



**SITC International Holdings Company Limited**  
**海豐國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1308



**2019**

**Environmental,  
Social and Governance Report**





# 2019 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT OF SITC INTERNATIONAL



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# About This Report

This report discloses the environmental, social and governance (“**ESG**”) information of SITC under the principles of objectivity, standardization, transparency and comprehensiveness. It is intended to honestly communicate with stakeholders about corporate sustainable development concepts, actions and performance, and make a systematic response to sustainable development issues concerned by stakeholders.

## Scope of Report

This report covers the period from January 1, 2019 to December 31, 2019. To be more systematic, this report is partially retrospective to previous years.

Unless otherwise specified, all cases and data in this report are derived from the wholly-owned branch companies, subsidiaries and joint ventures under *de facto* control of SITC.

## Basis for Preparation

This report is prepared in compliance with the principles of materiality, quantitative, balance and consistency as set out in the *Environmental, Social and Governance Reporting Guide* (the “**ESG Reporting Guide**”) contained in Appendix 27 of the *Rules Governing the Listing of Securities* on The Stock Exchange of Hong Kong Limited.

All financial data in this report is extracted from the financial reports of SITC. Unless otherwise specified, all amounts stated in this report are denominated in USD.

## Commitment of This Report

The board of directors (the “**Board**”) warrants that the report approved by the Board is free from any false records or misleading statements. The Company has complied with the “comply or explain” provisions set out in the ESG Reporting Guide for the year ended 31 December 2019.

## Explanations on Abbreviated Names

For the sake of convenience in expression and reading, “SITC International Holdings Company Limited” is referred to as “SITC” or the “Company” in this report.

## Access to This Report

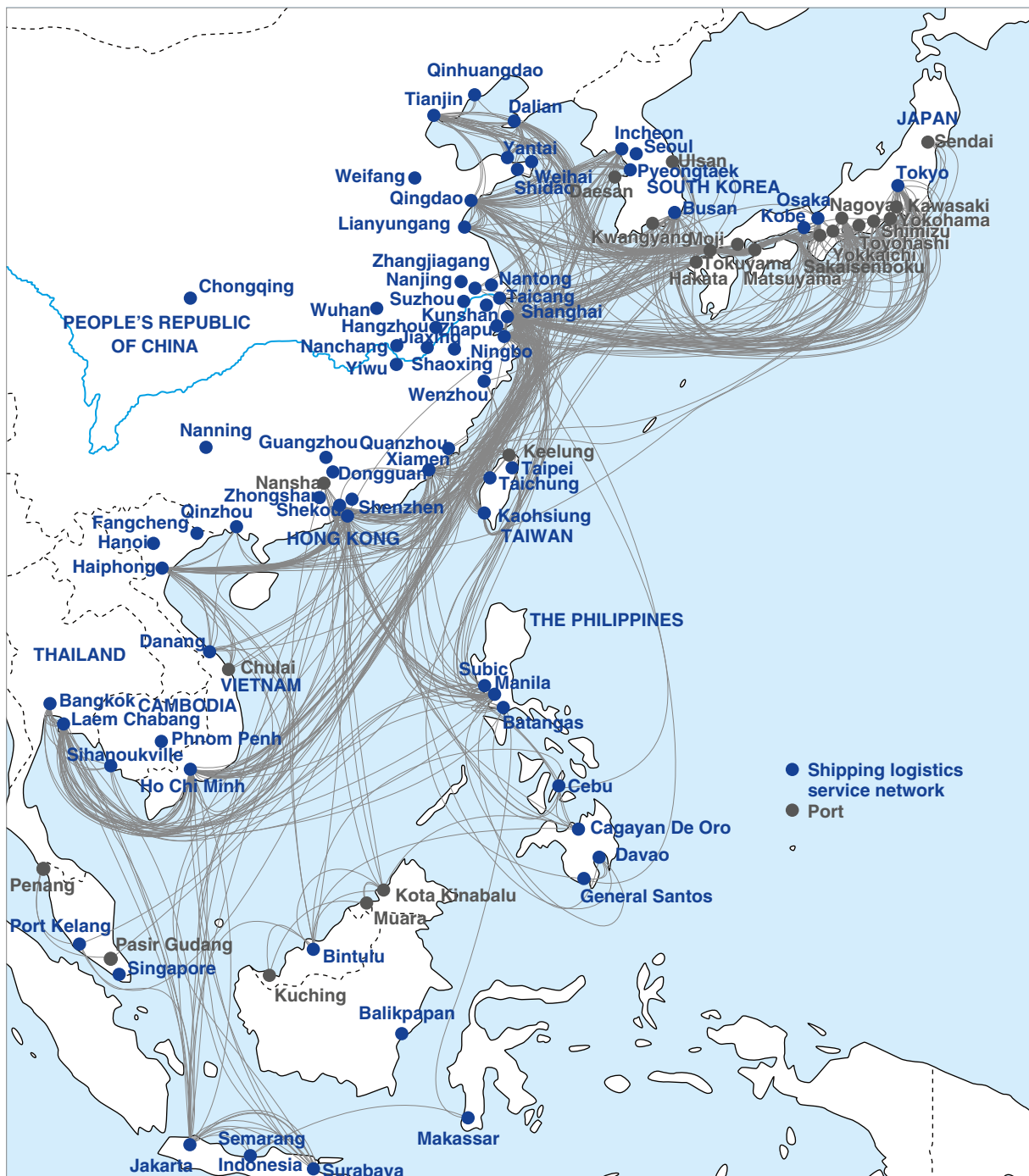
This report is released in both Chinese and English versions, which are available on the website of SITC website ([www.sitc.com](http://www.sitc.com)), [www.cninfo.com.cn](http://www.cninfo.com.cn) and the website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

# About SITC

SITC is an Asia's leading shipping logistics company that provides integrated transportation and logistics solutions. As at 31 December 2019, SITC ranked the 17th among international container shipping companies in terms of shipping capacity. SITC focuses exclusively on servicing the intra-Asia trade market, which is the largest in the world and one of the fastest growing markets in terms of shipping volume, according to Drewry Maritime Services (Asia) Pte Ltd, an

independent industry consultant.

The following map illustrates the intra-Asia container shipping routes (including trade lanes operated through joint services and container slot exchange arrangements) and shipping logistics service network of the Group as of 31 December 2019:



## About SITC

Our business can be segregated into two main business segments: container shipping and logistics segment and dry bulk and others segment. Our container shipping and logistics segment principally covers integrated logistics services such as the provision of container transportation, freight forwarding, shipping agency, depot and warehousing, etc. Our dry bulk and others segment principally covers the provision of dry bulk vessel leasing, land leasing and air-freight forwarding services.

		2019	2018	Change
<b>Results</b>				
Turnover	US\$'000	<b>1,553,718</b>	1,449,088	7.2%
Profit attributable to shareholders of the Company	US\$'000	<b>219,977</b>	197,514	11.4%
Basic earnings per share	US cents	<b>8.29</b>	7.44	11.4%
Profit margin	%	<b>14.3</b>	13.7	0.6 pt.
Net cash flows from operating activities	US\$'000	<b>329,673</b>	238,477	38.2%
<b>Financial Position</b>				
Equity attributable to shareholders of the Company	US\$'000	<b>1,010,243</b>	1,037,032	(2.6)%
Net current assets	US\$'000	<b>122,230</b>	233,159	(47.6)%
Interest bearing bank borrowings	US\$'000	<b>282,012</b>	313,665	(10.1)%
<b>Financial Ratio</b>				
Return on equity (note 1)	%	<b>21.5</b>	19.7	1.8 pt.
Return on assets (note 2)	%	<b>13.4</b>	12.6	0.8 pt.
Assets turnover ratio (note 3)	times	<b>0.94</b>	0.92	0.02
Gearing ratio (note 4)	%	<b>18</b>	11	7 pt.
<b>Operating Statistics</b>				
Number of container vessels operated as at year end	vessels	<b>82</b>	79	3
Container shipping volume - Container shipping and supporting logistics	TEU	<b>2,483,278</b>	2,399,169	84,109

### Note 1

Return on equity is calculated by using the profit for the year and the average balance of total equity as at beginning of year and end of year.

### Note 2

Return on assets is calculated by using the profit of the year and the average balance of total assets as at beginning of year and end of year.

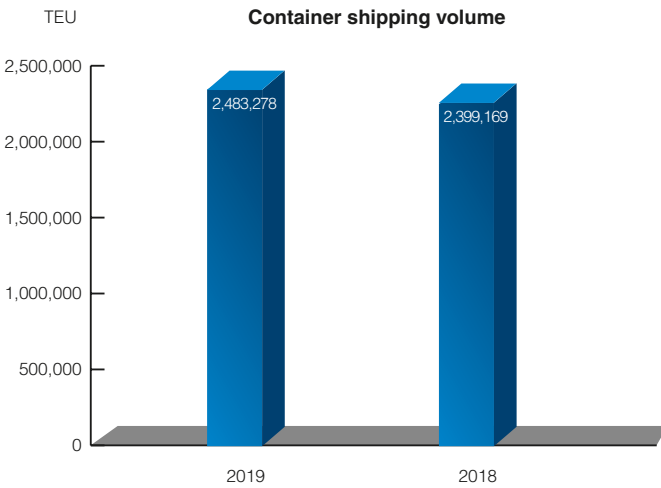
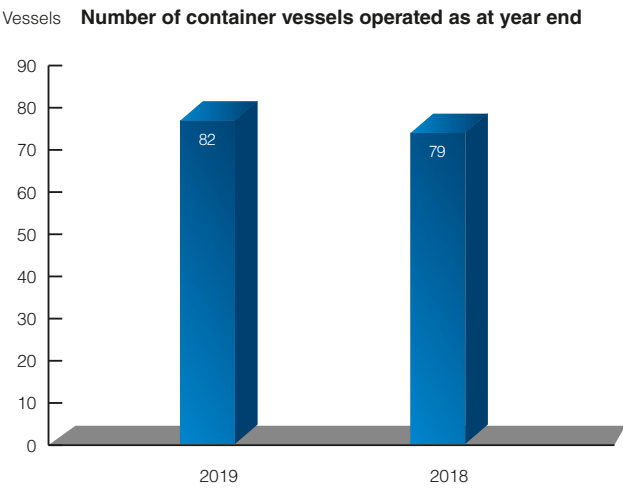
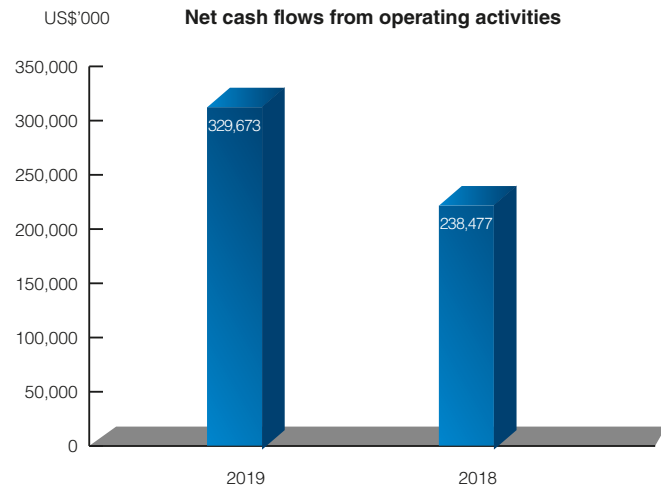
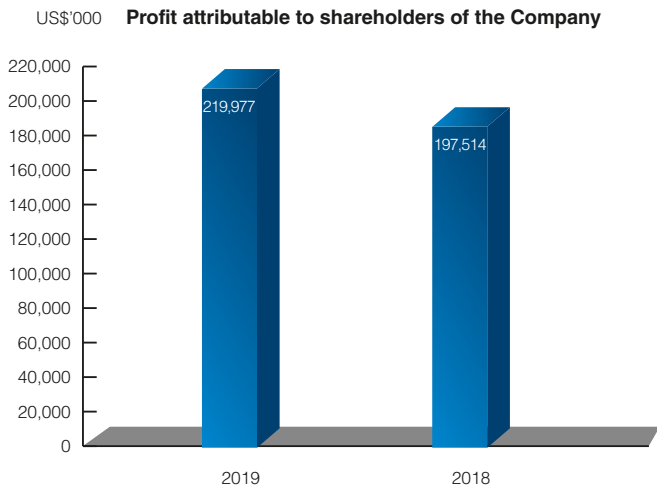
### Note 3

Assets turnover ratio is calculated by using the turnover and the average balance of total assets as at beginning of year and end of year.

### Note 4

Gearing ratio is calculated by using net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, lease liabilities, trade and other payables, accruals, amounts due to related companies, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve. The Group's gearing ratio was 11% as at 31 December 2018 before adoption of HKFRS 16. Upon adoption of HKFRS 16 with an increase in lease liabilities, the Group's gearing ratio was both 18% as at 1 January 2019 and 31 December 2019.

# About SITC



■ Container shipping and supporting logistics



# Corporate Governance

## ESG Management Philosophy

In the context of the deteriorating environment today, the promotion of green and low-carbon development has become a global trend. Green development is not only a social responsibility to be fulfilled by listed companies, but also an internal requirement for cost reduction and efficiency enhancement. It's of vital significance to the survival and sustainable development of SITC. As an integrated logistics service provider in Asia, the Company has upheld the business principle of being a responsible enterprise and the tenet of balancing business development with corporate social responsibilities. Striving to incorporate the sustainable development concept into its day-to-day operation and major business decision making, the Company has been committed to creating a long-term value for its shareholders, customers, employees, supply chain partners and the public and delivering a positive influence.

The Company is committed to fulfilling the international safety management rules and shares the objectives of ensuring safety at sea, preventing human injury or loss of life, and avoiding damage to the environment (especially to the environment at sea) and to the loss of property under the rules. Accordingly, the Company has formulated the safety and environmental protection policy "Ensuring safety, protecting the environmental, safeguarding health" and the efficiency policy "Energy conservation and emission reduction, high efficiency and low consumption".

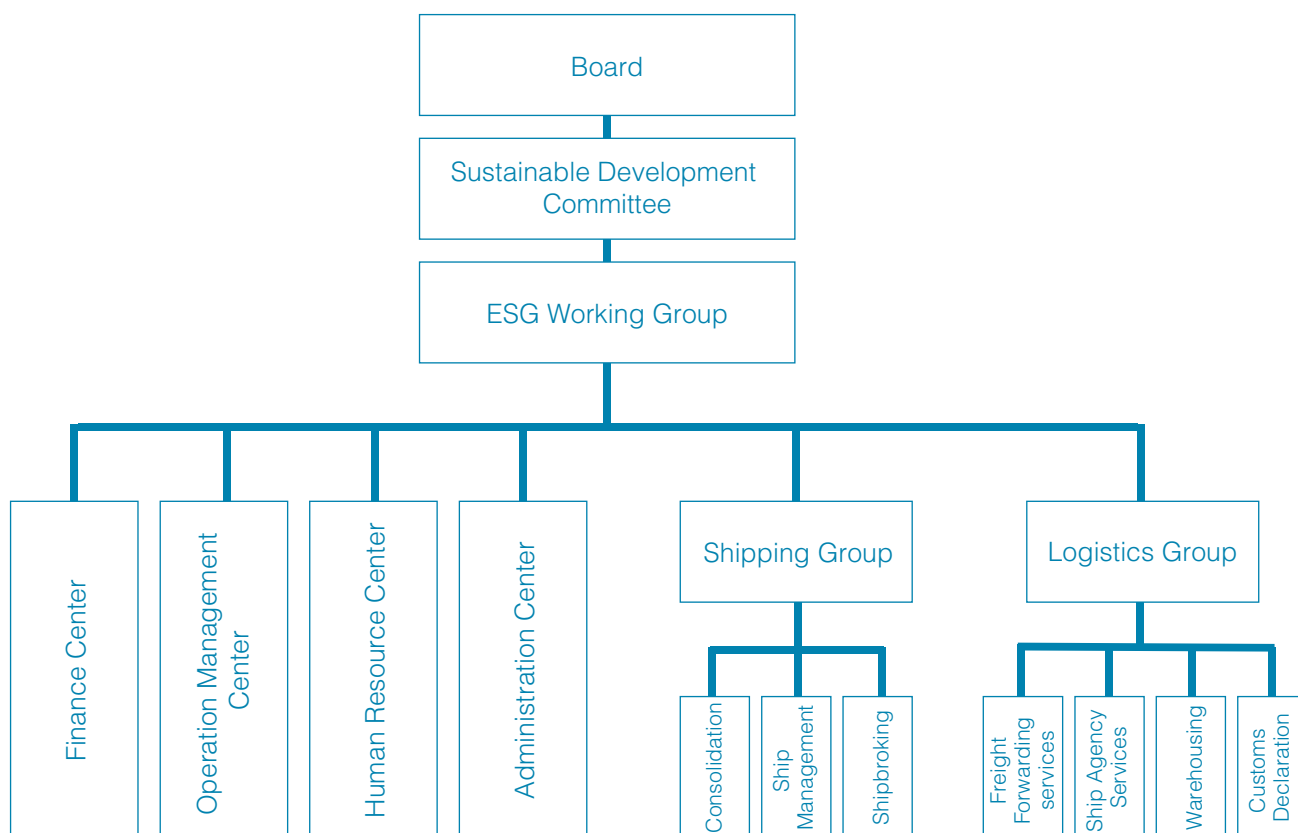
Upholding the philosophy "Personnel is SITC's greatest asset. Only by cultivating top-calibre employees can we provide first-class services to customers, create first-class value and achieve first-class development (P-S-V-D)" as its core value, the Company has continuously improved its employee selection, training, development and incentive systems, and taken the initiative to share corporate development and growth with employees to enhance their cohesion. Working with qualified suppliers, the Company has flexibly and rapidly met the increasingly individualized logistics needs of customers to ensure they respond to changes in supply chain efficiently and jointly resolve the supply chain problems in economically underdeveloped countries and regions, thereby striking a balance between commercial value and social value.

The Company is committed to creating greater values for stakeholders to help achieve its sustainable development goals. In light of the Board diversification policy, the Company has actively given play to the role of independent directors, and respected their professional advice and independent opinions. Furthermore, the Board has established a risk management committee to improve its sustainable development structure, set up key performance indicators ("KPIs"), improve internal management system, optimize IT systems and further improve corporate governance, thus striving to accomplish the OECD corporate governance goal, which is to create a credit-oriented environment of high transparency and clear accountability so as to secure long-term investment, financial stability and business integrity, thereby supporting more robust growth and a more inclusive society.

## ESG Management Structure

Upholding high-level corporate governance, SITC has established well-defined, highly transparent corporate governance procedures and systems to consolidate a long-term corporate development and safeguard the interests of its shareholders.

The Board is responsible for the ESG strategies, performance management and reporting. The Board has established a sustainable development committee (the "**Committee**"), which comprises five executive directors of the Company. The chief executive officer of the Company serves as the chairman of the Committee and the corporate secretary acts as the secretary of the Committee. The Committee may convene meetings as required, and shall at least hold two meetings each year. The Committee puts forward suggestions to the Board regarding the Company's long-term development plan, sustainable development policies, and stakeholder communication. The Committee also reviews the policies, management framework and day-to-day operations in respect of environmental and social responsibilities and sustainable development every half a year. In addition, the Committee puts forward suggestions to the Board to ensure that the sustainable development risks are promptly and effectively identified and properly managed.



In 2019, the Committee held two meetings. At the first meeting, the 2018 ESG report was summarized and analyzed, and the opinions and suggestions of Ernst & Young, a professional consulting firm, were heard. The following measures were adopted by the Company after considering the recommendations of the Committee and the suggestions of Ernst & Young:

1. supplemented and improved the internal system of the Company;
2. added content about preventing corruption in the power of attorney of the management of the Company;
3. established the Employee Dissatisfaction Survey System;
4. upgraded and optimized the OA system, endeavoring to systematize various natural resource consumption statistics;
5. set a number of KPIs including “fuel consumption per unit capacity” and “fuel consumption per 10,000 containers handled” for the two business types with substantial emissions;
6. implement the 2019 sustainable development goals of the Company, namely stable operation, technology-driven, talent training and continuous incentives.

At the second meeting of the Committee, the sustainability performance of the Company for the first half of 2019 was reviewed and recommendations were made to the Board. The Board extensively discussed the recommendations of the Committee and expressed its satisfaction with the sustainability performance of the Company in the first half of 2019.



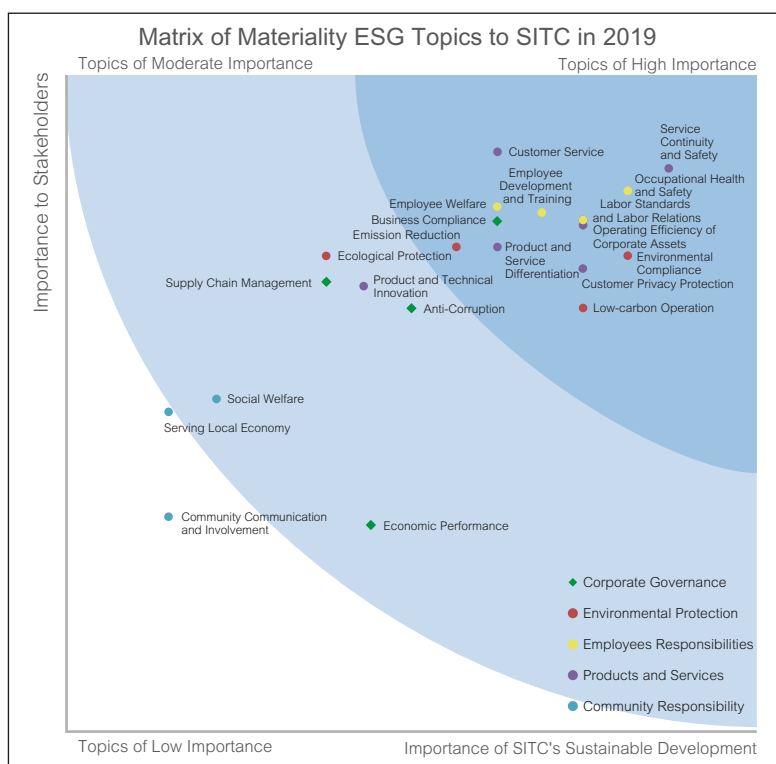
# Materiality Analysis

The sustainable development of a company is closely related to its stakeholders. Effective stakeholder engagement during business operations can help the Company to accurately evaluate the impact of its decisions, promptly adjust the actions and ultimately realize the sustainable development of SITC and its stakeholders. Attaching great importance to stakeholder communication, the Company has been opened to opinions from different perspectives and taken them as an important basis for ESG improvement. By reviewing the types of stakeholders and issues arising from corporate operations, the Company has identified the important stakeholders and the way they are engaged during the corporate operations.

Staff	<ul style="list-style-type: none"><li>• Questionnaire survey</li><li>• Staff training</li></ul>
Customers	<ul style="list-style-type: none"><li>• Annual meeting</li><li>• Satisfaction questionnaire survey</li><li>• New product launch</li><li>• Regular visits</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• Training</li><li>• Participation in bidding</li></ul>
Shareholders and investors	<ul style="list-style-type: none"><li>• Annual general meeting</li><li>• Performance conference</li><li>• Investment meeting</li><li>• Announcement</li></ul>
Intermediaries and other organizations	<ul style="list-style-type: none"><li>• Symposium</li><li>• Training</li><li>• Daily e-mail and telephone communication</li></ul>

## Materiality Analysis

As at the end of 2019, the Company invited all the employees, major customers, suppliers, financial institutions, shareholders and other interested parties to assess the importance of 21 topics in five categories concerning SITC through a combination of online and offline questionnaire-based survey. More than 800 questionnaires were collected. The following key matrix of materiality issues were concluded from the valid questionnaires collected:



In this questionnaire, the Company added open-end issues, hoping to hear the opinions and suggestions of all stakeholders on the sustainable development of the Company. Eventually, more than 300 rational suggestions were received, which mainly involved employee benefits, financial management, anti-corruption and customer service. The Company also disclosed the survey results to the participating stakeholders, with a view to strengthening communication and mutual exchanges and establishing daily communication channels. As compared with 2018, the following indicators recorded a significant change in ranking in terms of materiality in 2019:

1. emission reduction, low-carbon operation and business compliance increased from medium importance to high importance, and social welfare increased from low importance to medium importance, indicating that our stakeholders have generally attached more importance to environmental and social responsibility;
2. product and technical innovation dropped from high importance to medium importance. As the Company continues to improve service quality and enhance differentiated competitive advantages, this issue remains important but the degree of importance has decreased.

# Responsible Operations

As one of the leading shipping and logistics groups in Asia, SITC has focused on providing integrated transportation and logistics solutions. Upholding the philosophy and culture of promoting synergetic development of the economy, society and environment, the Company has organized and conducted its business activities in a socially and environmentally responsible manner for common and sustainable development of the society and environment.

## Economic Performance

While creating economic benefits, the Company has been actively undertaking social responsibility to ensure sustainable corporate development, and striving to give back to the stakeholders.

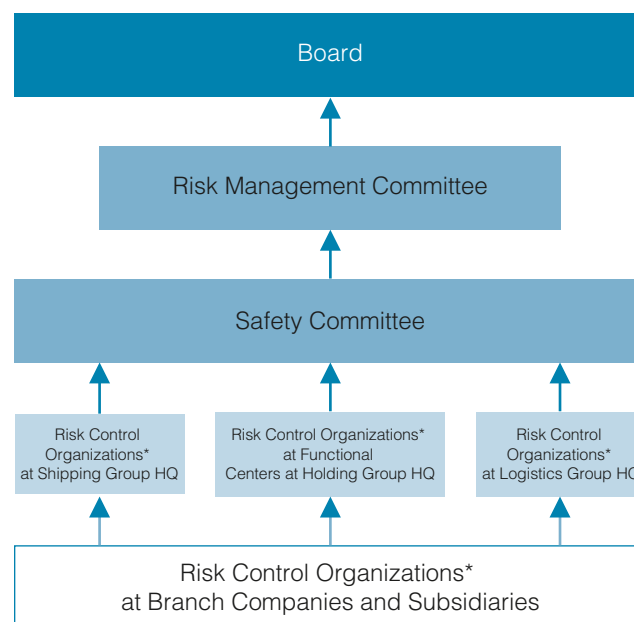
In terms of operations, the Company has been focusing on Asia during its development, and has been committed to providing efficient and quality logistics services to customers and becoming their preferred provider. Based on the operating models of self-operated and light assets, the Company has established ocean and land integrated logistics channels and facilities to offer customized logistics services. The year of 2019 witnessed the slowdown in world economic growth, China-US trade disputes, fluctuations in the global container shipping and logistics market, and the intensified competition in the industry, all of which posed an impact on the improvement of demand and supply dynamics in the Asian region. In addition, the change in costs, such as bunkers and vessel charter, also caused material impact on the profitability of the industry. Through effective management of shipping capacity and stabilization of freight rates, the Company adopted a strategy of efficient operations and low-cost expansion and continued to deliver steady growth in its results. The Company has maintained a high return on both net assets and total assets. From 2017 to 2019, the return on net assets was 20.5%, 19.7% and 21.5% respectively, and the return on total assets was 12.4%, 12.6% and 13.4% respectively.

In respect of shareholder return, the Company has continued to distribute dividends to its shareholders since its listing. A scientific, continuous and stable dividend mechanism has been established to ensure that investors have steady investment return expectations and their legitimate rights and interests are protected. In 2019, the earning per share of the Company was US8.29 cents, marking an increase of 11% from 2018, and approximately USD154,192,000 of dividends were paid, increasing by 11% from 2018. The Company has always maintained a high dividend payout ratio, which was 72%, 71% and 117% from 2017 to 2019 respectively.

In terms of interest-bearing debts, as the Company continued to adopt a stable strategy, the debt ratio remained at a low level. Between 2017 and 2019, the ratio of total liabilities to shareholders' equity was 65%, 57% and 60% respectively, and the interest coverage ratio was 30.4 times, 27.6 times, 37.9 times respectively.

## Integrity and Compliance

In view of the high-standard integrity and business ethics as the operating principle, the Company has detailed all risk points in business activities and internal measures and control processes for these risk exposures, and further established a scientific and systematic internal control system. The risk management committee of the Company has been established under the Board to improve the integrated risk management organization.



Remarks:

\* Risk control organizations include risk management teams and crisis PR teams.

The Company follows COSO's guidance on enterprise risk management. Coupled with the formulation and execution of strategies, the Company carried out culture building, competence development and practice in respect of risk while creating, maintaining and realizing value. Each year, SITC conducts risk control assessments and questionnaire-based surveys, formulates risk control measures against incremental risks, gives lectures on hot topics, and adjusts and supplements related systems and organizations. Through the questionnaire-based survey on the control over major risk exposures in 2019, twenty major risks in nine categories were identified and associated control measures were formulated.

## Responsible Operations

A total of 1,610 questionnaires were collected in this survey, which mainly focused on the improvement and optimization of the forms of the risk control form and the existing process systems, the new risk exposures of the Company and the prevention of service quality risks. Among them, 27 rational suggestions were adopted by the Company, and our risk control systems were revised accordingly. Our major risk exposures and response plans include:

- risks associated with new route development: risk prevention measures have been formulated from four aspects: shipping schedule, cargo volume, freight rate guarantee and cost control;
- risks associated with anti-corruption: preventive measures have been formulated from perspectives of anti-corruption system building, training and publicity, internal supervision, regular rotation system as well as attention to employees' integrity before recruitment and employment;
- risks associated with supply chain changes: preventive measures have been formulated from perspectives of proactive consideration of alternative logistics solutions, reservation of sufficient cash in advance, control over debt ratio, strengthened communication with customers before launching new outlets and new routes, flexible adjustments to routes and transport capacity, and increase in proportion of low-cost self-owned vessels in due course;
- risks associated with changes in environmental protection policies as well as anti-monopoly laws and regulations: SITC pays close attention to changes in and evolving trends of laws and regulations governing the industry, consult lawyers where necessary, and implement responsive measures in advance in terms of new shipbuilding, chartering, fuel consumption and types of transported goods;
- risks associated with new technology application: SITC pays close attention to the promotion of new technology application and artificial intelligence, and choose intelligent products suitable for the Company's by focusing on customers' actual needs, thereby improving both efficiency and accuracy.

Through all staff's participation and feedback, SITC not only enhanced the risk management awareness of each organization, identified new risk exposures and formulated corresponding preventive measures, but also ensured the effectiveness of the risk management organization, achieving the organic coordination of SITC's DNA of "focus, team, execution, efficiency, risk control and customers".

Meanwhile, while attaching great importance to clean management, the Company is determined to put an end to corruption, bribery, extortion, fraud and money laundering practices of any form. During the reporting period, by consulting relevant Hong Kong agencies in building a corruption prevention system for multiple times, the Company participated in training, received guidance and obtained written and video training materials for its directors and employees to study. The proportion of employees' attendance of anti-corruption training reached 100%. On the basis of related laws and regulations, by following the guidance of relevant consulting agencies and taking into consideration its actual conditions, the Company added a "Anti-bribery Policy" chapter in the *Regulations of SITC*, clarifying the organizational leadership of anti-bribery and anti-fraud efforts and responsibilities at all levels. It has revised employee behavior manuals and announced the Group's anti-corruption policy across the Group. In addition, the Company has established a well-designed transparent anti-fraud reporting and complaint mechanism, maintains a report hotline and e-mail address to receive real-time or anonymous reports from employees or third-parties. Internal and external audits will also be organized on a regular basis, and the rotation system has been implemented to effectively prevent corruptions. There was one anti-corruption related case in the Company during the reporting period. An anonymous report was received, reporting that some management member of Chongqing branch of the Company demanded bribes by serving in office during daily operations. The management of the Company immediately organized a special investigation team to conduct on-site interviews with the involved company, verified relevant data extracted from the business system and contacted the persons-in-charge and related personnel of the relevant customer company and supplier company for investigation. The person involved, after having been contacted and communicated with, confessed and provided the details of the involved bank account, and cooperated with the Company's investigation. Subsequently, the person involved returned approximately USD423,000 of economic benefits embezzled from the Company. Based on the particulars involved, the Company compiled the case and made public announcement thereon. In addition, an anonymous questionnaire for anti-corruption and anti-fraud have been added to the process of each internal audit. The Company's decisive and prompt fraud investigation has demonstrated its determination in clean business building and anti-fraud endeavor, and further strengthened the anti-corruption and self-discipline awareness of all employees. Improvements in regulations and processes have also been made for the purpose of reducing the possibility of fraudulence practices.

In addition, in view of the novel coronavirus epidemic which broke out in early 2020, the Company has formulated a risk prevention plan for major events.



## Responsible Operations

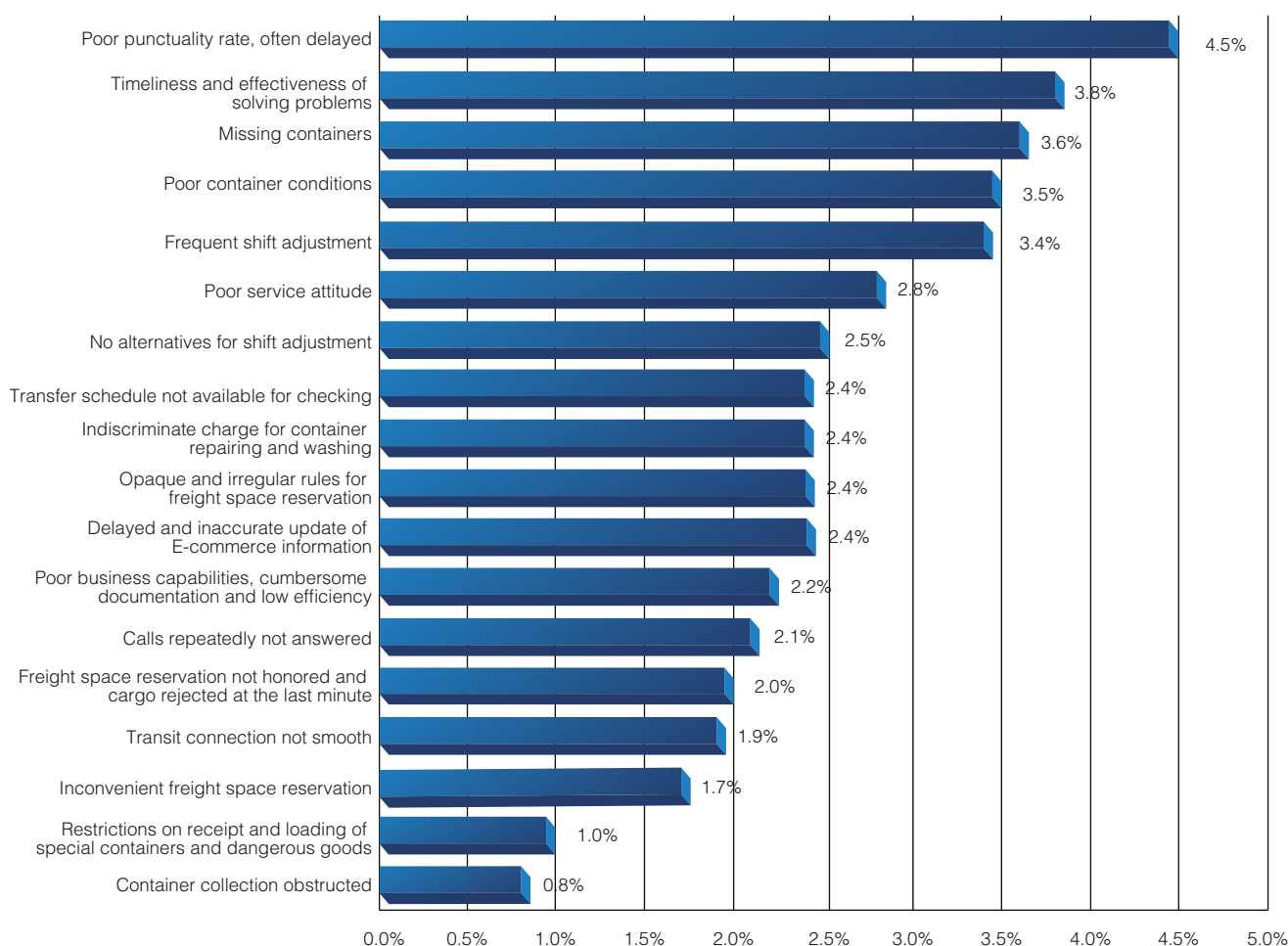
In addition to the disclosure above, the Company has complied with relevant laws and regulations which have a significant impact on the Company in respect of prevention of bribery, extortion, fraud and money laundering in 2019.

### Customer Service

“Customer always comes first” is one of the core values shared by SITC, and a key strategy for SITC to develop and maintain competitive strengths. Through diversified channels such as regular meetings, business visits and seminars every year, the Company has been reaching out customers for opinions and suggestions, making adjustments and innovations in line with dynamic market demands to continuously improve and enhance its customer service level. Through WeChat Official Account and public mailbox, the Company

has been providing customers with real-time port closure and typhoon information, new policy interpretation and new services for promotion to further improve customer experiences. With such services as feeder port service, container round use, new ICD and sea-rail transport, the Company has successfully increased its customer loyalty. Among the key customers, over 80% of them are stable customers with a partnership of more than 10 years.

In 2019, the Company conducted a customer dissatisfaction survey and solicited customers’ opinions on the questions covering 20 minor items under six major items for its container transportation service. The following is a ranking matrix from high to low according to the degree of dissatisfaction.



## Responsible Operations

The results of this questionnaire survey were carefully summarized and the following countermeasures have been adopted:

1. the customer dissatisfaction survey results were sent to port companies for checking and supplement. The process for projects with low scores were optimized, and relevant customer service personnel were trained to improve service awareness and service quality;
2. the VIP website has been designed to allow customers to check reservation and shipping information by one click; cargo shipping status is updated in real time so that customers can keep track of the status of their shipments anywhere and anytime, with a view to increasing customer loyalty;
3. digital logistics solutions are continuously enhanced to increase customer convenience and improve service quality by providing electronic bill of lading and various functions including online reservation, online payment and electronic invoices.

In strict compliance with laws and regulations regarding chemical and hazardous substance transportation and storage as well as SOLAS Convention, the Company has been providing customers with safe and reliable logistics services. During the reporting period, the Company has not been subject to fines or non-economic penalties arising from violation of product and service laws and regulations.

Moreover, the Company has established a complete customer complaint and dispute resolution mechanism, and set up customer complaint departments in the business companies and headquarters to efficiently and properly handle complaints and disputes. The Company has further purchased protection and indemnity insurance or tenant liability insurance for all cargoes under its shipment to ensure proper indemnity for the cargo owners in case of damages to cargoes. Timely and effective settlement of customer claims have minimized the losses of customers and enhanced their satisfaction. In 2019, the Company handled an average of 18 claims each month and only made a compensation of USD660,000 for damaged cargoes for the whole year.

Under the principle of being responsible to customers, the Company has been committed to protecting the safety and privacy of customer information. In strict compliance with related laws and regulations, the Company has improved information safety management mechanism, strictly protected and rationally used customer information. Highly valuing the development of employees' information safety awareness,

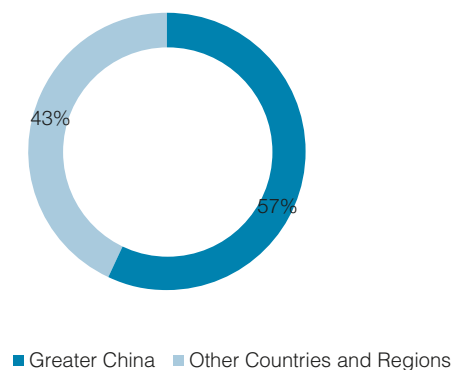
the Company has stipulated in the corporate regulations and the *Employee Manual* that without prior consent, no one shall disclose any customer information to any unrelated company, department or person in any form on any occasion. During the reporting period, the Company has found no case occurred in relation to customer information leakage.

### Supplier Management

With the gradual expansion of corporate business, the Company's supply chain network has extended to different areas. Adhering to the principle of equality and mutual benefit, the Company has been committed to establishing stable and close partnerships with suppliers through highly transparent and responsible procurement process and supplier management, so as to effectively boost sustainable growth of economic, environmental and social benefits of the whole supply chain.

As of the end of 2019, the Company had approximately 11,500 suppliers from 59 countries and regions, including China, South Korea, Japan, Singapore and Malaysia.

**Supplier Distribution of the Company by Country and Region**



In terms of supplier selection, the Company has strictly followed the Supplier Employment Management Method. Under the principles of fairness, openness and justice, service level, safety awareness, ethical standards, industry qualifications and other indicators of suppliers have been comprehensively assessed through the contract review system. Quantity and quality are attached with equal importance, and price is not taken as a priority. Furthermore, the conditions of SITC's suppliers are subject to annual evaluation. In case of non-conformities, the Company will suspend the cooperation and request them to be rectified. In 2019, the supplier review process was refined with different requirements set for the performance capabilities of different

## Responsible Operations

types of suppliers. The Company requires certain qualified suppliers to conduct the “social responsibility assessment”, requesting them to provide relevant information and data on social responsibility and sustainable development.

The selection of asset suppliers, such as shipyards and container-building plants, follows a more comprehensive and rigorous evaluation process. Evaluation will be unfolded from two aspects, namely commercial conditions and technical conditions. Commercially, the Company evaluates suppliers on their experience, contractual capacity, management level, credit status, capital status, time of delivery, payment terms, organizational structure, talent team and pricing; technically, the Company will take into consideration of peer reviews, hardware facilities, asset operation index and customer feedback, production and design capacity, continuous optimization capacity, qualified maker list evaluation and past business performance. Thus far, the Company has maintained a partnership with main asset suppliers for over 10 years. The long-term stable partnership has guaranteed the quality and maintenance of its operating assets, and effectively reduced risks.

Devoted to the improvement of supply chain management efficiency, the Company has further established close relationships with suppliers and enhanced cooperation quality through communication channels such as negotiation, training, visit and symposium in order to strengthen core competitiveness and driving industry development. The Company has also been active in expanding broader and more profound cooperation models with excellent and industry-represented suppliers, and establishing long-term partnerships for mutual benefits and common developments with upstream and downstream supply chain partners to promote industrial co-prosperity. The high-frequency and high-density maritime logistics operating model of SITC is dependent on the active support of terminal operators. To realize win-win cooperation, the Company has entered into strategic cooperation agreements with Shanghai port, Qingdao port, Dalian port, Tianjin port, Guangzhou port and Xiamen port corporations, laying a foundation for provision of safe, timely and fast quality logistics service. Moreover, the Company has maintained long-term stable partnerships with major suppliers such as vessel owners, container leasers and fuel suppliers. Over 50% of its suppliers have partnered with the Company for over 10 years. In strict compliance with contractual terms, the Company has settled the payments with suppliers in a timely manner, generating an average settlement period of 40 days approximately.

In 2020, the Company will continue to uphold the tenet of balancing business development with corporate social responsibility. On the basis of compliant operations, the Company will strengthen the management and maintenance of customer and supplier relations, and thus develop a multi-win cooperation mode featuring steady corporate operations, customer satisfaction and supplier trust. The Company will continue to improve our annual customer dissatisfaction survey to further enhance customer experience, focus on improving the client-side network development, and strengthen communication with customers through the Company’s official website, corporate public account, artificial intelligence customer service system and other channels so as to improve customer experience. Supply chain management will be further strengthened to reduce the violation risk, network development and business expansion will be boosted, and active efforts will be made to test block chain in international trade, logistics and supply chain finance. In addition, attempts have been made to identify the practices of environmental and social risks in each link of the supply chain and to establish relevant implementation and monitoring measures.

# Energy Conservation and Environmental Protection

The Company has always been upholding the environmental policy of Safety Guarantee, Environmental Protection and Health Assurance in its business operations. A well-designed environmental management system has been rolled out to properly dispose various pollutants and continuously advanced energy conservation and emission reduction. Reduction in resource consumption and pollutant emission has always been incorporated into the Company's day-to-day business operations. In vessel operation activities, the Company attaches great importance to the protection of biodiversity, actively promotes the industry to fulfill social responsibilities, and drives the harmonious co-existence of man and nature.

During the year ended 31 December 2019, the Company has complied with all relevant laws and regulations that have a significant impact on the Company relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

## Emission Reduction

The Company has established a sound environmental management system which provides effective measures for different types of pollutants and ensures pollutant emission is in compliance with international and local laws and regulations and environmental pollution incidents are eradicated. The Company has used low-sulfur fuel oils and installed combustion exhaust gas treatment devices to reduce emissions of gaseous pollutants, enhance shipping energy efficiency and reduce the use of fuel oils, which can ultimately lower emissions of gaseous pollutants and greenhouse gases from the source. In respect of waste water generated during shipping, the Company has taken measures and monitored data to prevent damage to marine organisms. The onshore and offshore non-hazardous wastes have been recycled and reused as much as possible to reduce wastes; hazardous wastes and non-hazardous wastes that is no longer usable have been properly disposed by municipal companies or third-party organizations. In 2019, there were no penalties occurred for environmental pollution or emission violations during the operation.

## Environmental Management System

Continuous efforts have been made to improve the environmental management system. Taking reference of the *Maritime Environmental Protection Law of the People's Republic of China*, the *Regulations on the Administration of Preventing and Controlling Maritime Environment Pollution from Ships*, and the *IMO International Convention for the Prevention of Pollution from Ships (MARPOL)*, the Company has formulated internal regulations such as the *Garbage Management Plan* and the *Oil Pollution Emergency Plan*. Management methods for various pollutants, greenhouse gas control measures and incident emergency response have been specified to practically guarantee the strict compliance with international and local laws and regulations in pollutant prevention so as to reduce the damage caused to the environment. Certified by *ISO14001 Environmental Management System*, the Company is capable of identifying and controlling negative environmental factors in an accurate way.

## Management of Gaseous Pollutants

Gaseous pollutants generated by the Company primarily consists of nitrogen oxides, sulfur dioxide and particles generated in fuel oil burning during container shipping. The Company has managed and controlled gaseous pollutants in strict compliance with international conventions and local requirements of respective ports. All operative vessels have been equipped with pollution prevention devices required by international conventions, and awarded with ISPP and IOPP certificates. Furthermore, the pollutant disposal devices and emission management measures have been continuously improved in line with the latest IMO requirements and local laws and regulations.

## Emission of Container Vessels in Operation

Type of Emission	Quantity of Emission (Ton)		
	2017	2018	2019
Nitrogen Oxides	35,034.85	35,510.52	36,597.96
Nitrogen Oxides/ Vessel	473.44	467.24	463.27
Sulfur Dioxide	24,299.66	24,298.23	22,134.3
Sulfur Dioxide/Vessel	328.37	319.71	280.18

## Emission of Self-owned Land Vehicles

Type of Emission	Quantity of Emission (Ton)		
	2017	2018	2019
Nitrogen Oxides	9.317	9.837	10.571
Sulfur Dioxide	0.025	0.029	0.033
Particle	0.882	0.925	0.992



## Energy Conservation and Environmental Protection

### Remarks:

1. Maritime vessel emissions are largely from the combustion of fossil fuels such as heavy fuel oils and light fuel oils.
2. Self-owned land vehicles include yard forklifts and office vehicles.
3. The emission factor for the calculation of emissions from self-owned land vehicles is extracted from the *Reporting Guidance on Environmental KPI* released by the Hong Kong Stock Exchange.

By reducing fuel oil consumption and using low-sulfur fuel oils, the Company has strived to decrease the emissions of gaseous pollutants, and comply with the latest requirements of international conventions.

### Wastewater Treatment

The wastewater that needs to be disposed of and discharged during SITC's business operation mainly comes from crew's domestic sewage, oily wastewater and ballast water of vessels. The domestic sewage can be generated in a short period of time and thus poses a great pressure on discharge and treatment; the oily wastewater of vessels can easily form an oil film on the water surface and thus hinder the growth of aquatic plants and animals; the ballast water of vessels contains various types of microorganisms, animals and plants, easily resulting in risk of alien invasion after discharge into the ocean. To prevent damage to the marine environment caused by vessel wastewater, the Company has attached great importance to the treatment and discharge of various types of wastewater, and resolutely ensures compliant discharge. All vessels have been

installed with wastewater treatment devices and discharge indicators have been specified in the system documents to show its continuous commitment to the protection of marine ecological environment. In 2019, the domestic wastewater of seamen and wastewaters produced from operations of the Company amounted to 2,404.23 tons and 5,275.13 tons respectively.

### Reducing Fuel Oil Consumption

- Monitor fuel oil use through the *Vessel Energy Efficiency Management Plan*, and improve shipping energy efficiency;
- Upgrade on-board fuel oil equipment, phase out old vessels and ensure sufficient and rational fuel oil use.

### Using Low-sulfur Fuel Oils

- Strictly follow the stipulation that the sulfur content of marine fuels shall not exceed 0.5% m/m since 2020 as set forth in the IMO MARPOL Appendix. In 2019, the Company completed the renovation of fuel oil devices such as main engine and oil pipeline of all old vessels, and provided guidance to remind the risks and preventive measures of using new types of fuel oil;
- Strictly comply with the stipulation that the vessels in China's marine air pollutant emission control areas shall use marine fuels with a sulfur content no greater than 0.5% m/m since 2019.
- In 2019, the Company used 18.24% of low-sulfur fuel oil in accordance with environmental protection requirements, thereby reducing sulfide emissions by approximately 2,875 tons.

### Domestic Sewage of Seamen

- The domestic sewage is uniformly collected in the collection tanks, and sterilized with UV-rays after dephosphorization with chemical reagents.
- Continuous monitoring devices are installed at the wastewater discharge outlets to ensure compliance of COD and ammonia-nitrogen, total phosphorus and suspended solids in the water body prior to discharge.

### Oily Wastewater of Vessels

- Oil-water separators are installed and continuous monitoring devices installed at the wastewater discharge outlets to ensure an oil content lower than 15ppm as required by IMO.
- The wastewater tanks are upgraded by extending the wastewater treatment cycle by 1.5 to 2 times of selected vessels to reduce wastewater quantity to some extent.

### Ballast Water of Vessels

- The Regulations on Ballast Water Management have been formulated in strict compliance with the IMO Ballast Water Management Convention, which specifies that the ballast water replacement areas shall at least have a distance of 200 sea miles from the nearest land and its water depth shall be of at least 200 meters.
- Ballast water treatment devices shall be provided. The 44 vessels procured since 2012 have all been installed with ballast water treatment devices. The ballast water system will be installed on used vessels in the first IOPP certificate renewal inspection.

## Energy Conservation and Environmental Protection

### Waste Disposal

The Company has actively promoted recycling and reusing of various wastes, and has adopted corresponding management measures based on the various types of onshore and offshore wastes to reduce the production of wastes and continuously advance waste minimization, hazard-free disposal and resource treatment.

### Total Hazardous and Non-hazardous Wastes Generated

#### Onshore Wastes Generated (Ton)

Office paper consumption	58
Recycled waste batteries	0.0073

#### Offshore Wastes Generated (Ton)

Domestic waste	3,404.11
Kitchen waste	347.38
Waste oil, oil residue and oily wastewater	7,679
Other hazardous wastes	1.5

#### Total Hazardous and Non-hazardous Wastes (Ton)

Total hazardous wastes	7,680.51
Intensity of hazardous wastes/USD10,000	0.05
Total non-hazardous wastes	3,809.49
Intensity of non-hazardous wastes/ USD10,000	0.025

Given the type of business operation, the Company does not produce a large amount of onshore wastes. The wastes generated are primarily domestic waste, office waste and kitchen waste. In the daily work and life of employees, the Company requires maximum recycling, emission reduction, waste sorting and proper recycling. The Company has been promoting the concept of green office, implemented the OA and video-conferencing system to reduce office paper consumption; waste battery recycling devices have been placed on each floor of the office building to properly dispose of waste batteries which contain heavy metals; classified recycling bins have been set up in subsidiaries with a canteen to separate kitchen waste from other domestic waste for uniform disposal at the treatment facilities. During transporting garbage, airtight waste transportation has been adopted.

The Company imposes rigorous control on the discharge of offshore wastes, bans arbitrary dumping of offshore wastes and over-standard discharges. Each vessel is furnished with classified waste recycling devices, and training on correct waste classification methods has been provided to seamen. The classified offshore wastes will be uniformly unloaded by agents or port authorities after approaching the shore and disposed of onshore. To reduce the impact of oil spill incidents to the environment as much as possible, the Company has formulated the *Oil Spill Incident Emergency Measures*, in which the job responsibilities of respective seamen have been specified in case of an oil spill incident and targeted measures and rescue implementation plans have been provided to prevent fires and explosions to promptly prevent further spreading of adverse impact.

As for hazardous wastes like waste oil, oil residue and oily wastewater, the Company has enacted the Management Measures for *Oily Wastewater from Vessels*. The oil residue, waste oil and oily wastewater should be collected and stored in sludge tanks, waste oil tanks and engine-room wastewater tanks; other hazardous wastes like waste batteries and medical wastes should be stored in specialized storage tanks. The various hazardous wastes shall be uniformly handed over to qualified third-party units after the vessel approaches the shore to ensure proper disposal of vessel generated hazardous wastes.

### Resource Use Optimization

Guided by the philosophy of “energy conservation and environmental protection, building a green enterprise”, the Company has practiced high efficiency and low consumption while ensuring compliance of pollutant emission to continuously enhance comprehensive utilization efficiency of resources. *The Vessel Energy Efficiency Management Plan* has been further formulated for energy-consuming vessel operation to advance energy conservation and emission reduction. To save water resources and reduce vessels’ external purchase of fresh water, desalinated sea water has been used as the main source of fresh water during offshore operation, and rainwater has been collected to clean vessels.

### Conservation of Energy Resources

Consistently attaching importance to energy conservation and emission reduction, the Company has been committed to low-carbon economy and green operation to build a resource-saving enterprise. Onshore energy used is mainly gasoline consumption by administrative vehicles, and diesel consumption by terminal forklifts.

## Energy Conservation and Environmental Protection

### Energy Consumption in 2019

Year		2017	2018	2019
<b>Direct Energy Consumption</b>				
Gasoline	Ton	197	190	217
Intensity of gasoline consumption	Ton/USD10,000	0.0015	0.0013	0.0014
Fuel oils	Ton	443,951	Heavy fuel oils 435,657	Heavy fuel oils 446,193
			Light fuel oils 15,610	Light fuel oils 19,964
Intensity of fuel oil consumption	Ton/USD10,000	3.29	3.11	3.00
Diesel (onshore)	Ton	1,093	1,290	1,847
Intensity of diesel consumption	Ton/USD10,000	0.0081	0.0089	0.0119
<b>Indirect Energy Consumption</b>				
Purchased electricity	kWh	2,526,608	2,937,129	2,927,368
	kWh	–	1,603,027	1,305,830
Intensity of indirect energy consumption	kWh/USD10,000	18.74	31.33	18.84
<b>Greenhouse Gas Emissions</b>				
Direct greenhouse gas emissions (Scope I)	tCO <sub>2</sub> e (ton)	1,390,396	1,410,627	1,520,130
Indirect greenhouse gas emissions (Scope II)	tCO <sub>2</sub> e (ton)	1,996	3,582	2,310
Total greenhouse gases	tCO <sub>2</sub> e (ton)	1,392,392	1,414,209	1,522,440
Intensity of total greenhouse gas emissions	Ton/USD10,000	10.33	9.76	9.80

#### Remarks:

1. The emission data is from the vehicles and container vessels owned by the Company and its affiliated companies;
2. The emission factor for the calculation of emissions from gasoline, diesel and electricity is extracted from the Reporting Guidance on Environmental KPI released by the Hong Kong Stock Exchange; the emission factors of heavy fuel oil and light fuel oil emissions consumed by container vessels are in reference to the emission coefficients released by *IMO MEPC.1/Cir 684*;
3. The purchased electricity only included the office electricity consumption of affiliated companies.

The main business of the Company is the provision of shipping logistics services, which does not involve any product production, and therefore the Company does not consume substantial natural resources due to packaging materials used for finished products.

#### Formulation of KPIs

In 2019, as approved by the Board, the KPI assessment indicators were formulated for offshore and onshore main energy consumption. Specifically, the “fuel consumption per unit capacity” indicator has been formulated for offshore fuel oil consumption of container vessels to link the Company’s overall transport capacity with fuel oil consumption in order to improve the efficiency of vessel operations. 2019 marks the initial assessment year. In the coming years, assessment goals will be set based on the increase/decrease of business volume and profit.

## Energy Conservation and Environmental Protection

### KPI for fuel oil consumption by vessels in 2019

Year	2017	2018	2019
Fuel consumption per unit capacity (fuel oil for vessels) tons/TEU	4.50	4.25	4.12

In addition, the “fuel consumption per container handled” indicator has been formulated for diesel fuel oil consumption at onshore depots. Given the business nature of the Group’s depots varies from one to another, the depots will be assessed separately. 2019 marks the initial assessment year. In the coming years, assessment goals will be set based on the increase/decrease of business volume and profit of each company.

### KPIs for fuel oil consumption by depots in 2019

Company name	Business volume (TEU)	Total fuel consumption	Fuel consumption per container
		(liter)	(liter/TEU)
Tianjin Xin Hua Xi Logistics Co., Ltd.	682,021	545,591	0.80
Smart Thailand Logistics Co., Ltd.	330,809	146,964	0.44
Ningbo Xingao Logistics Co., Ltd.	305,092	96,218	0.32
Dalian Hantong Logistics Company Limited	77,625	35,325	0.46

The offshore energy consumption is mainly represented by heavy fuel oil and light fuel oil. The Company promotes energy conservation and emission reduction of vessels from three aspects, namely management measures, technical measures and operational measures, so as to maximize energy efficiency.

### Measures for Efficiency Improvement of International Shipping

#### Management Measures

- Assess the oil consumption per 10,000 sea miles of vessels: the oil consumption per 10,000 sea miles of vessels is compared on a regular basis, looking for and analyzing causes for high oil consumption, and eliminating old vessels with high oil consumption.
- Implement oil consumption reduction incentive mechanism: fuel oil use incentives and disincentives are formulated to offer incentives for fleets with low unit oil consumption.
- Adopt energy efficiency management: each vessel is provided with a Vessel Energy Efficiency Management Plan as per load capacity and navigation route to monitor carbon dioxide emission and vessel navigation at any time.

#### Operating Measures

- Select the optimal navigation routes: establish scientific and rational fleet combination, formulate optimal transportation plan and shorten the empty load voyage.
- Select the optimal navigation speed: the fuel oil co-movement real-time monitoring device has been installed on vessels in operation to select a rational navigation speed as per berths on the terminal, so as to reduce rotational speed of main engine and effectively save vessel fuel oil use.
- Efficient cargo loading: the captain and chief officer develop reasonable and efficient cargo loading to reduce fuel consumption.
- Strengthen efforts in maintenance of mechanical equipment. For example, the components that affect the emission of nitrogen oxides require regular overhaul and records shall be maintained, so as to ensure that the mechanical equipment runs in its best conditions.
- Reasonably controlled oil tank heating to reduce steam pressure and fuel oil consumption of boilers.

#### Technical Measures

- Adopt technologies such as sword bow design, rudder ball, rudder fin, fair water fin and propeller optimization for newly-built vessels to enhance their propulsion performance and lower their fuel oil consumption.
- All newly-built vessels are compliant with IMO’s phased emission requirements.
- Increase the number of auxiliary fans to reduce the speed of the main engine, and adopt cost-effective speed to save fuel oil so as to reduce emissions.
- Employ the electronic lubricator for main engine cylinder oil to reduce the cylinder oil consumption by approximately 35%.



## Energy Conservation and Environmental Protection

In 2019, the Company participated in the “Green Financing Project” of Standard Chartered Bank of Hong Kong, which was intended to provide enterprises with financial support for eco-friendly use or ESG-related projects. The five newly built container vessels of the Company were provided by Standard Chartered Bank with financing facilities totalling USD80.8 million for their compliance with the green environmental protection indicators.

### Water Resource Conservation

As an advocate of multiple use and recycling of water, the Company has actively enhanced the water resource utilization and reduced water waste. In consideration that onshore water use is mainly from domestic and office water use of employees, the Company has reduced water use through promotion of water conservation culture and adoption of water conservation measures. Sea water desalination technology has been used to obtain main offshore water source, and excessive desalinated sea water has been stored in specialized water tanks to increase fresh water reserve. The Company obtained 21,580 cubic meters of fresh water by sea water desalination in 2019. Furthermore, rainwater has been collected to wash the dust off cabins and cabin mats and clean the oil stains on the cabin mats, effectively reducing the use of water resources.

### Water Resource Consumption in 2019

Year	2017	2018	2019
Total water consumption	m <sup>3</sup> 172,600	123,259	147,875
Intensity of water consumption	m <sup>3</sup> /USD10,000 1.28	0.85	0.95

Remarks: Water consumption includes water used in onshore office premises within statistical range and fresh water consumed on offshore self-owned vessels.

### Green Office Promotion

As a promoter of green office and green life, the Company has determined to enhance the employees’ energy conservation and consumption reduction awareness. Hence, employees have been encouraged to save water, electricity and paper, engage in low-carbon and eco-friendly behaviors, collect waste batteries to prevent hazardous pollution to the environment.

#### Water Conservation

- Immediately make a report to the property management office upon water leakage.
- Turn off the water faucet to prevent further leakage.

#### Electricity Conservation

- Designate a person in charge of power equipment in the public areas to turn off unnecessary power supply in a timely manner.
- Actively advance the use of cross-functionary tablet PC videoconferencing system in replacement of traditional projection equipment.

#### Paper Conservation

- Continuously advance information system development and mobile Internet application to fundamentally reduce consumption of paper and other resources; promote secondary use of paper and double-sided printing in unavoidable printed documents.
- Classify and recycle newspapers, magazines and documents, ship them to the paper mill for destruction on a regular basis or store them in the Company’s old containers for natural weathering.
- Promote paperless international transit by innovatively optimizing the manual paperwork-related process in the traditional international transit which involves operations, shipping agency, customs declaration and other departments. Upon completion, paperless operations will be achieved in customs declaration, transshipment terminal declaration and terminal release, thereby conserving resources and improving efficiency

#### Waste Batteries

- Prioritize the recycling of waste batteries.
- Place waste battery recycling devices on each floor of the office building.

## Energy Conservation and Environmental Protection

### Environmental and Biodiversity Protection

Marine vessels have the potential of directly or indirectly introducing toxic and hazardous substances to the ocean during their building, operation, maintenance and dismantling, which may cause severe damage to the marine ecological environment. Therefore, the Company has attached great importance to the impact of each

shipping link to the marine environment, and adopted active response measures to reduce the impact of shipping industry on the marine environment. In 2019, the Company is not aware of any event that indicated the Company has exerted a significant impact on the creatures and natural resources.

#### Hull and Container Coatings

- Large legally compliant suppliers with classification society approval have been selected to source hull and container coatings.
- The Company has insisted on the use of non-toxic coatings free of hazardous substances like organic tin to prevent distortion of marine organisms from toxicity and protect their survival environment.

#### Hazardous Substances from Vessels

- The Company requires that all newly-built vessels should be furnished with the Inventory of Hazardous Materials (IHM), hazardous and potentially hazardous substances on the vessels should be identified to ensure the compliance with related requirements of the content of hazardous substances. Thus far, the 29 vessels in operation of the Company have all been furnished with the IHM.

### Biodiversity Protection Measures

- The Company has formulated the Regulations on the Ban of Use of Asbestos-containing Materials on Vessels, which specify parts easily using asbestos-containing materials, designate personnel to ensure the compliance purchased materials with corporate regulations, and require related suppliers to issue an asbestos-free statement.

#### Ballast Water Management

- The ballast water discharge strictly follows the IMO 2004 International Convention for the Control and Management of Vessels' Ballast Water and Sediments and local laws and regulations to reduce the risks to the marine environment brought by sediments and pests in the ballast water.
- The Company has specified the management and operating requirements for the drawing, replacement and inspection of vessels' ballast water to maximally reduce the harm brought by ballast water discharge.

### Climate Change

The Company continued to closely follow the shipping related rules and identify the impact of major climate-related matters on the Company's business in active response to national initiatives and international conventions in relation to climate change adaptation. In 2019, the Company was affected by extreme weather (mainly typhoons) with a total of 51 vessels/voyages. The Company established an emergency response team by implementing relevant systems such

as the "Administrative Measures for Vessels to Navigate in Fog" and the "Administrative Measures for Vessels to Avoid Typhoon", and took emergency measures according to the actual situation. Customer service is guaranteed through route adjustment, speed acceleration, short-term charter and other adjustments.

# Harmonious Development

Based on the “People-oriented” concept, the Company has practically protected the rights and interests of employees, created a safe and harmonious working environment. Stable development and promotion paths have been provided for employees for common development and progress. Aspiring to be a responsible corporate citizen, the Company has been contributing to the economic development of places of operation, creating job opportunities and actively involving in community welfare programs to give back to the community and build a harmonious community.

## Labor and Employment

In strict compliance with all labor and employment laws and regulations of the places of operation, the Company enters into labor contract with employees as per the Labor Law of the People’s Republic of China and the Labor Contract Law of the People’s Republic of China, and formulated internal policies in light of labor laws and regulations in respective of country or region. Comprehensively fulfilling the global compact and corporate social responsibility and strongly upholding Universal Declaration of Human Rights, the Company has strictly abided by international conventions and rights in respect of human rights, and prohibited the use of child labor, discrimination against employees and forced labor.

In terms of employment, remuneration, promotion, dismissal and retirement, the Company has insisted on equal treatment regardless of citizenship, nationality, race, gender, religious belief and cultural background. In strict implementation of local nationality policies, the Company pursues freedom of religious belief, and respects the habits and beliefs of employees of different nationalities.

In respect of labor employment, child labor is strictly prohibited in accordance with the local laws and regulations in the Company. The human resources department of the Company has established detailed employee recruitment policies and review procedures to prevent the employment of child labor under the age of 16 due to faults in recruitment work. The Company holds large-scale campus recruitments and social recruitments on a regular basis every year. In addition, the Company worked with the Shanghai Maritime University to offer directional training courses. Suitable talents selected from interviews will take public administration courses and SITC international internal training courses. Recruiting qualified talents from colleges and universities has effectively avoided us from hiring underage applicants incidentally.

In strict compliance with the local labor-related regulations, the Company fully respects employees’ rights of freedom on career. The Company resolutely prohibits forced labor of any cause, and will not restrict personal freedom of employees in any way. Onboarding training on labor rules and regulations is provided to employees to allow them to fully understand their rights and obligations of work. Valuing the rights and interests of offshore employees, the Company enters into employment agreement and supplementary employment agreement with crew members employed, and safeguards their rights and interests in accordance with the *Declaration of Maritime Labour Compliance (DMLC)*.

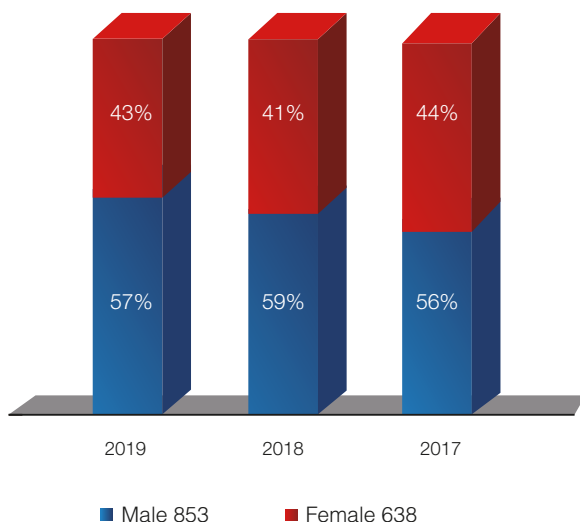
Employees are the core force of corporate development. Hence, respecting human rights of employees is the precondition for sound corporate development. As a responsible enterprise, SITC strictly follows international conventions and recruitment regulations and upholds the principle of non-discrimination. Respecting each employee, the Company resolutely prohibits child labor and forced labor, and independently safeguards and protects human rights of employees. During the reporting period, the Company had no violation of employment and labor related laws and regulations. The Company encourages the establishment of labor unions and other private organizations by its affiliated companies. At present, 21 of its affiliated companies have established union organizations.

Striving to safeguard equal and diversified job opportunities, the Company has been fully attracting, gathering, incentivizing and utilizing international high-caliber talents, and actively promoting regional and global operation and development. In strict compliance with the internal recruitment regulations and procedures of SITC, the Company complied with the principle of open and equal recruitment. In 2019, the total number of employees of the Company is 1,491<sup>1</sup>.

Gender-wise, there were 853 or 57% male employees and 638 or 43% female employees, representing an increase of 2% in the number of female employees.

## Harmonious Development

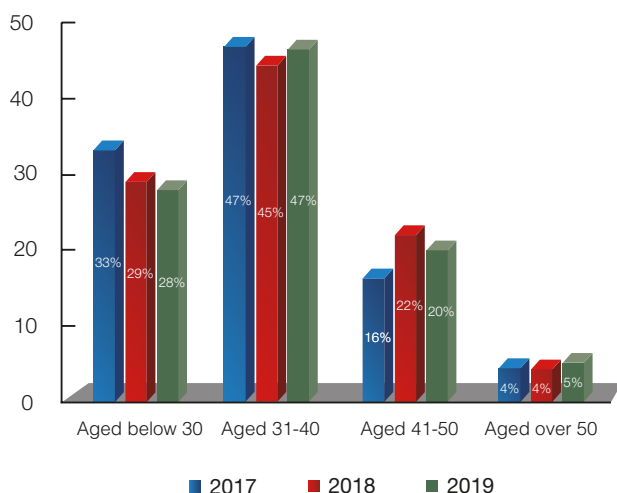
**Employee Distribution by Gender**



<sup>1</sup> Including full-time employees of the Company and its subsidiaries (excluding crew members).

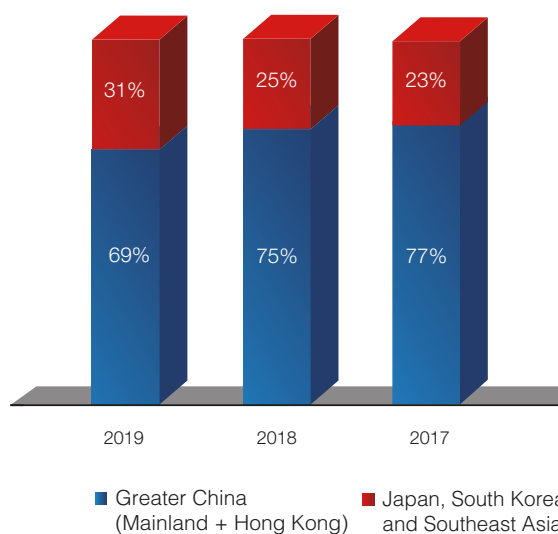
In terms of age, there were 424 or 28% employees aged 30 or below, 694 or 47% employees aged 31 to 40, 303 or 20% employees aged 41 to 50 and 70 or 5% employees over the age of 50. There was a slight decrease in the proportion of young employees. The Company plans to increase the reserve to its talent pool and increase the number of college graduate recruits.

**Employee Distribution by Age**



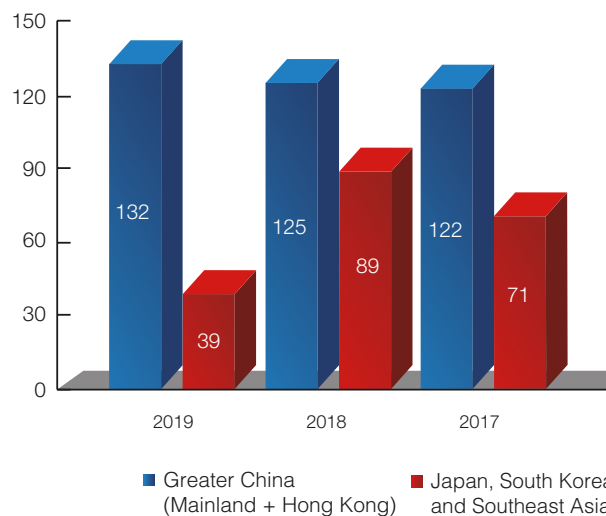
Geographically, 1,034 or 69% employees were from Greater China, and 457 or 31% employees from Southeast Asia, Japan and South Korea. The rising proportion of employees from Southeast Asia, Japan and South Korea reflects that the Company is growing in an increasingly international manner.

**Employee Distribution by Geographical Area**



In 2019, a total of 171 employees left the Company, among which the turnover rate of employees in Southeast Asia, Japan and South Korea decreased while the number of lost management employees increased as compared with 2018. The Company fully respects the personal choices of employees, and goes through resignation procedures according to laws for those who decide to resign. The proportion of management staff and ordinary employees remained basically unchanged.

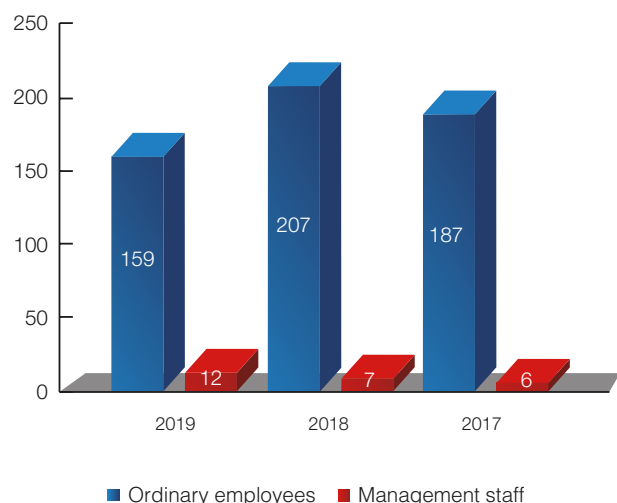
**Number of Lost Employees by Geographical Area**





## Harmonious Development

**Number of Lost Employees by Employment Category**



### Development and Training

As the Company continues to grow, employees' personal development has become a core issue for the purpose of sustainable development. Valuing employees' development and growth, the Company has enhanced employees' comprehensive skills and overall productivity through training. Talents have been actively trained to adapt to the future market demand and continuously inject vital force for future corporate development.

In addition to a well-designed training system, the Company has set up the "SITC International Training System Establishment Committee" which defines the training courses of employees at each level. All employees are required to take all courses and pass the online examination of the target level and target post before regularization, job rotation and promotion. The "SITC International Talent Echelon Building Administrative Committee" has been further established to take charge of reserve talent building, and provide reserve management personnel through training, job rotation and promotion.

In 2019, the Group offered 36 positions through competition in various countries and regions which a total of 60 people participated in, and 238 people were promoted (including rank promotion and position promotion), thus creating opportunities for personal development and growth.

### Offshore Employees

In 2019, the Company has provided 11,830 hours of training for crew members with a total investment over RMB600,000.

### KPI Table

Percentage of Employees Trained by Position Level	Management Level 80%, Operation Level 20%
Training Hours Per Crew member by Position Level	Management Level 50 Hours, Operation Level 30 Hours

### Onshore Employees

The Company has worked out training plans for the headquarters and branch companies based on job requirements. Through such diversified vocational training forms such as field from time to time training, online tutorial and professional technical workshops, the Company helped employee to master essential professional knowledge and application skills to meet their personal development demands. In 2019, the Company has provided a total of 6,094 hours of training for 2,606 employees.

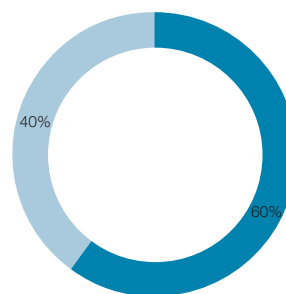
### Onboarding Training

SITC organizes new employee onboarding training on a regular basis every year to introduce its corporate information, regulations and rules to the newly recruited. Respective departments provide new employees with training about department functions and job requirements for them to acquire necessary knowledge about the Company.

### Professional Knowledge and Skill Training

The professional knowledge and skill training of SITC is concerned with business operation training, business knowledge update, and training on the latest management theories, policies and regulations for employees to master the skills required by their post. The training offered during the reporting period covered themes like safe operation, business etiquette, leadership, business marketing and information safety.

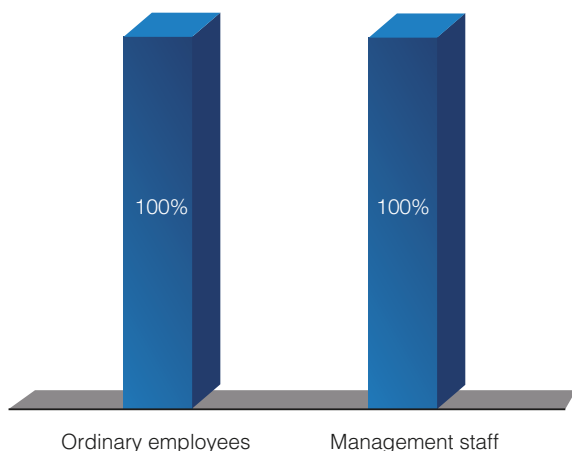
**Ratio of Employees Trained by Gender**



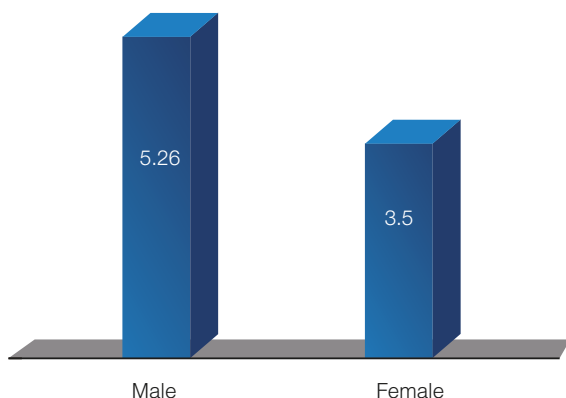
■ Male employee ■ Female employee

## Harmonious Development

**Ratio of Employees Trained by Position Level**



**Average Training Hours per Employee by Gender**



### Health and Safety

With safety being of top of its priority, the Company has upheld the safety and environmental protection policy of “Safety Guarantee, Environmental Protection and Health Assurance”. To further enhance the risk prevention awareness, risk response and hazard response capacity of crew members, popularize safety knowledge and spread safety culture, the Company has formulated the SMS as well as strictly executed the requirements of SOLAS, STCW and MLC 2006 conventions. For onshore and offshore execution, the SMS has detailed SOPs and safety response measures.

In 2019, there was no job-related death in the Company. The number of job-related deaths of the Company in the past three years are as follows (excluding crew members):

Year	2017	2018	2019
Number of deaths	0	1	0

### Offshore Employees

The Company has prepared the *Occupational Health and Safety Operation Control Procedure* (the “**Control Procedure**”) to specify the operation control processes and methods in relation to occupational health and safety risks on the vessels. According to the Control Procedure, the ship safety committee should be established and composed of the captains, chief engineers, first mates, boatswains and master mechanics. The ship safety committee is mainly to prevent occupational accidents, injuries and diseases on the vessels, and ensure that all crew members are provided with occupational health protection. Through identification of sources of danger, control measures and management plans, the Control Procedure has helped keep the risks under control or lower the risks, and achieve the occupational health and safety policies and goals of the Company.

As for more specific ship safety operations, the Company has provided operating instructions for mechanical maintenance, maritime management, emergency response and crew members to ensure safe and orderly operation of each link.

## Harmonious Development

### Safety Operating Instructions

Operating Instructions for Mechanical Maintenance	<i>The Regulations on the Ban of Using Asbestos-containing Materials on Vessels, the Lubricating Oil Management, Filling Notes and Fuel Oil Quality Control on Vessels, and the Notes for Preparation of Oil Transfer Plan on Vessels</i>
Operating Instructions for Maritime Management	<i>The Vessel Fire Safety Regulations, the Anti-typhoon Safety Regulations on Vessels, the Operating Instructions for Vessel Handling in Heavy Weather, the Provisions on the Administration of Container Transport, and the Heavy Cargo Shipping Notes</i>
Operating Instructions for Emergency Response	<i>The Emergency Measures for Fires (Explosions) on Vessels, the Oil Spill Incident Emergency Measures, and the Cargo Incident Emergency Measures</i>
Operating Instructions for Crew members	<i>The Personal Safety Precautions for Crew members</i>

In strict compliance with the ISPS Code, the Company has formulated the SSP, installed CCTV monitoring devices on the vessels and worked out various anti-terrorism measures. For vessels navigating on the pirates-active waters, the Company has further established the naval escort plan and arranged armed security forces to ensure the safety of crew members and vessels.

### Onshore Employees

During the reporting period, the Company continuously implemented the established onshore work safety plan, strengthened the employee safety awareness, and organized safety practices and training sessions on a regular basis. The Company provided all its employees in the PRC with free annual physical examination, and the five social insurances and one housing fund—endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance and housing fund. Fire drills have been conducted on a regular basis. Professional firefighters from the fire control center have been invited to give site instructions, develop employees' response ability in face of fires at the initial stages in the terminals and other workplaces, and help them master knowledge about types of fire extinguishers and skills to use fire extinguishers. Valuing vehicle use safety, the Company has specified the safety rules in the *Drivers' Job Responsibilities*, and provided safety training on all drivers on a regular basis. The *Safety Regulations on Incoming and Outgoing Vehicles*, and the *Regulations on the Safety Management of Separation of Pedestrians and Vehicles* formulated by the logistics group have standardized vehicle and personnel safety measures. In 2019, the Company unfolded various occupational safety and health training activities to help employees familiarize themselves with our safety regulations and work procedures, master the latest safety measures and technologies, enhance their work health and safety awareness, and advance safety and health philosophy development.

For the year ended 31 December 2019, the Company has complied with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards which have a significant impact on the Company.

### Employee Welfare

Putting people first, the Company has taken employees as valuable corporate assets, and thus provided them with a safe and comfortable working environment. A well-designed vacation and insurance system has been established in our places of operation, and professionals have been hired to offer emotional counseling on a regular basis. To promote work-life balance and enhance team bonding, the Company has arranged a wide range of entertainment activities and encouraged active involvement of the employees to promote harmony and unity among the employees.

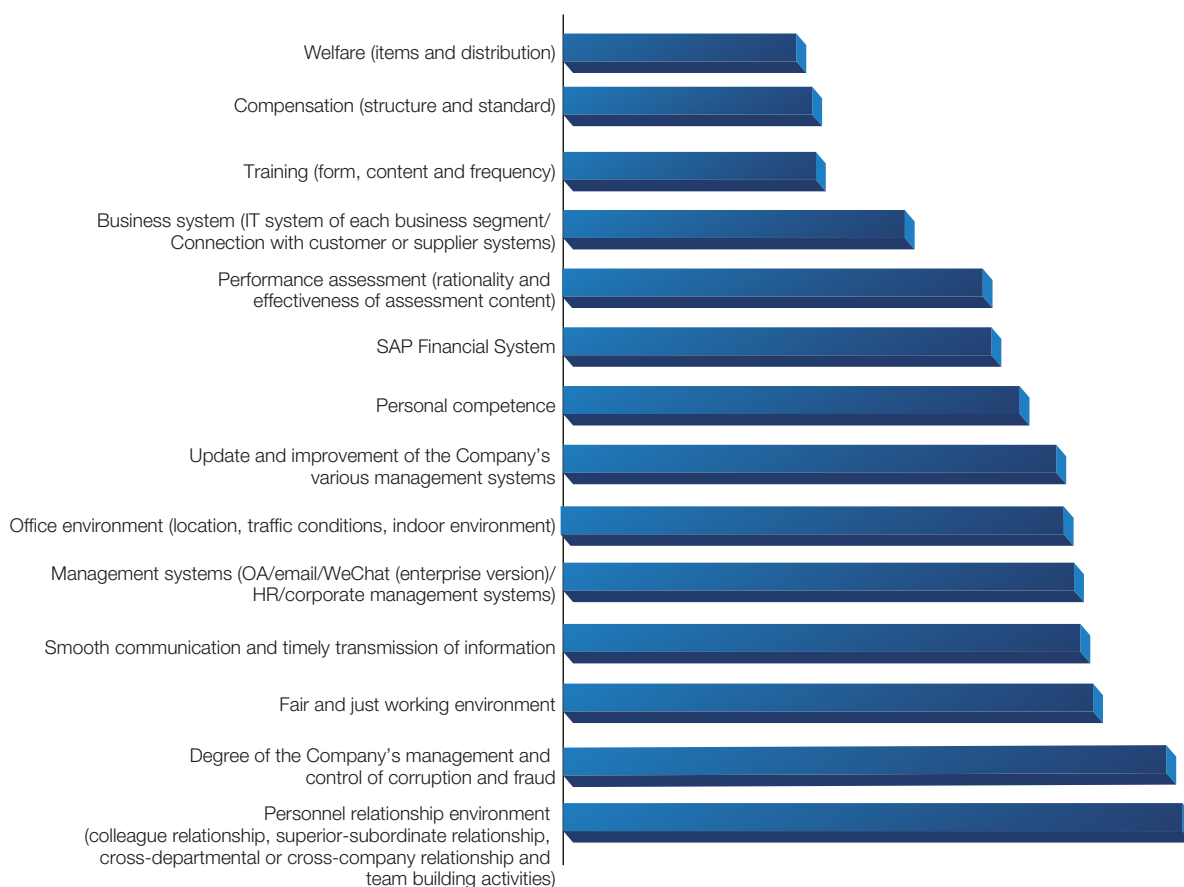
The Company has established a well-designed employee remuneration system. In addition to basic salary, there are monthly performance, equity, year-end bonus and subsidy. Employees are entitled to benefits such as transportation subsidy, special subsidy, perfect attendance reward, dispatching subsidy and children's educational subsidy. Save for individual employees with exceptional circumstances, a general adjustment to salaries of basically all staff was completed in March 2019. The Company also adjusted its subsidy standard in July 2019 and completed promotion and salary adjustments in July 2019. Furthermore, the equity incentive system of the Company has been established to motivate employees who recognize the Company's corporate culture, abide by its corporate regulations and have made contributions to the Company through important posts on a long-term basis, enhance their sense of belonging and achieve common sustainable development between the Company and employees. The Company plans to grant to some backbone employees the restricted

## Harmonious Development

shares with a vesting period of three years from the date of grant each year. During the reporting period, the Company granted a total of 6.35 million shares awards to employees based on their performance and stock price; a total of 552 employees received stock ownership incentives, representing an increase of 11 employees from 2018 and accounting for 37% of total number of employees. In 2019, the payroll of USD58.5 million (including equity incentives) increased by 9.5% from USD53.4 million in 2018 due to the increase of 2.1% in headcount and the increase of 7.3% in average wage.

The Company has adopted flexible vacation system for employees as per the place of operation. Working hours, statutory holidays and paid leaves are based on the laws and regulations of different

countries or regions. These efforts are intended to relieve the pressure from intense work, promote harmonious family ties, enhance the unity of employees and cohesiveness of the enterprise. Valuing employees' practical benefits and well-being, the Company has further developed an efficient employee communication mechanism. Such approaches as corporate policy Q&A on the official website and OA questionnaire-based survey have been adopted to hear from the employees and resolve their problems. In 2019, the Company conducted an employee satisfaction survey questionnaire with 1,235 participants, which surveyed 14 items concerned by employees, such as salary, benefits and performance assessment. According to the survey results, the following matrix has been formulated to present satisfaction level from low to high.



The following rectification measures have been taken for the items with low level of employee satisfaction:

1. Remuneration structure of overseas companies has been streamlined to bring into play the monthly performance-based remuneration;
2. Each business group regularly carries out centralized training programs for department heads of all branches of the Company;
3. Each company regularly organizes special training programs for each department;

4. All overseas companies of container transportation shall formulate e-commerce development plans as soon as practical and improve their respective e-commerce system by recruiting software developers and through outsourcing and cooperation.

Moreover, the Company organizes various staff activities to enrich their lives. In 2019, the Company organized the second SITC Gobi Hiking, Healthy Running, Family Day and many other events. Employees and their family members were encouraged to take part in so as to enhance the Company's cohesion and employees' sense of belonging.

## Harmonious Development

### Case: International Women's Day Celebrated at SITC Logistics Zhejiang

The labor union of SITC Logistics Ningbo launched flower arranging activities to commemorate the International Women's Day with the theme of improving spiritual and cultural qualities and artistic accomplishment among all female employees, so as to allow everyone to enjoy the life of blossom age after hard work.



### Case: Second SITC Gobi Hiking

To develop employees' team spirit and enhance their leadership, SITC held the second SITC Gobi Hiking 2019. 60 reserve members were selected through more than 30 rounds of qualifiers organized by 28 companies from 14 cities, and were grouped into 6 teams. After 2 months of training in teams, the hardened members gathered in Dunhuang on 5 October 2019, embarking on the daunting 88-kilometer hiking journey within 3 days, along the road travelled by Xuan Zang. The selected SITC employees celebrated the 70th anniversary of People's Republic of China by braving the boundless Gobi.

Tested by scorching sun, bitter cold, sand dust, night march, and high altitude, the team members made self breakthroughs and fought with each other against the tough environment, and became aware of the importance of friendship and team spirit when in difficulty. Eventually, all team members completed the 88km extreme challenge and demonstrated the spirit of SITC people.





## Harmonious Development

### Community Support

The Company has been actively involving in and making contributions to the local community through welfare programs to achieve sustainable development between the Company and the community of the place of operation. In 2019, The Company invested HK\$2.4 million in welfare programs for poverty alleviation, education and other fields.

#### **Case: SITC Container Lines Indonesia Visited the Children's Welfare Institute**

In May 2019, SITC Container Lines Indonesia organized employees visited orphans at the Indonesian Children's Welfare Institute, where our employees presented gifts to the children and accompanied them to dance, sing and play games, bringing memorable joy to the children.



#### **Case: SITC Joined the Education Development Foundation of Shanghai Maritime University and donated the SITC Exchange Center**

In October 2019, SITC donated the SITC Exchange Centre to Shanghai Maritime University and became a member of the Education Development Foundation of Shanghai Maritime University. The Education Development Foundation of Shanghai Maritime University was established in 2012 to promote the development of higher shipping education, and improve the research capabilities of shipping science as well as the quality and level of shipping education, endeavoring to contribute to the development of the national transportation industry and the construction of the Shanghai International Shipping Center.



#### **Case: SITC Shipping Management (Shangdong) Co., Ltd. launched the "SITC Order Class" at Qingdao Harbor Technical College, and donated funds to support students with excellent academic performance to encourage them to study hard for the seafaring industry.**



In 2020, the Company will continue to uphold the philosophy of people first and harmonious development, constantly improve the employee incentive and evaluation mechanism, and give a full play to remuneration in protecting employees' rights and motivating their initiatives; an employee position-based learning platform will be established, and course and lecturer resources will be enriched to meet the personalized training demands of employees; a talent development program will be initiated to support the future strategic improvement and business development of the Company; through various recreational and sports activities, the Company will be actively engaged in team building and cultural development to enhance corporate cohesiveness.



## Outlook

Looking into 2020, the primary priorities of the Company are to maintain the safety of funds, improve operational efficiency and strengthen company management. In the context of the turbulent international situation, the Company will continue to adhere to its development towards “professionalism, expertise, specialization and innovation” and constantly seek development opportunities.

In terms of environment, the Company will continue to refine various environmental KPIs and establish routine assessment, reward and punishment mechanisms; endeavor to establish and evaluate new energy-conservation and emission-reduction KPIs, namely fuel consumption per vessel and fuel consumption per 10,000 nautical miles; and continuously monitor the impact of low-sulfur fuel oil on sulfide and other greenhouse gas emissions.

In terms of society, the Company will strengthen supply chain management and further improve supplier assessment and management process; and increase efforts in anti-corruption promotion and use external and internal resources to launch anti-corruption training programs for employees and the management.

In terms of regulation, the Company will strengthen the supervision of the Board on sustainable development, lead and monitor the formulation and implementation of KPIs; improve the IT system for ESG data collection, support cross-department and cross-region data management; and continue to pay attention to the enquiry and investigation directions of The Stock Exchange of Hong Kong Limited on ESG reports as well as Global Reporting Initiative (GRI), Carbon Disclosure Project (CDP) and SAM Corporate Sustainability Assessment (CSA) and other sustainable development initiatives and evaluation standards.

Looking ahead, in view of the world's weak economic growth, mounting uncertainties and the shift of supply chain and trade landscapes towards regionalisation, Clarkson PLC, one of the world's leading provider of integrated shipping services, predicts that the cargo transportation demand along Asian lanes will increase by 3.4%. As affected by vessel replacement and subject to the sulphur cap imposed by the International Maritime Organisation, the number of vessels to be dismantled will also increase. Therefore, this will help improve the supply and demand dynamics in the shipping and logistics market in Asia. Meanwhile, the Company will pay close attention to and evaluates the impact of the outbreak of COVID-19 on the business environment. As countries and regions are paying increasing attention to and strengthening control over the epidemic, economic activities are expected to pick up quickly following the downturn. The Company will continue to implement its expansion plan prudently when opportunities arise, strengthen the integration of sustainable development concepts with its corporate strategy and culture, and continue to improve its ESG management and reporting system.