capabilities.

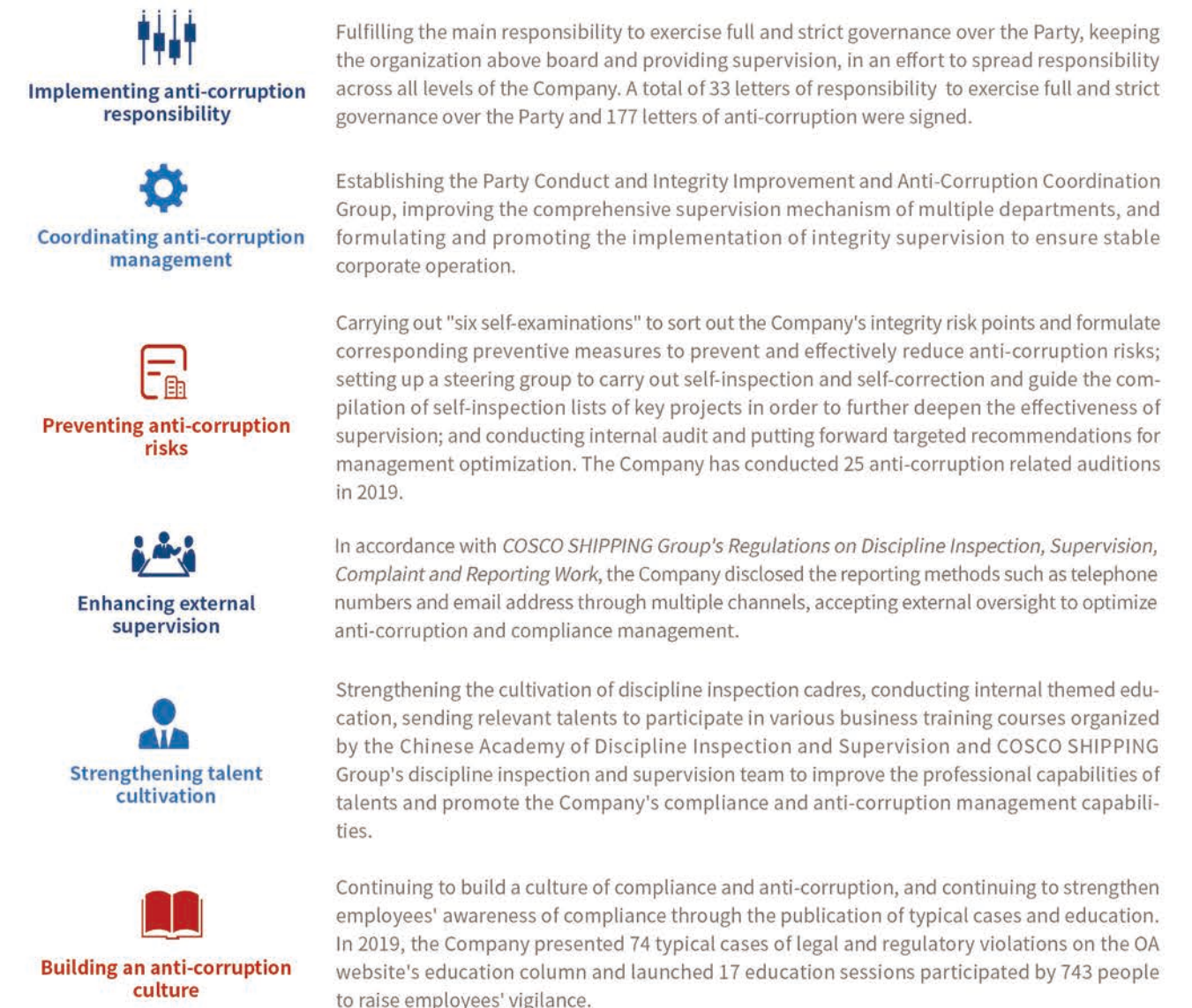
In 2019, the Company formulated the compliance training plan and organized four such training sessions for board directors, supervisors and executives in accordance with the requirements of the Shanghai Stock Exchange, the Shanghai United Assets an Equity Exchange and the China Association of Public Companies.



Communication with investors

Compliance and Anti-corruption

COSCO SHIPPING Development strictly abides by the *Interim Provisions on Banning Commercial Bribery* and *Rules on Integrity of Executives of State-Owned Enterprises*. In 2019, taking into consideration the special anticorruption requirements for financial enterprises, the Company revised the *COSCO SHIPPING Development's Approaches to the Management of Anti-corruption Records of Administrative Staff* and formulated the *Working Rules on Compulsory Vacation Supervision* and other policies, to further strengthen anti-corruption supervision and compliance building and promote compliant operation accordingly.



Anti-corruption risk management measures 2019 (part)

Risk Management

Well aware of the risks associated with the financial industry, COSCO SHIPPING Development regards good risk prediction and control as the basis of all businesses. The Company has formulated risk management policies including the *Risk Management Approaches* and the *Risk Preference System Management Approaches* to respond to new risks and challenges arising from business transformation, better identify, guard against and control risks, and boost sustainable and stable corporate operation. In 2019, the Company continued to advance internal control evaluation and internal audit and updated and improved the internal control manual, providing standardized procedures on internal risk control for its business departments and directly-affiliated units.



Risk management measures



Building a fortress against risks and promoting the risk control culture

Shanghai Universal puts forward the risk-control philosophy that aims to provide support and care, pursue healthy development, guard against risks and create value. In addition to the Trial Measures for Liquidity Risk Management and the Trial Measures for Operational Risk and Internal Control Management it has introduced, the company has been constantly improving the risk management system. Also, Shanghai Universal improved and promoted the risk control culture communication mechanism, and established an experience sharing platform for its subsidiaries including DFIC Lianyungang, DFIC Guangzhou, and DFIC Jinzhou so that they can learn from each other for common progress, and better guard against risks.

- Creating an atmosphere of risk control**
 - DFIC Lianyungang launched legal education to disseminate legal knowledge in legal publicity month
 - DFIC Guangzhou held risk control knowledge training and activities such as speeches and presentations
 - DFIC Jinzhou organized knowledge competition on risk control and culture building
- Conducting risk control experience sharing**
 - DFIC Lianyungang, DFIC Guangzhou, and DFIC Jinzhou strengthened risk management experience sharing and jointly launched a risk control exchange activity themed on “deepening exchange of post risk control to consolidate corporate risk prevention” in Guangzhou, which created a culture of lean risk management and promoted the risk management and control capabilities of the three factories
- Enhancing risk management supervision**
 - The Company implemented the monthly risk management monitoring and reporting mechanism to ensure overall risk controllability

Shanghai Universal strengthens risk control of three subsidiaries

Intellectual Property Protection

Innovation is the important source of strengths to build core competitiveness of enterprises, drive industry progress, and promote national development. In exploring sustainable corporate development, COSCO SHIPPING Development always regards innovation and R&D as the cornerstone, and strictly abides by the laws and policies such as the *Patent Law of the People's Republic of China* and *Opinions on Strengthening Intellectual Property Protection*. The Company continues to encourage innovation and R&D and respect and protect its own and others' intellectual property rights, endeavoring to foster an innovation-enabling industry environment. It also advocates settling intellectual property disputes through consultation and cooperation for win-win results.

In 2019, in order to promote the sustainable and healthy development of the container industry, Shanghai Universal and China International Marine Containers (Group) Ltd. (CIMC) granted license to each other to the 53-foot special container transport platform patents within a certain range through fair negotiation and cooperation for shared outcome, and cooperated in other patented container technologies to stimulate the innovation capability of the container industry and create a better future for China's container manufacturing industry.

Responsibility Management

The economic, environmental and social challenges facing human society and the planet are influencing industrial and commercial development all the time. Greatly affected by factors such as international political and economic development, the shipping finance industry must pursue its own development in a broader context of sustainable development. Following this line of thinking, COSCO SHIPPING Development makes sustainable development a part of corporate governance and pursues responsible practices and transparent management and operation, so as to serve economic and social development and realize sustainable corporate and social development.

Social Responsibility Management

Based on rich experience in the shipping finance industry and analysis of the Company's attributes, COSCO SHIPPING Development has sorted out the key areas of sustainable development, formulated top-down management methods and two-way communication mechanisms, and pushed forward efforts in key areas and in meeting the goals of topic-specific management. The Company has set up a social responsibility task force to establish routine contacts and communication with various business and functional departments, ensuring that the Company's social responsibility is honored in business processes and daily operations.



Social responsibility management model

Stakeholder Communication

Stakeholders	Core demands	Communication and responses
The government/ regulatory institutions	Serving the national strategies	Official document exchange, information disclosure, policy implementation, inspection and communication
	Serving local economic and social development	
	Compliant operation	
	Fair competition	
Stock exchanges / investors	Good business performance	Company announcement, shareholders' general meeting, performance report, road show, communication with investors
	Good corporate governance	
	Compliant operation	
	Risk control	
	Realization of corporate development strategy	
Customers	Adequate information disclosure	Investigation of customers' demand, official website, WeChat
	Efficient products	
	Quality service	
	Safeguarding information security	
Partners	Win-win cooperation	Exchange and visit, industry forum
	Industrial development by joint efforts	
Employees	Improved rights and interests protection	Cultural development, workers' congress, employee training and activities
	Good prospect for career development	
	Comfortable working environment	
Communities and the public	Charitable actions	Voluntary service, public welfare activities, targeted poverty alleviation
	Serving community development	
The environment	Systematic environmental management	Environmental policies, green investment
	Supporting green industry development	
Media	Responsible operation	Press conference, media interview and new media interaction
	Quality service	
	Adequate information disclosure	

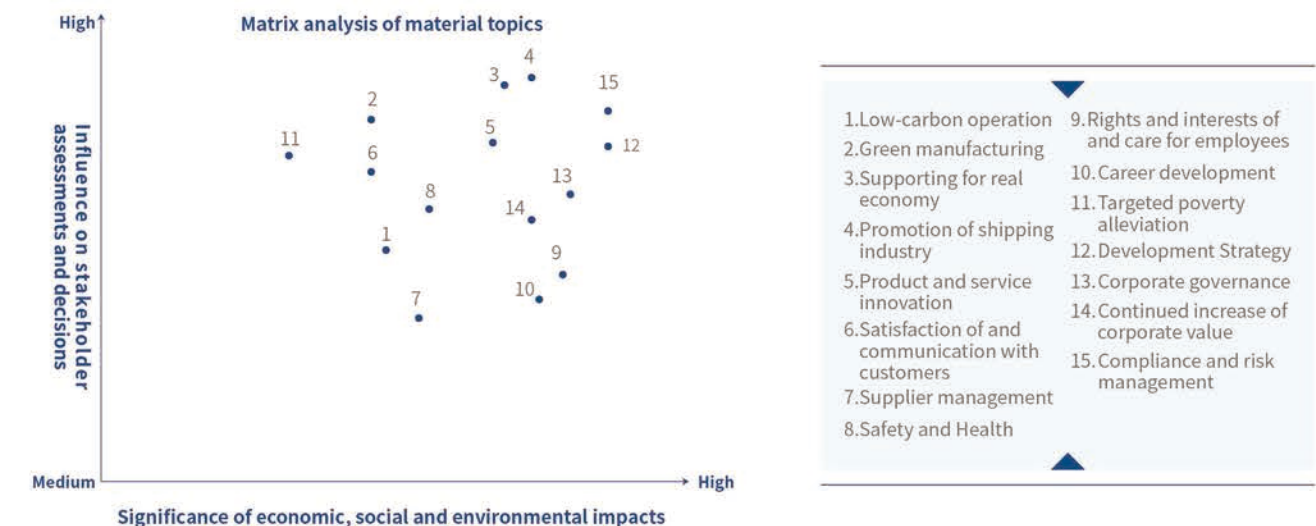
Supply Chain Management

COSCO SHIPPING Development has established the Procurement and Supplier Management Committee to coordinate procurement and supplier management, and formulated the *Supplier Management Measures* to comprehensively and systematically regulate the review, admissions, periodic audits and dynamic assessments of suppliers so as to improve supply chain management.

The Company has been looking for and chosen honest and upright suppliers whose business behavior is highly aligned with social and environmental norms. Therefore, we require suppliers to sign the *Anti-Bribery and Corruption Statement* and introduce our anticorruption policies at the supplier meetings to strengthen their awareness of compliance. We encourage suppliers to fill in the *Supplier Self-Examination Questionnaire on Social Norm Compliance* and lean our rating towards suppliers with good performance in this regard, so as to improve suppliers' social responsibility awareness and ability. The questionnaire covers suppliers' management systems and plans concerning health and safety, environment, child labor, forced labor, remuneration and working hours, anti-discrimination, employee rights, and supply chain, etc. It helps suppliers chart a clear path of social responsibility management and practice. In addition to improving their social responsibility awareness, it points out the direction for suppliers to fulfill their responsibilities, improve the social responsibility management level of the supply chain and build a more sustainable supply chain ecosystem through concerted efforts.

Identification and Analysis of Material Topics

This is the fourth social responsibility report released by COSCO SHIPPING Development since our strategic transformation. To fully understand the expectations of our stakeholders, we conducted surveys and identified material topics of the greatest significance to both our stakeholders and the Company in our first social responsibility report released in 2016. In 2019, we reviewed the material topics of the Company, analyzed and adjusted the material topics based on the macro policy trend of global sustainable development and the Company's important strategic direction as well as stakeholder demands, so as to better respond to the sustainable development trend and stakeholder demands.



Matrix analysis of material topics

Forging Ahead >>>

Lending Strong Impetus to a Prosperous and Thriving Shipping Industry

As the main carrier of world trade, the shipping industry plays an important role in supporting global trade and promoting China's Belt and Road Initiative. Meanwhile, as a capital-intensive industry reliant on economies of scale, the shipping industry would not grow without support from financial and manufacturing sectors. As a shipping finance platform, COSCO SHIPPING Development actively pools resource and leverages the advantages of the shipping industry to build a one-stop shipping finance service platform that provides customers with high-quality products and services and drives both the upstream and downstream development along the supply chain.

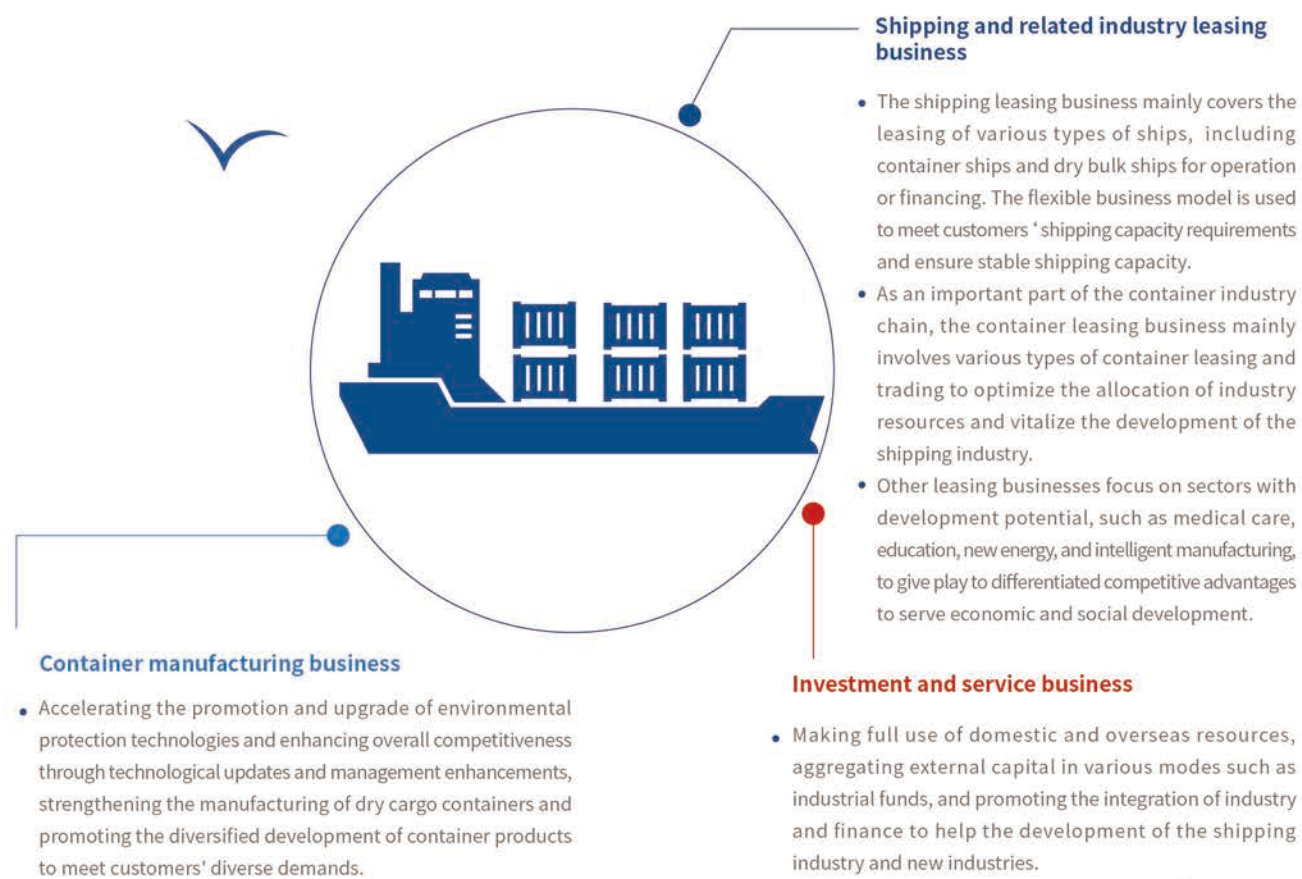


SDGs



Serving the Development of the Shipping Industry

COSCO SHIPPING Development actively develops an industrial cluster with shipping and related leasing business, container manufacturing, investment and services as the core and establishes a development model that promotes the integration of production and finance, capital financing and goods financing, and supports the collaborative development of different businesses, contributing to the high-quality development of the shipping industry.



Serving the development of the shipping industry



In 2019, COSCO SHIPPING Development

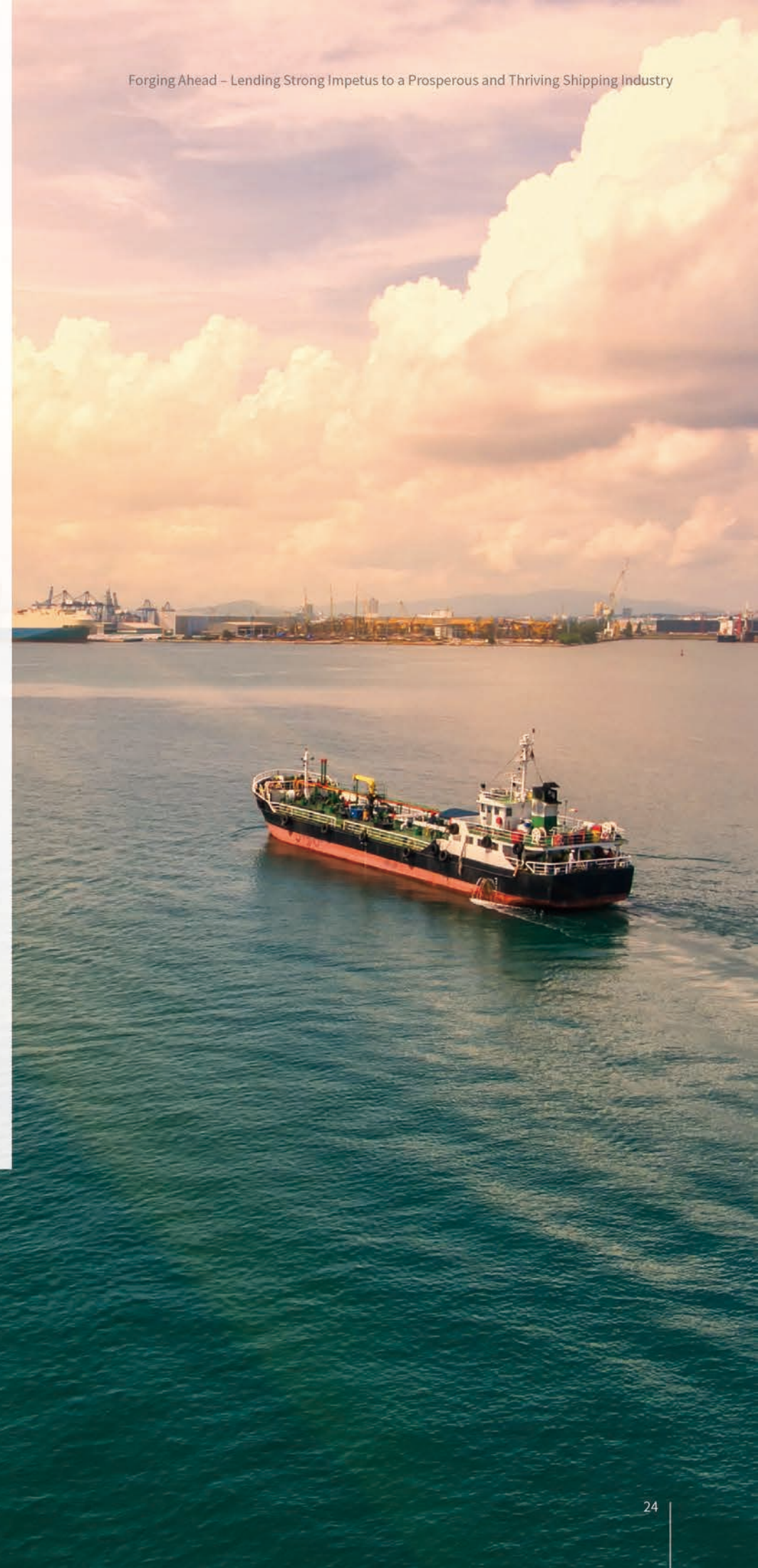
Total container building capacity (10,000 TEU)



Total scale of containers for Leasing (10,000 TEU)



Total Shipping Capacity (10,000 TEU)



Providing Quality Products and Services

COSCO SHIPPING Development puts customers first and advocates win-win cooperation. We are committed to delivering honest, reliable and satisfactory customer experience, and constantly strive to provide more better-quality, multi-functional products, diverse services, and a better customer experience.

Strengthening Quality Management

COSCO SHIPPING Development emphasizes quality control in the entire production process, continuously strengthens product quality control, and manufactures containers in strict accordance with the ISO 9001 to ensure that product quality and specifications meet the requirements of relevant laws and regulations, industry standards and customers. In 2019, Shanghai Universal set up the Equipment Management Department and Quality Management Department and compiled the *New Container Inspection Procedure and Quality Standards*, the *Equipment Management Manual*, and *Three-Year Plan on Technology Innovation and Equipment Upgrade*. It developed a uniform quality standard manual for factories to help manage the quality risk of raw materials, improve the process, guide and assist factories to improve quality and efficiency, so as to provide customers with high-quality products. None of its containers is recalled due to safety or quality concerns.



— Container quality control procedure —



High-quality containers built by the pursuit of excellence

In 2019, COSCO SHIPPING Development started the excellent quality campaign and put forward the goal of making "the best containers". Accordingly, a series of quality improvement activities were launched in container factories to build high-quality containers. Based on the "Excellent Team", DFIC Jinzhou further improved product quality and the fineness of workmanship to build "standard quality containers".

"Quality improvement is an ongoing process. We are always on the way for the best product quality. Down the road, we will continue to track and improve product quality, and we will definitely see more higher-quality containers in the future."

Yan Lei, DFIC Jinzhou



Improving Customer Services

Remaining oriented towards customer demands, COSCO SHIPPING Development continuously expands the application scenarios of container products and introduces new business service models to satisfy customers' diverse demands. In 2019, on the basis of consolidating existing core businesses, it developed the mobile warehousing business by innovatively leasing shipping containers to the downstream mobile warehousing market, which has not only generated a stable stream of income for the Company but also provided customers with a more flexible and economical option for warehousing.



The container-turned substation creates incremental value

Traditional substations are complicated to build, require a lot of building materials, and cause environmental damages. To address this issue, DFIC Jinzhou designed and manufactured container-turned substations for a client in Anshan City, Liaoning Province. This kind of substation is movable and easy to lift, effectively reduces construction operations and the space occupied, improves resource utilization, reduces vegetation damage during construction, and thus creates comprehensive economic, social, and environmental value.



A container-turned substation



Relying on industry communication platforms to better meet customer demands

As the container multimodal transport business of China becomes more and more prominent in the global arena, exhibitions have become an important platform for business insiders in China and around the world to consolidate customer relationships, open up new markets, and carry out cooperation and exchanges across the entire industrial chain of multimodal transport. On May 22, 2019, Intermodal Asia, known as an industrial networking event for all container, transport and logistics areas, was successfully held at the Shanghai World Expo Exhibition & Convention Center. Shanghai Universal, as one of the major container suppliers of mainstream shipping companies and container leasing companies in the world, was invited to the exhibition for the fourth consecutive year. There it actively communicated with upstream and downstream enterprises, so as to bring customers higher quality products, more advanced technology, and services that better meet their needs.



Shanghai Universal's Exhibit Booth at Intermodal Asia 2019

COSCO SHIPPING Development attaches great importance to customer privacy protection and has formulated relevant policies and management measures such as the *Administrative Measures for Information Disclosure* and the *Administrative Measures for the Protection of Trade Secrets*. We protect business secrets as well as customers' privacy and information security by signing confidentiality agreements and adding confidentiality clauses in lease contracts. In addition, we have developed a complete set of policies and mechanisms for maintaining and managing intellectual property rights, sorted out all our patents, established a patent library, and ensured that relevant trademarks used in container manufacturing, sales and leasing business are registered, effectively protecting intellectual property rights. In terms of customer complaints, we have put in place a customer complaint handling process and system, and assign account managers to handle customer services and complaints till the satisfaction of customers.

Integrating Shipping and Finance to Boost Shipping Development

With a unique "shipping + finance" business model, COSCO SHIPPING Development makes full use of its experience in the shipping industry and existing resources in the financial service industry to promote shipping-finance integration, serve as a bridge between the real economy and the capital market and drive coordinated development of upstream and downstream businesses.

Yuanhai fund --Shipping industry funds

Promoting the coordinated development of the shipping industry and the financial sector, and serving the physical shipping industry.

Yuanhai fund -- Logistics industry funds

Relying on shipping finance, giving play to the advantages of the shipping logistics industry, integrating the resources of the industrial chain, and supporting the development of the logistics industry.

Yuanhai fund --Minghua fund

Explore industrial investment opportunities and complement each other with state capital and market vitality to create value for customers.

Industry funds



Giving full play to advantageous resources to support the development of national cruise industry

With continuous economic and social development and the growing consumption level in China, cruise tourism has become a more and more important tourism option for Chinese consumers. Led by China Tourism Group (CTG) and COSCO SHIPPING Group, COSCO SHIPPING Development and CTG Cruise Business Division reached a package of purchase and leasing agreement to support China's first independently operated luxury cruise ship, the Piano Land, to boost the development of the national cruise industry.



The maiden voyage of Piano Land

Creating a Cleaner World



Protecting the Ecological Environment

Building an ecological civilization is of fundamental importance for the sustainable development. Green development that focuses on harmony with nature and eco-friendly progress should be our option for the future. With a strong belief that green development is more sustainable, COSCO SHIPPING Development takes ecological protection and low-carbon operation as the basis for improving the quality and efficiency of corporate development. We actively take the responsibility for coping with global climate change, continuously optimize environmental footprint management, and build green factories, striving to develop excellent practices for the industry and national ecological progress.



SDGs



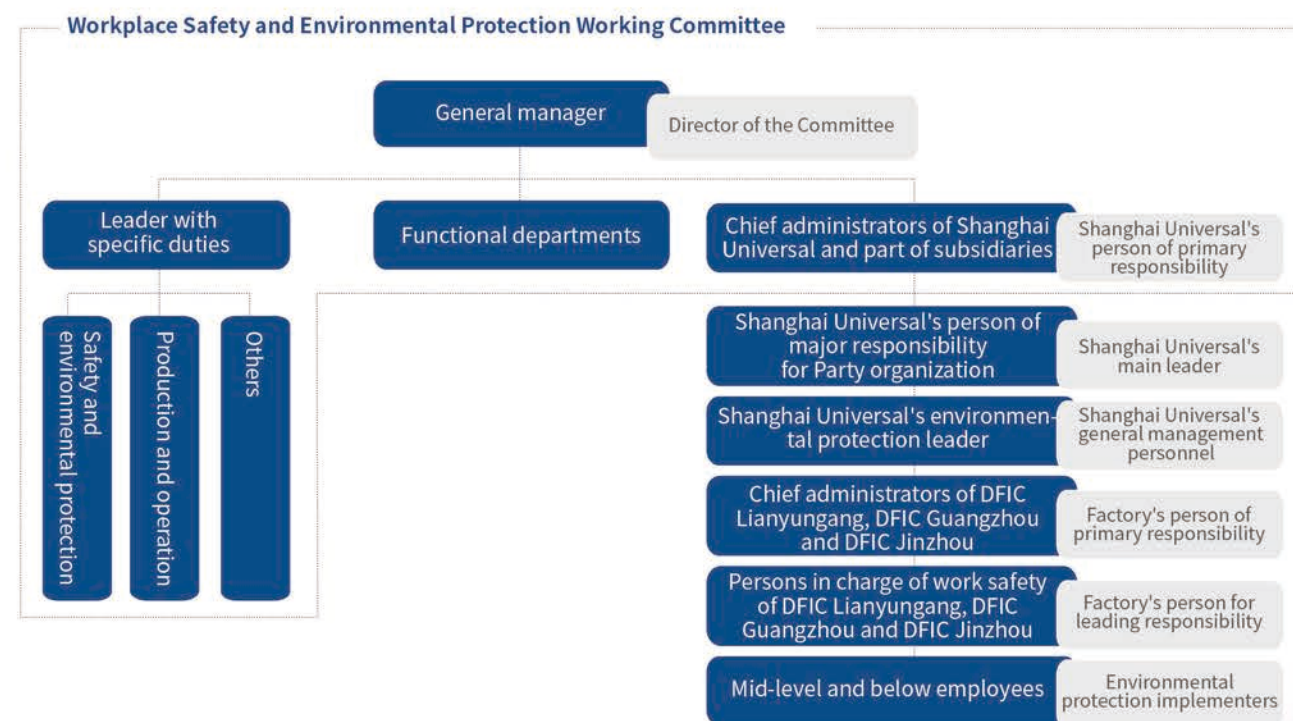
Environmental Management

We stick to the following principles in our environmental protection efforts: giving priority to protection, emphasis on prevention, integrated governance, public participation, and the one who causes damage bears the responsibility. We constantly promote environmental management with an improved management structure, normalized risk screening measures and comprehensive performance assessment.

Among our business portfolio, financial leasing and investment have the smallest environmental impact while container manufacturing has the biggest. Therefore, container manufacturing has always been the focus of the Company's environmental management efforts for a long time. At present, DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou have all been certified by ISO 14001: 2015 environmental management system. Third-party certification bodies will carry out annual supervision and audit of the operation of the system, and will conduct a renewal audit including a comprehensive environmental impact assessment every three years.

Environmental Management Structure

In 2019, the Company formulated the *Regulations on the Management of Safety and Environmental Protection Responsibilities*, established the environmental responsibility system featuring "unified leadership, implementation of responsibilities, hierarchical management, and full participation" and the Workplace Safety and Environmental Protection Working Committee responsible for tiered implementation of environmental protection tasks. Shanghai Universal, as a directly affiliated container manufacturing arm, accepts the supervision of the headquarters on one hand, and bears responsibility for supervising the environmental protection of its container factories on the other.



The environmental protection management structure for container manufacturing business

Environmental Impact Identification and Management

Effective identification of factors that impact the environment is a solid foundation for our environmental management work as it helps us reduce the blindness of environmental impact prediction, increase the reliability of comprehensive environmental impact assessment, and help work out targeted prevention and control policies. In 2019, the Company guided Shanghai Universal to strengthen the special inspection on environmental protection of its subordinate factories. DFIC Lianyungang, DFIC Guangzhou, and DFIC Jinzhou carried out weekly, monthly, quarterly, and special self-check of pollution sources and environmental risks throughout the entire container manufacturing process.

- Raw material usage**
 - Wood, steel
- Consumption during production**
 - Water consumption**
 - Domestic water
 - Process water (Note: the production process only consume a small amount of water which can be recycled without discharge, resulting in less environmental impact)
 - Energy consumption**
 - Electricity: account for 75% of total energy consumption
 - Fuel gas: account for 20% of total energy consumption
- Emissions during production**
 - Gas emissions**
 - Exhaust gas: Nitrogen oxide, sulfur oxide, particulate matter and VOCs
 - GHG: CO₂
 - Waste discharge**
 - Hazardous waste: paint residue, paint buckets and waste sludge
 - Non-hazardous waste: scraped steel, wire reels, wooden pallets
- Consumption during transportation**
 - Energy consumption**
 - Gasoline
 - Diesel (Note: energy consumption during transportation accounts for 5% of total energy use)
- Other impacts of production**
 - Welding dust, noises

Notes Container manufacturing does not involve the use of packaging materials

Environmental impact identification in the container manufacturing process



In addition, guided by the latest national environmental management policy trends and the industry's latest green development concepts, the Company and Shanghai Universal conducted an annual review of the environmental protection system. Considering factories' actual performance of environmental protection, they continuously updated the special prevention and control measures against various risk factors to ensure the corporate policies are up-to-date and the environmental system soundly-built and provide factories with the most practical environmental impact management bases.

Main environmental impact	Applicable laws, regulations or industry norms/conventions	Governing policies and documents
The use of wood, steel and other raw materials	Contract Law of the People's Republic of China Forest Law of the People's Republic of China	Shanghai Universal's Measures for Procurement Management Shanghai Universal's Regulations on Centralized Procurement Management
Domestic sewage discharge	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on Prevention and Control of Water Pollution Law of the People's Republic of China on Prevention and Control of Soil Pollution	Pipe Network Layout Effluent Discharge Management Regulation Sewage Treatment Station Operation Log
Water consumption	Law of the People's Republic of China on the Promotion of Clean Production Law of the People's Republic of China on Conserving Energy	Regulation on Energy Conservation and Emissions Reduction Management
Energy consumption	Law of the People's Republic of China on the Promotion of Clean Production Law of the People's Republic of China on Conserving Energy	Regulation on Energy Conservation and Emissions Reduction Management
Exhaust gas (except VOCs) and greenhouse gas emissions	Vienna Convention for the Protection of the Ozone Layer Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution	Exhaust Emission Management Regulation Exhaust Emission Environmental Monitoring Report
VOCs emissions	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution China Container Industry Association VOCs Self-discipline Convention	Exhaust Emission Management Regulation Exhaust Emission Environmental Monitoring Report
Hazardous waste discharge	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste	Management Regulation on Solid Waste Pollution Prevention and Control Hazardous Waste Disposal Agreement Hazardous Waste Disposal Record Hazardous Waste Disposal Transfer Form
Non-hazardous waste discharge	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste	Management Regulation on Solid Waste Pollution Prevention and Control Kitchen Waste Disposal Agreement Solid Waste Disposal Record
Welding dust	Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste	Management Regulation on Solid Waste Pollution Prevention and Control Exhaust Emission Regulation
Noises	Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution	Noises Management Regulation

Shanghai Universal's main environmental impact management basis

	Raw material	Unit	2019
Amount of usage	Wood	m ³	160,000
	Steel	ton	600,000

Shanghai Universal's raw material usage

	Source of greenhouse gases	Unit	2019
Amount of emission	Primary energy (scope 1)	ton	8,220.791
	Secondary energy (scope 2)		74,826.228
Density of emission	Primary energy (scope 1)	ton/RMB 10,000 production value	0.0197
	Secondary energy (scope 2)		0.179

Shanghai Universal's greenhouse gas emission

	Energy	Unit	2019
Amount of consumption	Gasoline	L	103,459.67
	Primary energy Diesel	L	650,564.25
	Natural gas	m ³	3,186,000
Secondary energy	Electricity	1,000 kWh	84,041.8
	Gasoline	L/RMB 10,000 production value	0.2489
Density of consumption	Primary energy Diesel	L/RMB 10,000 production value	1.5650
	Natural gas	m ³ /RMB 10,000 production value	7.66
	Secondary energy Electricity	1,000 kWh/RMB 10,000 production value	0.202

Shanghai Universal's energy consumption

Index	Unit	2019	2018	2017	
Nitrogen oxide	Amount of emission	ton	16.970	0	3.53
	Density of emission	ton/RMB 10,000 production value	0.0000408	\	\
Sulfur oxide	Amount of emission	ton	1.096	0.013	0.01
	Density of emission	ton/RMB 10,000 production value	0.00000263	\	\
Particulate matter (PM)	Amount of emission	ton	1.427	0	0.24
	Density of emission	ton/RMB 10,000 production value	0.00000343	\	\
Hazardous waste	Amount of emission	ton	3,783.60	7,582.13	4,736
	Density of emission	ton/RMB 10,000 production value	0.0091	\	\
Non-hazardous waste	Amount of emission	ton	11,767.60	12,825.66	16,106
	Density of emission	ton/RMB 10,000 production value	0.0283	\	\
Water consumption for production	Amount of consumption	ton	174,661	318,951	211,597
	Density of consumption	ton/RMB 10,000 production value	0.42	\	\

Shanghai Universal's other environmental data

Notes The raw material usage data in 2019 cover DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou.

The amount and density of greenhouse gas emission data in 2019 refer to the CO₂ emission data of DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou. Calculation of greenhouse gas emissions in 2019: The calculating coefficient for primary energy (gasoline, diesel, natural gas) emissions is derived from the General Principles for Calculation of Total Production Energy Consumption (GB/T 2589-2008) and the Guidelines for the Compilation of Provincial Greenhouse Gas Inventories (Department of Climate Change, National Development and Reform Commission [2011] No. 1041); the calculating coefficient of secondary energy (electricity) emissions is in line with the Guidelines for the Compilation of Provincial Greenhouse Gas Inventories (Department of Climate Change, National Development and Reform Commission [2011] No. 1041).

The amount and density of energy consumption data in 2019 refer to the data of DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou.

The amount of nitrogen oxide, sulfur oxide, PM, and hazardous/non-hazardous waste emission, and water consumption for production data in 2017 and 2019 cover DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou; the amount of nitrogen oxide, sulfur oxide, PM, and hazardous waste emission, water consumption for production data in 2018 cover DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou and the amount of non-hazardous waste emission data refer to DFIC Lianyungang and DFIC Guangzhou; the density of nitrogen oxide, sulfur oxide, PM, hazardous/non-hazardous waste emission, and water consumption for production data in 2017 and 2018 is not measured; the density of nitrogen oxide, sulfur oxide, PM, hazardous/non-hazardous waste emission, and water consumption for production data in 2019 cover DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou. Calculation of emissions of nitrogen oxides, sulfur oxides, and particulate matter in 2019: The calculating coefficient for gasoline and diesel emissions is in line with the Hong Kong Stock Exchange's Principles for Reporting Environmental Key Performance Indicators; the calculating coefficient for natural gas emissions is in line with the Emission Factor and Material Balance Calculation Methods Applicable to the Industries Not Included in the Emission Permit Management (trial) (Announcement No. 81 of the Ministry of Ecology and Environment 2017).

Environmental Emergency Management

Although we have minimized the possibility of environmental accidents by adopting proactive and preventive management measures, we still put in place a comprehensive environmental contingency plan to control possible environmental impact. We prioritize the safety and health of employees, and then identify the key points of accident management in view of actual operation conditions. In the container manufacturing business segment, we have identified dangerous and hazardous factors that might cause fire, explosion, dust pollution, and noise pollution during the production and operation process.

In order to coordinate the response and quickly deal with the environmental accidents caused by these factors, the Company has set up an emergency management task force and an emergency management office, and formulated the *Contingency Plan for Workplace Safety and Environmental Accidents* as the guideline and institutional guarantee for emergency management. The Company has clarified the tiered warning and response mechanism based on the degree of urgency, severity and scope of impact of the incident for clearer accident assessment and more effective contingency measures.

In addition, the Company carries out regular activities to prime employees for emergency response, trains the emergency response team, and holds one or two joint exercises every year to improve the environmental emergency response capabilities of employees at all levels.

Environmental Performance Assessment

While improving the environmental management structure, strengthening the identification of environmental risks, and implementing environmental emergency management, we strictly assess environmental performance to promote closed-loop environmental management. The Company signs the *Responsibility Letter for Workplace Safety and Ecological and Environmental Protection* with the COSCO SHIPPING Group every year, and accepts the Group's supervision on our energy conservation and ecological and environmental protection performance. At the same time, the Company continues to standardize the environmental performance assessment of subsidiaries. In 2019, the Company formulated the *Administrative Measures for the Evaluation of Workplace Safety and Environmental Protection Performance*, which clarifies the responsibilities of environmental protection leaders at all levels in the assessment work. It has also stepped up efforts to track closely the regular supervision feedback from local government authorities, the Group, and responsible departments in the Company, and conducted dynamic assessment of each factory's implementation of the *Responsibility Letter for Workplace safety and Environmental Protection*, to beef up the supervision of environmental protection and place equal emphasis on process and result in assessment.



We provide clear various accident indicators and management indicators for assessment. The chief administrator of each factory is the first person responsible and bears full responsibility for environmental protection. The performance assessment of the Company's executives is also tied up to environmental performance: a declining environmental performance will hurt their performance-based pay. The tiered and clearly defined accountability system further guarantees the implementation of the environmental protection assessment system that combines qualitative with quantitative methods to prevent accidents and advance business priorities at the same time.

Reducing Environmental Impact

We fully analyze and respond to common environmental risks of the container manufacturing business, and guide Shanghai Universal and its affiliated factories to closely follow the trend of green manufacturing, so as to build a green ecosystem for container making and reduce environmental footprints.

Coping with Climate Change

Facing the growing threat of climate change and global call for concerted response, we realize it's necessary and urgent to participate in global climate governance, and serve national energy transformation and step up emission reduction. In 2019, to strengthen institutional guarantees, we formulated the *Regulations on Management of Energy Conservation and Emission Reduction* and established the leading group for energy saving and emission reduction with the Company's general manager as the team leader, competent executives as deputy team leaders, and composed of heads of the safety and environmental supervision department and key energy conservation and reduction units. The leading group is responsible for nudging Shanghai Universal to save energy and cut emission in its daily operation and production, by practicing the Company's principles of "prioritizing conservation while pursuing development" and "letting energy conservation & emission reduction and corporate development reinforce each other".

Shanghai Universal is equipped with energy and emission measuring instruments and meters to continuously track and report energy consumption and pollution emission during production and operation of each factory in strict accordance with the parameters, scope, conversion standards and methods set by the country, local governments, industry association and the Company. At the same time, to "optimize the energy mix and utilize multiple energy sources", each factory replaced non-renewable resources such as diesel with natural gas to increase the use of clean energy in production and operation.

DFIC Lianyungang, DFIC Guangzhou, and DFIC Jinzhou organize regular education and training on energy conservation and emission reduction, and share industry experience with employees, so as to raise their awareness of energy conservation and emission reduction and motivate them to follow good practices and help fight climate change.

Energy conservation

- Setting up a energy consumption management team
- Promoting the use of energy-saving welding machines and other equipment

Hazardous waste discharge

- Transferring to a qualified hazardous waste treatment agencies for disposal according to laws and regulation

VOCs emission reduction

- Installing mor VOCs real-time monitoring devices
- Upgrading VOCs environmental-friendly treatment devices
- Replacing paint spray equipment with paint roller
- Promoting the use of water-based paints

Non-hazardous waste discharge

- Sorting and recycling recyclable non-hazardous waste

Water conservation

- Reusing domestic water

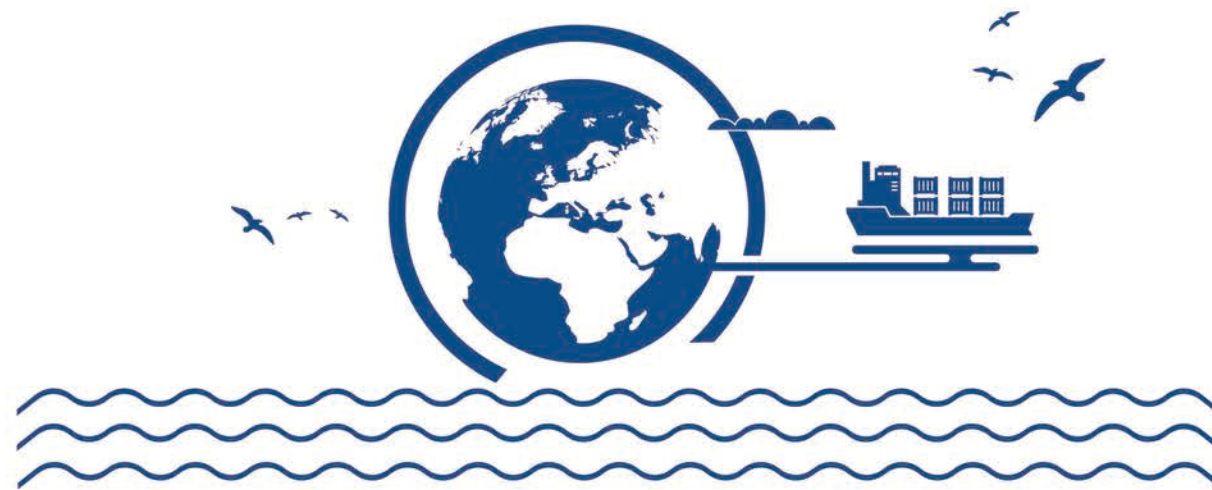
Wood usage reduction

- Replacing wooden floors with bamboo-wood floors

Greenhouse gas emission reduction

- Strengthening the maintenance of equipment an pipes to reduce leakage

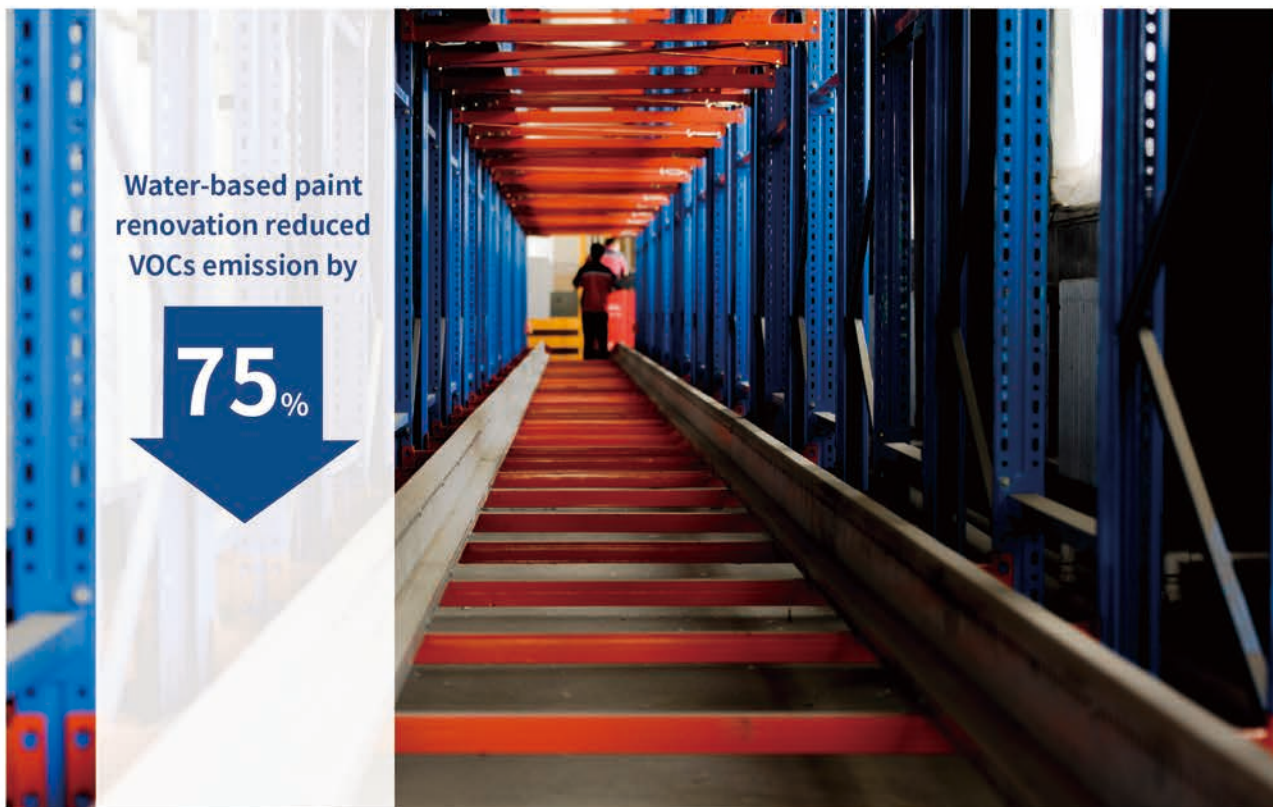
Shanghai Universal's major energy saving and emission reduction measures



Water-based Paints Renovation

Oil paints have long been used for coating containers, producing a large amount of organic volatile compounds (VOCs) that are hazardous to the environment and human health. Following the *China Container Industry Association's Self-discipline Convention on VOCs Governance*, Shanghai Universal urged its factories to replace organic solvents and high-VOC-containing paints with coatings that contain low levels of or no VOCs in container manufacturing.

In September 2019, DFIC Lianyungang's water-based paint coating production line transformation project (phase II) successfully passed the environmental acceptance check jointly conducted by Jiangsu Luyuan Engineering Design Research Co., Ltd., Jiangsu Guozheng Testing Co., Ltd., and the Environmental Protection Bureau of Lianyungang Economic & Technological Development Zone. The joint inspection approved that the project has met national, provincial, and municipal regulations and standards on work safety, environmental protection, and occupational health, and that the pro-safety and health measures and environmental protection facilities were designed, constructed and put into use at the same time with the main body of the project, which will ensure that the production of water-based paints and the control of VOCs emissions can be carried out simultaneously on certain conditions. In addition, DFIC Lianyungang and DFIC Guangzhou successively conducted special training on water-based paint coating process and quality improvement to improve the skills of employees. As of the end of the reporting period, DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou had all completed their replacement of oil paints with water-based paints.



Green Procurement

We not only promote green production in factories, but also try to minimize the environmental impact from the raw materials. Wood is one of the main raw materials for container manufacturing, whose sustainable procurement has become an important basis for creating sustainable products. Shanghai Universal encourages suppliers to obtain the FSC certification for wood, and screens suppliers in accordance with its *Evaluation and Management Measures for Suppliers of Centralized Procurement* to give preference to sustainable sources.



of Shanghai Universal's wood suppliers obtained FSC certification

Green Offices

We actively identify and manage environmental risk factors in the daily office work of the Company's headquarters, financial leasing and investment business, and advocate green offices.

• Cutting carbon footprints

Planning the routes of official car reasonably and advocating video conferencing instead of business trips to reduce carbon emission resulted from daily transportation and business trips

• Saving energy

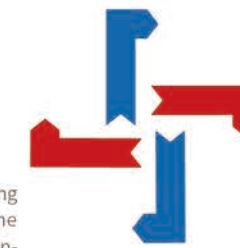
Using LED energy-saving lamps, controlling the air-conditioning temperature in the office area, and purchasing environmental-friendly office equipment to reduce office energy consumption

• Saving water

Promoting the water-saving philosophy and conducting patrol inspections to reduce water waste

• Reducing wastes

Sorting out garbage and promoting paperless office to help reduce waste



Our green office measures

In 2019

sulfur oxide emissions
0.00014 tons

used paper
1.43 tons

energy consumption
24.54 tce

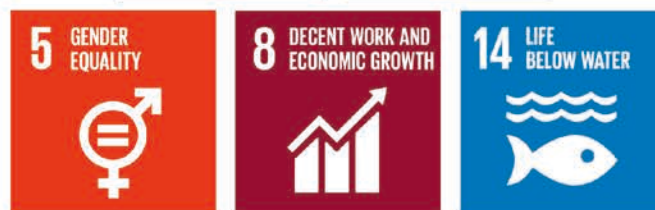
mineral water bottles used
28,800

Notes The sulfur oxide emissions in 2019 come from the gasoline consumption data of company-financed vehicles used by the headquarters, and the calculating coefficient is in line with the Hong Kong Stock Exchange's Principles for Reporting Environmental Key Performance Indicators; the energy consumption comes from the headquarters' electricity consumption data and the calculating coefficient is in line with the General Principles for Calculation of Total Production Energy Consumption (GB/T 2589-2008); and the consumption of paper and mineral water bottles comes from the data of COSCO SHIPPING Development headquarters.

Going Far >>>

Building an Enterprising Team and a Harmonious Community

Talents and communities are the fertile soil for sustainable corporate development which would not be possible without the extensive support of employees and communities, and the fruits of which should be shared with employees and communities. COSCO SHIPPING Development adheres to the people-oriented philosophy and builds an outstanding, professional and enterprising team that enables employees to realize personal value along with corporate development and creates a happy and harmonious relationship with communities, thus allowing common development and a better community.



SDGs



Building a Professional Team

Since the Company's restructuring, the parallel growth of multiple business divisions has increased our appetite for interdisciplinary talents for shipping finance. By creating a large talent pool, we are eager to build an interdisciplinary, professional team to enable stronger development and smoother business operation. We are guided by the values of "loyalty, enterprising spirit, care, and harmony" to create an exclusive development platform for each employee, protect their health and wellbeing, share value created with them and strive for common development on our way forward.

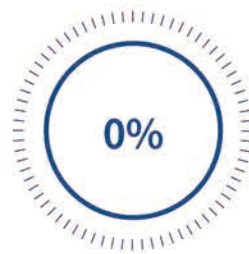
Legitimate Rights and Interests of Employees

COSCO SHIPPING Development adopts a top-down approach to protect employees' rights and interests from the headquarters to subsidiaries. In reference to the *Labor Law* and the *Labor Contract Law of the PRC*, we have formulated the *Administrative Measures for Recruitment*, *Administrative Measures for Staff Training*, *Administrative Measures for Remuneration* and the *Administrative Measures for Employee Attendance and Vacations* to govern employee recruitment, training, remuneration, benefits, working hours and vacations. Shanghai Universal has also formulated *Cadre Management Measures*, which clearly protects employees' rights to promotion and equal opportunities. In addition, it also advocates a diversified and anti-discriminatory work environment and bans child labor and all forms of forced and compulsory labor through *Recruitment Administrative Measures* and its policies on staff exchange and secondment. It has been strictly enforcing relevant national laws and regulations as well as company policies to prevent child labor and forced labor from occurring.

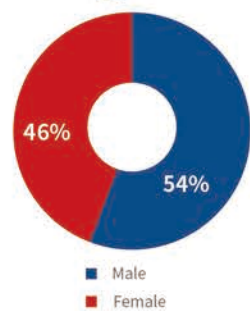
The total number of employees (including contract workers)



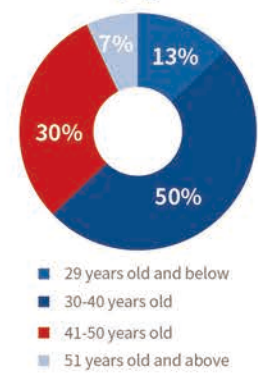
Employee turnover rate



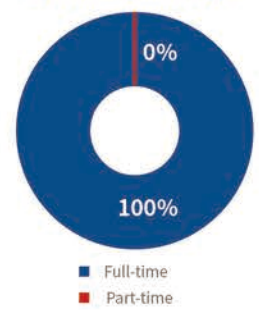
Employee distribution by gender



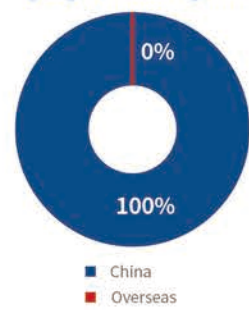
Employee distribution by age



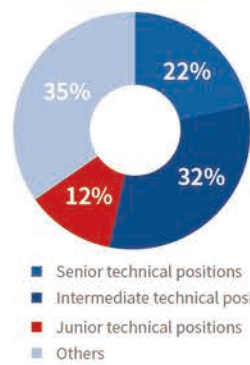
Employee distribution by employment type



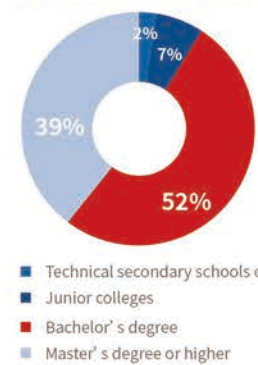
Employee distribution by geographical region



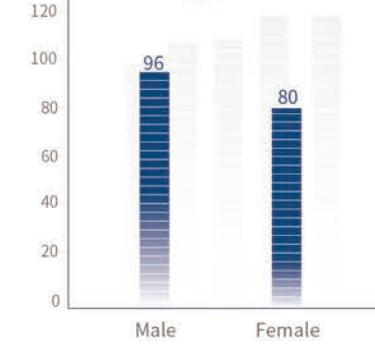
Employee distribution by profession



Employee distribution by education background



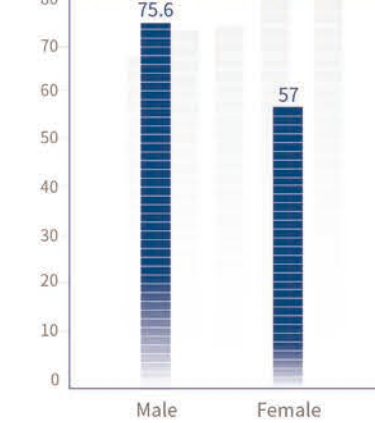
The percentage of employees trained by gender (%)



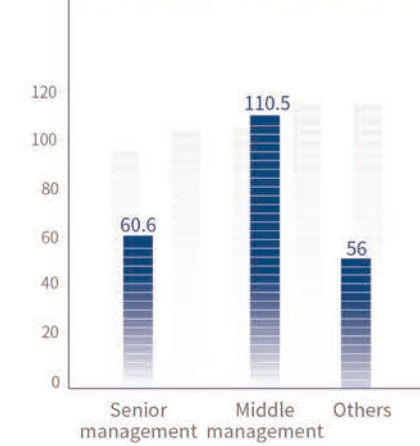
The percentage of employees trained by employment type (%)



The average training hours completed per employee by gender (hour)



The average training hours completed per employee by employee type (hour)



Labor contract signing rate



The coverage of social insurance



Notes

The total number of employees (including contract workers) in 2019 refers to the data of COSCO SHIPPING Development headquarters and domestic and overseas units; employee turnover rate, employee distribution by gender, by age structure, by employment type, by geographical region, by profession, and by education background, the percentage of employees trained by gender and employment type, the average training hours completed per employee by gender and employee type, labor contract signing rate, and coverage of social insurance are all data from COSCO SHIPPING Development headquarters.



Employee Growth

We create a platform for employees to show themselves, set no limit to their development, and provide diversified resources for their growth, so that every employee can reach their full potential and take their future in their own hands.



Clearer development path

- In 2019, the Company optimized the recruitment, training, performance, and compensation systems, streamlined the employee promotion system, and let each employee have a clearer understanding of their personal development path.



Better-understood training needs

- The Company assigned the training budget to each department, and the department head then arranged the training form and content based on the characteristics of the business and employees to better meet the individual growth needs.



Richer training resources

- Based on the improvement of the internal training system, the Company introduced external professional training institutional resources to provide employees with more diverse training options.

A better employee development and training system



Offering more possibilities to each employee

In 2019, building on the dual channels of promotion based on technical skills and managerial skill, the Company innovatively established a mechanism to allow free talent flow between the three major business segments, which will open to all employees of the Company thus to connect different industries and positions. The talent flow mechanism not only eases the current shortage of interdisciplinary talents, fully taps the potential of existing human resources, revitalizes the internal vitality of the Company, but also increases the opportunities for employees and meet their diverse development needs.

The total investment in staff training in 2019 (10,000 yuan)



Notes

The total investment in staff training in 2019 refers to the data of COSCO SHIPPING Development headquarters and domestic and overseas units.

Occupational Health and Safety

Strictly abiding by relevant laws such as the *Law on Work Safety*, the *Fire Protection Law* and the *Law on the Prevention and Control of Occupational Diseases*, COSCO SHIPPING Development has established the Workplace Safety and Environmental Protection Working Committee (the same organizational structure applies to its work, as detailed in the previous chapter), and improved the occupational safety and health protection system, so as to create a safe and healthy working environment.

The container manufacturing takes place in front-line factories which are the key area of the Company's occupational health and safety management. Currently, DFIC Lianyungang, DFIC Guangzhou, and DFIC Jinzhou have all obtained OHSAS 18001: 2017 Occupational Health and Safety Certification. China Classification Society (CCS) will audit them every year to help them better identify and manage key occupational health and safety risks facing the container manufacturing business.

Occupational Health and Safety Risk Identification and Management

By "putting safety first, stressing on prevention and realizing comprehensive management", we follow policies such as the *Opinions on the Implementation of the Guidelines for the Containment of Major Accidents and the Establishment of a Dual Prevention Mechanism* issued by the Work Safety Commission of the State Council, *Basic Norms on the Identification, Assessment, Management and Control of Work Safety Risks* issued by the Ministry of Transport, *Shanghai Municipal Guidelines for the Implementation of Multi-level Management and Control of Work Safety Risks of Enterprises*, and *Regulations on the Management of Work Safety Risks of China COSCO SHIPPING Group*, and have formulated the *Provisions on Work Safety Risk Management*. We conduct full-coverage, whole-process and all-dimension risk identification, identify occupational health risks in each business segment and each position, implement risk control measures, and identify and eliminate risks, to assure employees in different positions with our efforts to protect their safety and health.

Shanghai Universal has formulated such policies as the *Identification and Management Policy for Hidden Work Safety Hazards* and the *Inspection and Management Policy for Hidden Occupational Health and Safety Hazards* to better protect the health and safety of frontline workers. Factory staff members, from the management to front-line production workers, are all required to participate in regular risk investigations, and systematically analyze the risk of each position in terms of four dimensions: people, facilities and equipment, the environment, and management. Based on the analysis results, factories prepare the *Work Safety Risk Identification Form* to serve as a reference for subsequent occupational health and safety risk management and control.

Targeting at the three sources of occupational hazards: VOCs, dust and noises, Shanghai Universal has formulated the *Exhaust Emission Management Regulation*, *Management Regulation on Solid Waste Pollution Prevention and Control*, *Noises Management Regulation*, and the *Education and Training System for Occupational Health and Safety* to guide factories to conduct quantitative monitoring of exhaust, dust and noises. As for the safety hazards in the production process, each factory has installed dust removal and purification devices and provided protection supplies such as earplugs to workers to protect their health and safety. In addition, Shanghai Universal entrusts qualified monitoring agencies to monitor the exhaust emissions and noise level of factories every year, corrects problems and identifies risks in a timely manner. In 2019, Shanghai Universal continued to install welding fume collection devices and upgraded VOCs collection devices in factories, to ensure a healthier and safer working environment for frontline workers.

In addition to the investigation of occupational health and safety risks of existing equipment and projects, Shanghai Universal adopted the "Three Together" Management Provisions for Construction Projects requiring that all new construction projects must be equipped with corresponding occupational health and safety management facilities which should be designed, constructed and put into use together with the main body of the project. Preventive measures must be taken at the beginning of project design and production and will be combined with control. Newly completed projects will be subject to internal acceptance inspection on related equipment and construction by the construction department, safety risk prevention and design supervision department, production technology and equipment department, end users, etc. They must also obtain external approval from the government work safety and environmental protection department, occupational health supervision and management department, etc.

Health and Safety Management of Outsourced Employees

All frontline workers of DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou are outsourced employees, accounting for 93% of their combined workforce. They are the mainstay of container manufacturing and the focus of our occupational health and safety work.

In order to ensure work safety in every link of the container manufacturing process and for every production worker, Shanghai Universal signed the *Management Regulations of Contractors and Suppliers* with labor contractors and formulated the *Outsourced Construction Safety Management System*, *Work Safety Reward and Punishment Regulation* and other related policies. It clarifies that the labor contractor must be fully responsible for the work safety of the factories and provide each outsourced employee with the same occupational health and safety protection with salaried employees. In addition to the same occupational health and safety management system, facilities and protective as those for salaried employees, outsourced employees will receive special occupational health and safety training prior to work and on-site supervision by safety officers while at work.

Every year, CCS will certify the OHSAS 18001: 2017 Occupational Health and Safety Certification of container factories, and audit the health and safety management for outsourced employees to ensure that all the mandatory measures are fully implemented.

Emergency Response to Safety Incidents

We reduce the employee safety risk by continuously improving occupational health and safety risk identification and management. In case of emergency, we will try our best to eliminate possible health and safety impacts on employees.

The Company has identified common safety risks based on the characteristics of each business segment: fire, suspicious objects or unclaimed parcels, natural disasters, etc. for the headquarters and financial service units; fire, explosion, lifting injuries, mechanical injuries, vehicle injuries, object strikes, fall from height, etc. for manufacturing units such as Shanghai Universal. Following the principle of "unified leadership and hierarchical accountability" and the *Emergency Response Plan for Work Safety and Environmental Protection Accidents* and the *Regulations on Reporting, Statistics, Investigation and Handling of Production Safety Accidents*, the Company has established emergency management departments and accident investigation teams at the headquarters and subsidiaries at all levels to standardize the duties and procedures of safety emergency command and follow-up measures.

Besides policy and institutional guarantees, the Company also conducts regular information activities on emergency prevention, risk avoidance, and self-rescue, formulates emergency management training systems, and organizes joint drills on a regular basis, so that employees can apply what they have learnt to protect themselves at work. In 2019, Shanghai Universal carried out training programs on simulated body injury training, fire protection, special emergency response, and on-site emergency handling at the headquarters and factories, effectively enhancing employees' field ability to handle occupational health and safety accidents.

Safety Performance Assessment

Based on the *Interim Measures for the Supervision and Administration of Work Safety of Central Enterprises*, *Detailed Rules for Work Safety Assessment of Central Enterprises*, *Detailed Management Rules for Work Safety Performance Assessment of COSCO SHIPPING Group*, and the *Administrative Measures for Performance Assessment of Work Safety and Environmental Protection*, we have designated the main responsible body and person for occupational health and safety in each business segment and position to ensure that the safety responsibilities are implemented thoroughly.

The Company guides subsidiaries to conduct self-evaluation and annual review of safety work, and uses the self-evaluation results to assess their safety performance. Besides, it combines the work safety assessment and supervision requirements of the State-Owned Assets Supervision and Administration Commission (SASAC), the Ministry of Transport, COSCO SHIPPING Group and other superior authorities with its own reality. Based on that, the *Annual Work Safety and Environmental Protection Responsibilities and Commitments* is prepared for subsidiaries, clarifying the incident indicators (quantitative) and management indicators (qualitative) for annual work safety assessment of each unit. As the first person responsible for work safety, the chief administrator of each factory bears full responsibility for work safety. Meanwhile, work safety performance is also included in the assessment of the Company's executives: the better the safety performance, the better the executive performance.

From 2017 to 2019

employees lost for job-related causes

0

percentage of the total number of employees

0 %

In 2019

working days lost due to work-related injuries

337

work injuries in DFIC Lianyungang DFIC Guangzhou and DFIC Jinzhou

4 minor

comparing from the same period last year decreased

81 %

No new cases of occupational disease was reported

Occupational Health and Safety Education

Committed to being staff-oriented and making employees feel at home, Shanghai Universal vows to protect the safety of employees. To this end, it has created a "love and safety" corporate culture and provided employees with diverse education and training programs on safety.



Upgrading new employee training requirements

In 2019, Shanghai Universal upgraded the training requirements for new employees in the *Training Regulations on Occupational Health, Safety, and Environment-friendly Production Education*. Build on the factory-level, department-level, and post-level safety education, "on-job training" was introduced to enhance the safety awareness and safety operation ability of new employees with the help of mentors.



Promoting the construction of an excellent team

The Company created the "Zero Violation, Zero Accident, Zero Injury" team, set up the "Excellent Team Research Center", and carried out activities such as the "team safety review day", "standardizing the use of safety helmet", and "team safety activity log" to continuously improve members' safety awareness.



Popularizing the love and safety culture

The Company conducted various forms of "love and safety" activities such as the "collection of safety proposals", "thinking for 5 seconds to ensure safety", "safety expectations from employees' family members", "team safety doggerel" and "singing for safety" to strengthen the construction of the love and safety culture.

Shanghai Universal' Occupational Health and Safety Education Measures in 2019

Employees' Physical and Mental Health

In addition to the safety of frontline factory workers, we pay equal attention to the physical and mental health of office employees. We successively carried out a series of trainings on winter health preservation and first aid skills in case of accidental diseases and injuries, to increase employees' health knowledge.



An employee practicing CPR



Employees' Wellbeing

COSCO SHIPPING Development fosters a corporate environment where employees can work happily and live a wonderful life. We have organized a variety of employee activities and delivered considerate services to improve their work efficiency and enrich their lives.

We are fully aware that stronger team cohesion and happy employees are of great importance to stimulate the vitality of the corporate development. In 2019, we continued to organize creative cultural and sports activities to balance work and life and create a harmonious and happy team.



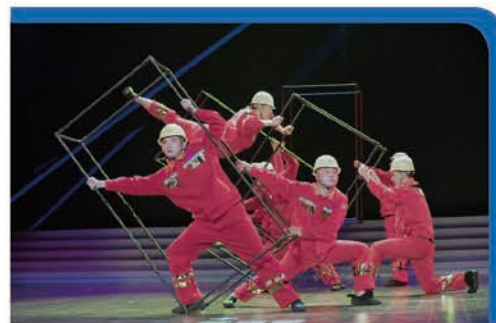
Employee Fun Games



Employee Basketball Game



Employee Badminton Competition



Employee talent show



Women's Day event



Themed parent-child activity

Health care

The Company insured employees with three types of medical insurance plans: "supplementary mutual support medical insurance plan for in-service employee hospitalization", "mutual support medical insurance plan for groups with special and critical diseases" and "special mutual support medical insurance plan for female employee", to reduce employees worries.

Medical examination

Putting employee health first, the Company cared for employees by arranging on-board medical examinations, annual medical examinations and special medical examinations (according to the special requirements of the posts), and followed up on employees' medical examination process, paying attention to employee health data and physical examination experience.

Employee visits

The Company conducted various employee visits, including visits for holidays, sickness, hospitalization, marriage, childbirth, birthday greetings etc. to all employees to enhance their sense of belonging.

Care for Women

The Company guaranteed female employees' special rights and interests and cared for female employees during their pregnancy, childbirth and lactation.

Employee care

In 2019

we delivered heat consolation benefits nearly
2,000 employees

worth RMB
294,000

wedding and childbirth congratulation gifts to nearly
40 employees

expressed sympathy more than
30 sick employees

Sharing Happiness and Harmony with Communities

To serve national interests and people's livelihood, we give full play to our own expertise and actively respond to the country's targeted poverty alleviation strategy. Following the Group's centralized deployment, we have formulated and completed pair-up assistance plan, participated in various community-based charity causes organized by local governments and carried out employee volunteer activities to share our development results with communities.

Serving Economic and Social Development

Focusing on national interests and people's livelihood, our leasing business leverages advantage in capital, technology, and information to support and serve public services such as medical care, education and public infrastructure construction, and promote local economic and social development.

Medical business segment	Based on the traditional medical leasing business, it actively explores the medical and pharmaceutical fields, assists medical institutions and customers in the pharmaceutical industry to solve the funding shortages, to accelerate medical institutions, the rapid growth of pharmaceutical and other industries.
Public service business segment	Aiming at the shortage of funds in the construction and development of urbanization, transportation, cultural, and educational fields, we provide equipment purchases through various financial services mainly based on commercial leasing, and funds required for construction and development.
Energy business segment	Since its establishment, it has been unwaveringly supporting the development of clean energy. By providing integrated solutions such as financing, refinancing during the construction period for photovoltaic, hydropower, wind power, and independent power grids, it helps to adjust the national energy structure.
Construction business segment	With the construction enterprise as the core, it extends to the entire industrial chain of upstream and downstream. It provides innovative and flexible financial services to construction enterprises to help them achieve new development.
Industry and information business segment	It's committed to serving China's real economy and industrial industries, focusing on high-end manufacturing, automobile manufacturing, electronic information, heavy industrial equipment, to provide integrated finance for upstream and downstream customers in the industrial chain service.
Innovation business segment	It bears the responsibility of the company's continuous exploration and incubation in new fields, shoulders the mission of constant research, practice, and implementation of new models and new products. It goes all out to provide more real enterprises with comprehensive financial products and industrial operation services.
Auto finance business segment	With deep resource background and rich financial leasing experience, we are committed to combining the world's leading economic leasing concept with the actual domestic car purchase demand to create a high-quality life and travel experience for the majority of Chinese car consumers.

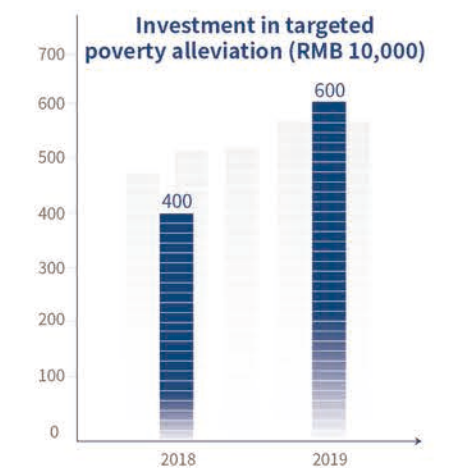
Serving local economic and social development with a focus on national interests and people's livelihood

Pushing Forward Targeted Poverty Alleviation

We are actively involved in the Group's targeted poverty alleviation project. We invest in the development of poor areas, and purchase poverty alleviation products from those areas, thus contributing to local economic and social development and poverty reduction.

In 2019, we donated RMB 6 million to Yongde County, Yunnan Province, and purchased RMB 417,300 worth of products from the County to help it fight poverty. At the same time, our subsidiaries actively participated in the local government's poverty alleviation work. DFIC Jinzhou donated RMB 100,000 to support the reconstruction of dilapidated houses and public facilities. Shanghai Universal, together with the government of Hongkou District, Shanghai, donated RMB 50,000 to poor villages in Yunnan Province to help them fight poverty.

Based on our advantages in finance leasing, we signed the *Memorandum of Understanding on East-West Collaboration on Poverty Alleviation through Development Finance* with the Shanghai and Yunnan branches of China Development Bank, Shangri-La Poverty Alleviation Office and Diqing Tourism Group. Together we will establish a long-term cooperation mechanism for anti-poverty lending to develop the industry chain for poverty alleviation through consumption in the poverty-stricken areas of Yunnan Province, and strengthen the "blood-making" capacity through industry development. The Company's financial leasing unit successfully issued the second tranche of green asset-backed notes in 2019, with a total scale of RMB 790 million. The bonds, green and anti-poverty, were rated G-1, the highest for green bonds. The assets included are mainly hydropower leasing projects in the western region, which support infrastructure construction in poor areas.



Carrying Out Community Welfare Activities

We care about the wellbeing of vulnerable groups and children. We organize and encourage employees to participate in community welfare activities and donations to repay society, share development, and create a good and harmonious social atmosphere.



COSCO SHIPPING Development and subsidiaries carried out various forms of activities to care for and contribute to the healthy growth of children. COSCO SHIPPING Development actively participated in the "COSCO SHIPPING's Wishes" student aid activity organized by COSCO SHIPPING Group, and provided targeted assistance to children in remote areas. The Department of Shipping Leasing organized a "Love Lights Up Hope" themed charity sale event to help Shanghai Baby's Home Children's Rescue Center. COSCO SHIPPING LEASING regularly participates in the "Sunshine Home" activities in Tilanqiao Street, Hongkou District, sending warmth and care to the children. Shanghai Universal's DFIC Jinzhou donated books to the Cuizhuangzi Women and Children's Home in Binzhou New District for children's growth and development.

Florens participated in the "2019 World Oceans Charity Run" hosted by National Geographic and SportiHealth in Hong Kong for the first time in October and cleaned Lung Kwu Tan, Tuen Mun, raising employees' and public attention to and public awareness of marine environmental protection.



Our community welfare activities

Shanghai Baby's Home public welfare activity

Outlook for 2020

Responsible vision

Integrating CSR into corporate vision to expand the path for sustainable development

To serve the needs of the times and the improvement of people's livelihood, the Company will continue to improve shipping-related financial services, lead resource integration and better resource allocation along the industry chain, deepen upstream and downstream cooperation, and join hands with stakeholders to contribute to the sustainable development of the shipping industry.

Responsibility management

Integrating CSR into corporate management to build a brand-new governance structure

Based on the research and judgment on the industry's sustainable development prospects and trends, the Company will sort out the core CSR topics, improve policies and institutions, and urge each business segment and directly-affiliated unit to consider topics such as environmental protection, risk prevention and control, safety management, fair operation, rights protection, and community development. We will build a top-down comprehensive CSR governance structure to implement and develop our CSR concepts.

Responsible practice

Integrating CSR into daily operations to boost competitiveness as a responsible corporate citizen

Based on systematic analysis on the background of sustainable development and the expectations and demands of stakeholders, and by combining them with daily operations, the Company will give play to its expertise, further deepen and refine CSR practices, and help solve sustainability issues in economic, social and environmental spheres to create multi-facet value.

Responsible team

Instilling a sense of responsibility in employees to create a responsible team and create more value

The Company will continue to consolidate our employees' CSR performance, and enhance their CSR awareness and capabilities with more solid responsibility practices and a more vivid CSR culture. On our way to build a responsible team, we will share the sense of mission and fulfillment with employees through value creation.

HK-ESG Index

Environmental				
Aspect	Index number	Index content	Page	Description
Aspect A1 - Emissions	General Disclosure	Information on: (a) the policies and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	P33	
	A1.1	The types of emissions and respective emissions data	P35	
	A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P34	
	A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P35	
	A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P35	
	A1.5	Description of measures to mitigate emissions and results achieved	P37-39	
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	P37-38	
Aspect A2 - Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	P33	
	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)	P34	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	P35	
	A2.3	Description of energy use efficiency initiatives and results achieved	P37-38	
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	P32,P38	
	A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced	/	Due to the company's physical products are containers, no outer packaging, so this index is not important
Aspect A3 - The Environment and Natural Resources	General Disclosure	Policies on minimizing the operation's significant impact on the environment and natural resources	P33	
	A3.1	Description of the significant impact of activities on the environment and natural resources and the actions taken to manage them	P31-40	

Social				
Aspect	Index number	Index content	Page	Description
Aspect B1 - Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	P43	
	B1.1	Total workforce by employment type, age group and geographical region	P43	
	B1.2	Employee turnover rate by age group and geographical region	P43	
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	P47	
	B2.1	Number and rate of work-related fatalities	P49	
	B2.2	Lost days to work injury	P49	
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	P46-49	
Aspect B3 - Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	P43,P46	
	B3.1	The percentage of employees trained by employee category (e.g. senior management, middle management)	P44	
	B3.2	The average training hours completed per employee by employee category	P44	
Aspect B4 - Labor Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	P43	
	B4.1	Description of measures to review employment practices to avoid child and forced labor	P43	
	B4.2	Description of steps taken to eliminate such practices when discovered	P43	

Social				
Aspect	Index number	Index content	Page	Description
Aspect B5 – Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain	P20	
	B5.1	Number of suppliers by geographical region	/	
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P20	
Aspect B6 – Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress	P28	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	P25	
	B6.2	Number of products and service related complaints received and how they are dealt with	P28	
	B6.3	Description of practices relating to observing and protecting intellectual property rights	P18,P28	
	B6.4	Description of quality assurance process and recall procedures	P25-26	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	P28	
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	P16	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	/	
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	P15-17	
Aspect B8 – Community Investment	General Disclosure	Policies on community engagement to understand the communities' needs where it operates and to ensure its activities take into consideration communities' interests	P53-54	
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	P53-54	
	B8.2	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	P53-54	