



Dear Reader:

Thank you for reading COSCO SHIPPING Development Sustainability Report 2020. We sincerely 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 improve our social responsibility management and practices. Please scan the QR code on the left to leave your comment, or contact us via telephone and e-mail listed below.

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2020

COSCO SHIPPING Development CO., LTD.

Sustainability Report

Global Partnership for Sustainable Development

About This Report

Overview:

This report is our first sustainability report (fifth CSR report) for stakeholders. It discloses the opportunities and challenges of sustainable development faced by the Company, and our efforts towards sustainable development by integrating social responsibility management into corporate management.

Reporting Period:

The time frame for the activities mentioned in this report is from January 1 to December 31, 2020, though some content may extend beyond the stated time frame when necessary.

Reporting Scope:

Based on the consolidated scope of our annual financial report, we have comprehensively considered the impact of our businesses on the economy, environment, and society as well as the sustainability management of COSCO SHIPPING Development to select the disclosure scope of this report. The reporting content covers 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, Dongfang International Container (Qidong) Co., Ltd., Dongfang International Container (Qingdao) Co., Ltd. and Dongfang International Container (Ningbo) Co., Ltd. managed by Shanghai Universal.

Reporting Cycle:

This report is published annually.

Compilation Conformance:

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (ESG 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* of the Shanghai Stock Exchange, *GRI Sustainability Reporting Standards (GRI Standards)* of the Global Sustainability Standards Board (GSSB) and SDG Compass.

Reporting principles:

The reporting preparation strictly follows the basic principles as listed:

Importance: The report discloses the process that we identify and evaluate important issues by using importance analysis tools, and respond to the important factors of sustainable development concerned by stakeholders.

Quantification: In accordance with the requirements of the *ESG Reporting Guide* and with reference to the *GRI Standards*, the report discloses the environmental and social performance data and explains the calculation method in the report, so that the key performance indicators are comparable, assessable and verifiable.

Consistency: The disclosure method and statistical calculation method in this report are consistent with that in 2019 as a whole, and some changes are explained in the report.

Data Resource:

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

References:

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

Reliability Assurance:

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

Preparation Process:



Access to This Report:

This report is published in Simplified Chinese, Traditional Chinese, and English. For any discrepancies between the Chinese and English versions, the Simplified Chinese version shall prevail. You can download an electronic version from our official website:

<http://development.coscoshipping.com/>

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

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Message from the Chairman

The year 2020 was an extraordinary year, witnessing more turmoil in international trade, the volatile shipping market, increasingly prominent consequences of climate change, and the outbreak of the COVID-19 pandemic which added to the uncertainties of social and economic development. Facing complicated and challenging situations at home and abroad, COSCO SHIPPING Development followed the new "dual circulation" development paradigm, worked with domestic stakeholders across the shipping industry chain to enhance China's standing and influence in the international shipping market, continuing to spur economic growth. We stayed committed to shipping finance as our principal business and sped up to digitize our business in order to achieve high-quality development and build a globally competitive financial service platform for the comprehensive logistics industry.

We firmly believe that sustainable development is the "golden key" to solving global issues and thus incorporating it into our core strategy and management, corporate culture and working mechanism. We improve the corporate governance for sustainable development, actively fulfill corporate social responsibility, and fully tap our advantages in know-how, talents and resources to create economic, social and environmental value and contribute to the sustainable development goals.

The year 2020 witnessed the completion of the 13th Five-Year Plan and the launch of the 14th Five-Year Plan. This year, COSCO SHIPPING Development weathered through all adversities to propel collaborative development across the industry chain by tapping the advantages of shipping finance, promoting industry-finance integration and empowering the shipping business with

supply chain finance. We kept customer demands on top of our agenda and developed special-purpose containers such as the module boxes for Antarctic researches and intelligent medical cabins, offering more innovative and digital products. We continued to pursue green development and promote ecological progress by upgrading the environmental governance system, effectively responding to climate change, working with peer companies to upgrade water-based paints in cold boxes and investing in renewable energy and other green industries. We strove to create common value with employees, continued to expand their career path, trained talents for shipping finance, cared for their health and safety and built a happy and harmonious working environment. We strove to leverage capital, technology and information advantages, provided various financial services, mainly, finance leasing, to optimize resource allocation and support public services, change in national energy structure and industry development, thus promoting high-quality economic and social development.

Entering a new phase of development, COSCO SHIPPING Development will set sail for a stronger real economy, a better ecological environment and a better life for the public. We will work with all stakeholders to achieve win-win benefits, contribute to the Two Centenary Goals and the UN Sustainable Development Goals, and create a bright and sustainable future.

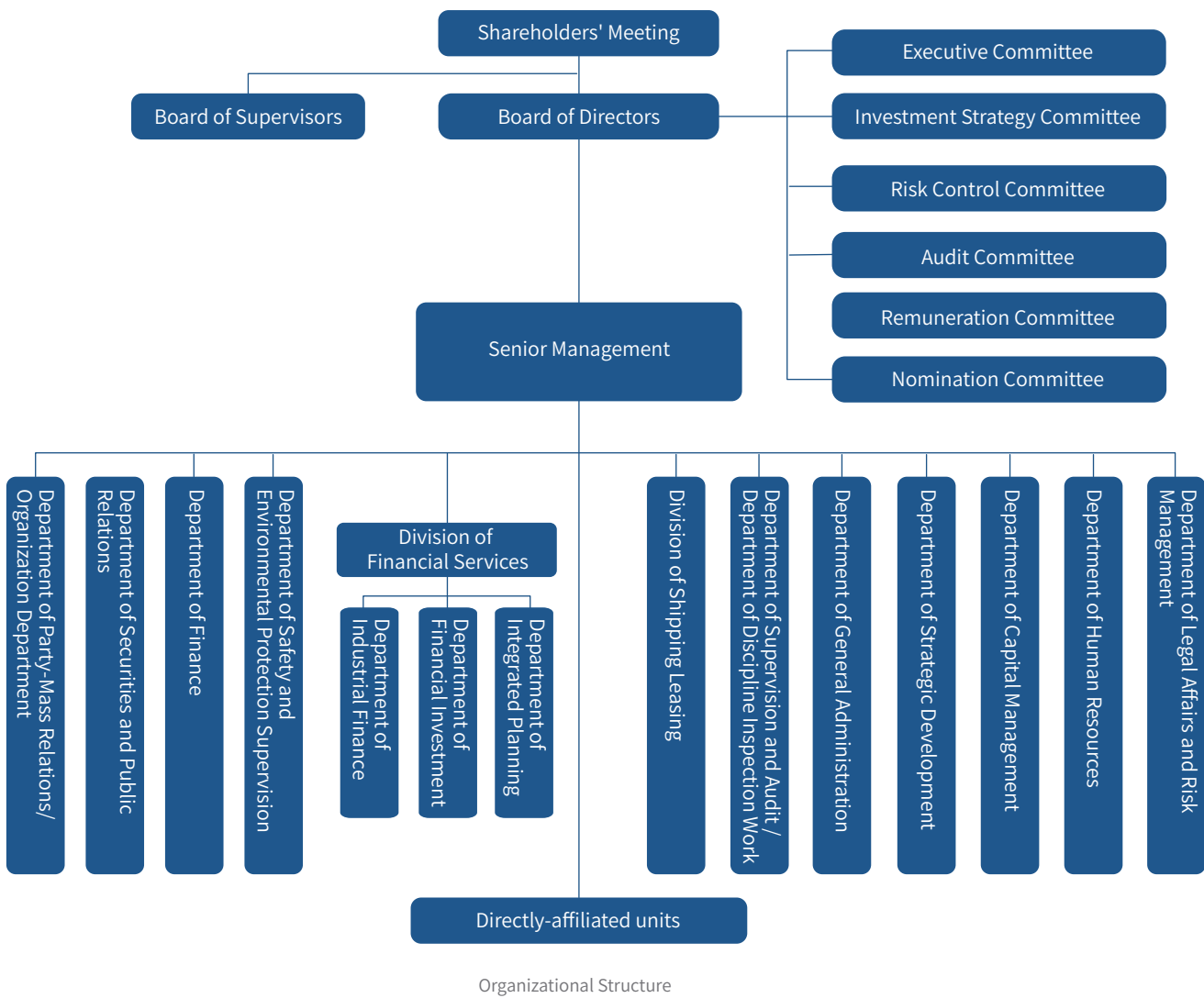
Wang Daxiong, Chairman of COSCO SHIPPING Development Co., Ltd.



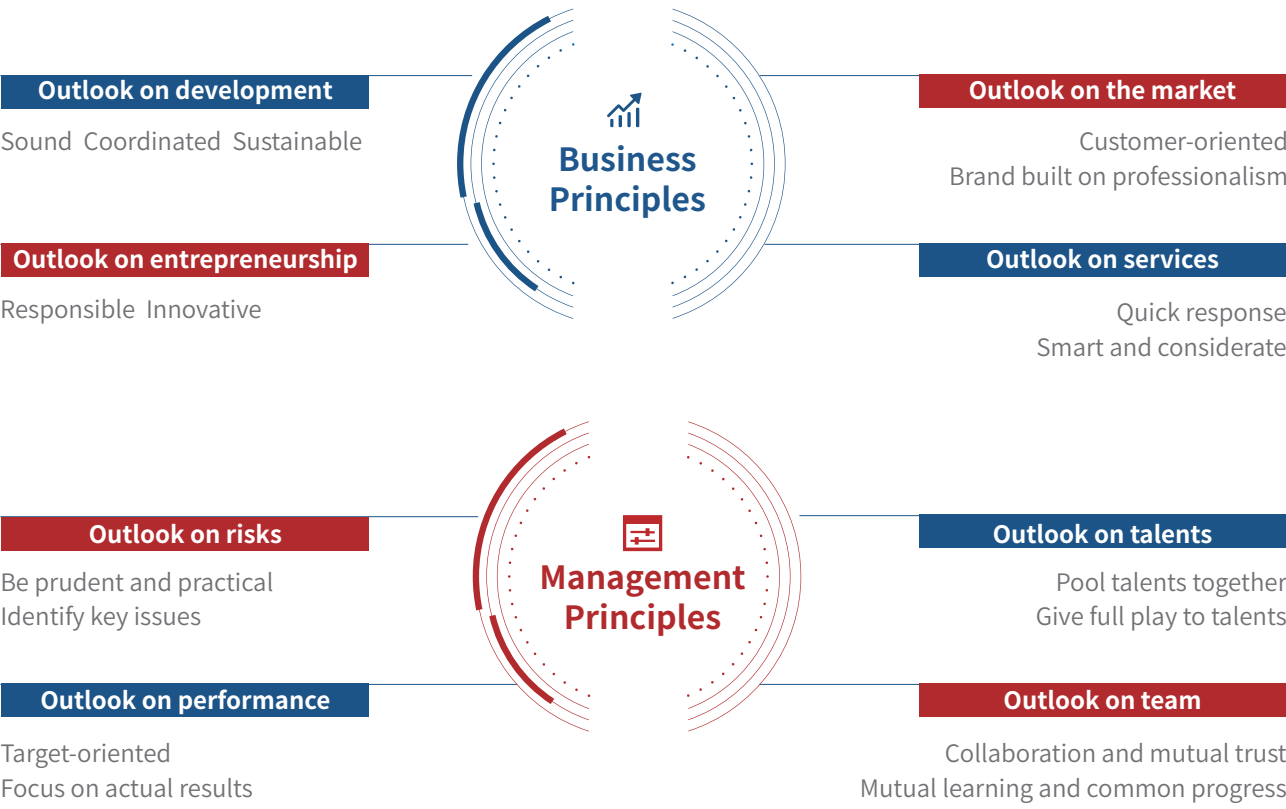
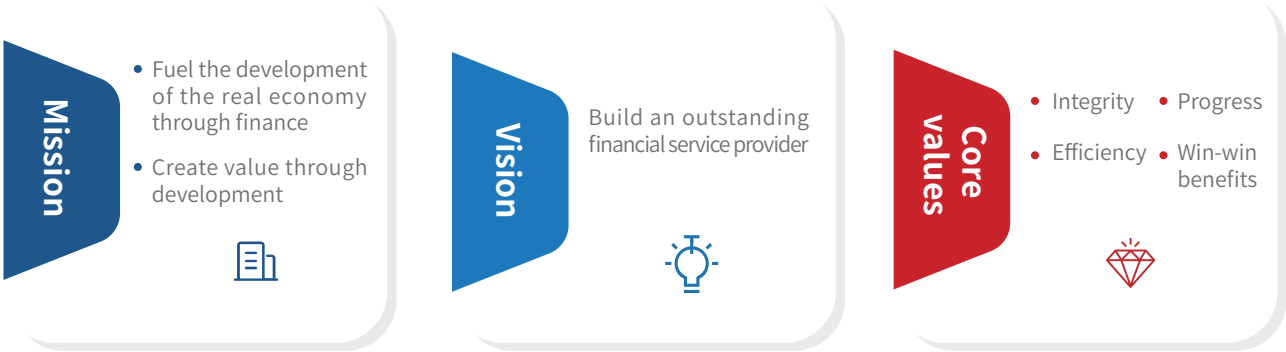
About Us

COSCO SHIPPING Development Company Limited is a financial arm established by China COSCO SHIPPING Corporation Limited in 1997 for supply chain finance. Headquartered in Shanghai, it is listed both in Hong Kong and Shanghai, with registered capital of RMB 11.608 billion.

Based on shipping finance, the Company works to bring into play the advantages of the shipping industry to serve upstream and downstream businesses. It strives to develop industrial cluster with shipping and related leasing, container manufacturing, investment and services at the core; and aims to develop a "one-stop" shipping finance platform with the market-oriented mechanism, differentiated advantages and international vision, facilitating industry-finance integration, integration with other financial institutions, and collaborative development of various businesses.



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



Honors and Awards



In July 2020

One technology project of DFIC Jinzhou was shortlisted in the Finals of 2020 "Five Smalls" Innovation Contest (i.e. small innovation, small invention, small transformation, small design and small suggestion) of Jinzhou City and won the Second Prize.



In October 2020

Our subsidiary Shanghai Universal was recognized as National Outstanding Unit in Corporate Culture Building 2016-2020 at the Chinese and Foreign Corporate Culture 2020 Hangzhou Summit hosted by China Corporate Culture Institute; Li Qianmin, General Manager of Shanghai Universal was recognized as the National Outstanding Worker in Corporate Culture Building 2016-2020; DFIC Jinzhou was recognized as the National Outstanding Unit of Corporate Culture Building 2016-2020.



In November 2020

DFIC Jinzhou was recognized as one of the sixth batch of National Model Units in the National Awards Ceremony for Cultural and Ethical Progress.



In November 2020

COSCO SHIPPING Development won the China Business Top 100 Award at the 20th China Business Top 100 (CBT 100) Forum.



In December 2020

COSCO SHIPPING Development won the GoldenBee Excellent CSR Report 2020 – Environmental Protection Disclosure Award.



In December 2020

Xu Ying, vice managing director of the Division of Shipping Leasing was recognized as a Model Worker at the 2020 Shanghai Municipal Awards Ceremony for Model Workers (Outstanding Workers) and Model Units.



The Path to Sustainable Development



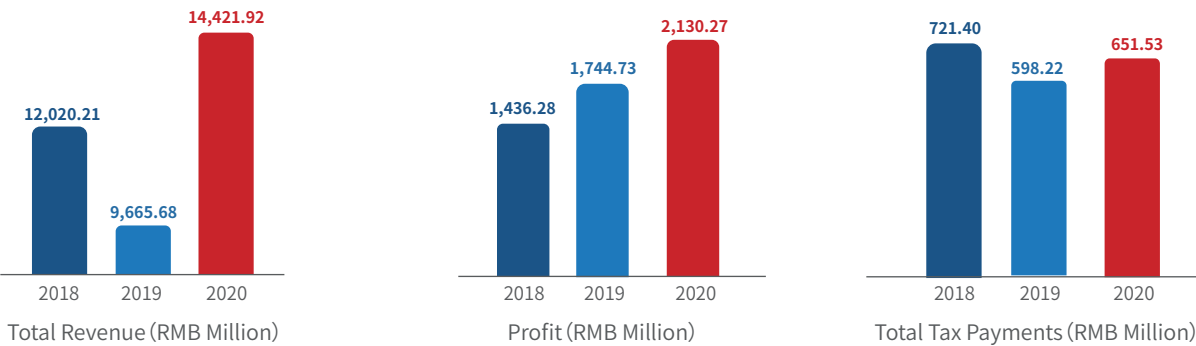
We believe that the world is a global community with a shared future and that businesses can make a difference through responsible actions.

In 2020, the COVID-19 outbreak caused a worldwide public health crisis, throwing global economy into recession. As the world is undergoing major changes "unseen in a century", COSCO SHIPPING Development hopes to help build a community with a shared future for mankind with our professional know-how, talents and resources. We strive to improve ecological environment and human well-being through responsible business and grow into a major force in tackling social issues and challenges and realizing the Sustainable Development Goals (SDGs).



Philosophy and Management for Sustainability

The capital-intensive shipping industry would not grow without a sound financial service system. Based on supply chain finance, COSCO SHIPPING Development actively deals with uncertainties brought about by a complicated international situation and boosts the synergy between shipping and finance to drive sustainable development of the industry, the society and the world along with our partners.



Background of Sustainability

The COVID-19 pandemic in 2020 was a worldwide black swan event. In the short term, it has disrupted the international trade order, blocked the circulation of industrial and supply chains, endangered the survival of many enterprises, and increased financial risks. In the medium to long term, global economy has been recovering, new economy has gained good momentum of growth, and the impacts of COVID-19 on the international shipping industry and its upstream and downstream enterprises have been declining. While the stronghold of the international shipping industry has shifted from the west to the east, the cooperation among upstream and downstream enterprises and third-party organizations will gain strength, bringing new development opportunities for shipping finance industries such as ship leasing, container production, port operation, marine insurance, ship brokering and consulting services.

In 2020, Shanghai launched pilot projects to build an interconnected transportation network in the Yangtze River Delta, a world-class international shipping center and a better coordinated urban transportation service system, in order to propel innovative development of transportation and build a more targeted and more effective transportation governance system, accumulating experience for China to develop a strong transportation network. These efforts have created enabling conditions for enterprises to expand the shipping finance business, further develop comprehensive transportation and services for the logistics supply chain, and accelerate their embrace of the new development pattern whereby domestic and foreign markets boost each other, with the domestic market as the mainstay.



For the 14th Five-Year Plan period (2021-2025), Shanghai has set goals to fully upgrade city functions as the international economic, financial, trade, shipping, and innovation hub, better allocate international resources and further open up to the outside world. To these ends, Shanghai will continue to leverage its advantages to develop the shipping and finance industry, drive integration across the entire industrial chain, create a world-class enabling environment for innovation and build a functional physical and virtual transportation network connecting the whole world. By upgrading its international financial and shipping services, the city will attract more high-end resources worldwide, especially shipping and financial resources, and create opportunities for related industries.

COSCO SHIPPING Development has an insight into the development trend of shipping finance industry, and 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.

The Company 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 boasts the 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.

Sustainability Management

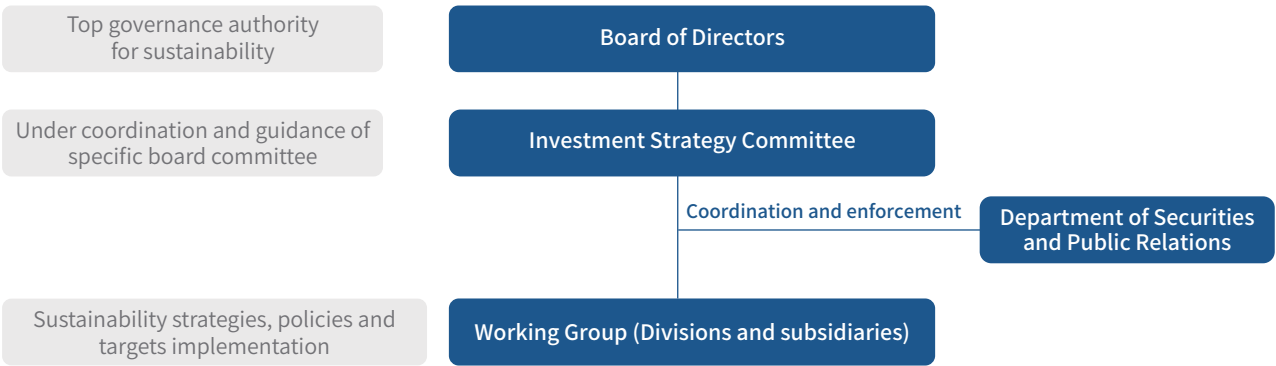
Sustainable development is not a castle in the air, but is written in our corporate strategy and values to shape corporate decisions and employee choices.

We always emphasize systematic sustainability governance. We have put in place a sustainability-oriented governance system, see to it that corporate governance complies with the vision and requirements of sustainable development, and continue to improve the performance of sustainable development. As a public company, we also value environmental, social and governance (ESG) management, incorporate it into the existing sustainability-oriented governance system, and systematically identify and manage ESG risks to address the concerns of the capital market.

In 2020, we formally established the sustainability governance organization. The Investment Strategy Committee of the Board of Directors is the highest authority over sustainability governance. It studies global political, social and environmental risks and opportunities that might affect the Company; supervises the implementation and effect of sustainability strategies, relevant policies and ESG performance; and decides on major matters concerning sustainable development. The said responsibilities have been written into the *Working Rules of the Investment Strategy Committee of the Board of Directors* and approved by the Board.

The Sustainability Working Group, comprising of departments of the Headquarters and subsidiaries, manages sustainability practices and ESG performance in accordance to the *Sustainability Management Policy and ESG Index Management and Operation Manual*, and reports regularly on the work progress.

Sustainability Governance



Organizational Structure for Sustainable Development

Note See the official website for more details

In September 2015, the United Nations Sustainable Development Summit approved *The 2030 Agenda for Sustainable Development* which includes 17 SDGs and calls for collaboration among governments, enterprises and social organizations worldwide to create a dignified life and equal opportunities for all. Many of the SDGs also concern companies. By aligning a company's sustainability priorities with the SDGs will help the company more effectively allocate resources, and more efficiently collaborate with partners to respond to the most pressing global sustainable development challenges.

We have developed our sustainability commitment and goals and devised an action path toward global sustainability based on our expertise and resources and to maximize comprehensive value.

Our sustainability commitment:

We will integrate the vision of sustainable development into the core corporate strategy, corporate culture and the way we work, uphold fair competition and compliance, and develop safer, greener and more sustainable products and services to contribute to industrial prosperity, ecological conservation and social harmony.

Dimension	Our goal	SDGs
Economic	Our mission is to "fuel the development of the real economy through finance and create value through development". We will give full play to our expertise of shipping finance to inject new vitality to the development of the real economy.	<div></div>
Environmental	We will spare no effort to relieve the burden on the environment. We will continue to identify the environmental impacts of industrial chain, and lead upstream and downstream partners to boost the harmonious coexistence between enterprises and nature by promoting sustainable procurement, production and products.	<div></div>
Social	We will address the fundamental needs of national, urban and social development, and make unremitting efforts to achieve higher development and human well-being. We will actively participate in building sustainable cities and communities, and solve social problems in education, health care, environmental protection and infrastructure with our resources and expertise.	<div></div>
Industry-specific	With an international vision and forward-looking mind, we will carefully study the development trend of the industry, make strategic decisions conducive to long-term development, and share experience with business partners to promote the sustainable development of the shipping finance industry.	<div></div>

Stakeholder Communication

We regard all stakeholders as an important force to help us improve our sustainability management and practices, strive to factor into and respond to the concerns and expectations of all stakeholders, and in the meanwhile, deepen our understanding of major matters concerning sustainable development and create value for every stakeholder.

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

Identification and Analysis of Material Topics

This is the fifth 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 2020, we conducted internal stakeholder interviews, 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. The material topics of the Company have been deliberated by the Board of Directors.





An Honest, Compliant Shipping Industry Chain

Observance of laws, regulations and business ethics is the red line that must not be crossed and the foundation of our sustainability governance.

Believing that a sound governance system is the prerequisite of development, we see to it that all our business and operation activities are compliant. We uphold business ethics, cultivate a responsible business environment, and forge agility in guarding against, controlling and recovering from risks, to lay a solid foundation for sustainable corporate development.



Key performance

The Company was again rated **A** by Shanghai Stock Exchange for its information disclosure, winning the honor for 6 consecutive years.

In 2020

The Company issued **99** interim announcements in the A-share market and **277** announcements (including overseas regulatory announcements) in the H-share market.

In 2020

The Company held **7** general meetings of shareholders, **21** meetings of the Board of Directors and **7** meetings of the Board of Supervisors.

Under the Board of Directors: the Executive Committee convened **2** meetings, the Investment Strategy Committee, **1**, Risk Control Committee, **2**, Audit Committee, **9**, Nomination Committee, **4**, and Remuneration Committee, **4**.

Corporate Governance

At COSCO SHIPPING Development, we have developed a standard governance structure that outlines clearly defined power and responsibilities for the Shareholders' General Meeting, Board of Directors, the Board of Supervisors and the management. In 2020, the *Proposal on Amending the Rules of Authorization of the Board of Directors* and the *Proposal on Amending the Working Rules of the Strategic Investment Committee of COSCO SHIPPING Development* were adopted, specifying the regulatory functions of the Board of Directors and enhancing our lean management.

In strict accordance to the *Securities Law of the People's Republic of China* effective on March 1, 2020, we revised the *Administrative Measures for Information Disclosure* and *Administrative Measures for Related Party Transactions*, upgraded our information disclosure system, and made our operations more compliant and transparent, providing full information for the decision-making of investors and shareholders.

01 Institutional improvement

Formulating the *Administrative Measures for Information Disclosure*, *Administrative Measures for Related Party Transactions*, *Administrative Measures for Suspension and Exemption of Information Disclosure*, *Working Mechanism for Public Opinion Monitoring and Response to Major Public-Relations Events* and *Administrative Measures for Response to and Report of Major Emergencies*, to regulate the management of investor relations

02 Platform building

Establishing a smooth communication platform for investors and accessible information channels to build long-term, stable and harmonious relationship with investors; maintaining partnership with vital investors through visits, industry-wide forums and exchanges and annual press conferences

03 Transparent communication

Disclosing accurate, complete, truthful information in a timely and fair way in accordance with the rules of stock exchanges and; strengthening the protection of and communication with small and medium investors by timely responding to their questions via SSE E-interactive platform or by email and phone, and informing them of corporate operations and effectively protecting their rights.

Better communication with investors

Compliance and Anti-corruption

We uphold business ethics, hold zero tolerance against corruption, bribery and other misconducts, and take an integrated and systematic approach to tackle corruption and compliance issues.

Anti-corruption Management

The deputy general manager coordinates the overall anti-corruption and compliance work. The Coordination Group to Improve Party Conduct and Combat Corruption and the Department of Supervision and Audit conduct corruption management, education, supervision and audit at the Headquarters and subsidiaries.

We strictly abide by the *Interim Provisions on Banning Commercial Bribery* and *Rules on Integrity of Executives of State-owned Enterprises*. Our *Employee Handbook* specifies compliance risks and anti-corruption requirements for each post. The management at all levels is required to sign the *Letter of Anti-corruption Commitment* and all staff to sign the *Compliance Commitment Letter* to consolidate anti-corruption responsibilities across the board.

The Audit Mechanism

We use tracking audit or post audit to effectively prevent and reduce corruption risks and ensure compliance in all our work. In 2020, we improved the inter-departmental supervision mechanism, promoted corruption supervision, and broke down the specific tasks. Three audits were carried out at the Headquarters and subsidiaries on the implementation of Rules of Procedure Execution, major procurement projects and financial investment projects in recent two years in all business segments. In accordance with COSCO SHIPPING's *Regulations on Discipline Inspection, Supervision, Complaint and Reporting Work*, we provide the whistleblowing hotline and email on our official website, inquiry document and supplier anti-corruption agreement, and specify the handling procedures, deadline and settlement requirements and protect the privacy of whistleblowers.

An Honest Business Culture

We set the same integrity requirements for all our employees and suppliers, so as to create a clean and honest corporate culture and business environment. We set up a column on integrity and compliance in the OA system to deepen employees' understanding of business ethics and give further emphasis to honesty and integrity in our corporate culture. We demand suppliers to observe the law and business ethics to ensure mutual trust and benefits.

To strengthen the cultivation of discipline inspection talents, we have organized themed education inside, and organized employees to receive training provided by the Chinese Academy of Discipline Inspection and Supervision and COSCO SHIPPING's discipline inspection and supervision team.

As to internal anti-corruption training:


on May 29, 2020

we organized online training for all discipline inspection staff to set clear supervision standards.

on September 28, 2020

we held an anti-corruption seminar to announce integrity and discipline requirements during holidays to senior managers and or higher-level; and organized employees to participate in international sanctions compliance training.

Integrity training has covered all management and frontline employees.



We continue to strengthen employees' awareness of compliance through the publication of typical cases and education. In 2020, the OA system shared 14 typical cases of violations of law and disciplines made public by the Discipline Inspection Commission of the CPC Central Committee and the COSCO SHIPPING, and organized all Party members to read the book *Lessons Drawn from Cases of Violations of Law and Party Disciplines Punished Since the 19th CPC National Congress* and watch the documentary *State Supervision* to raise employees' vigilance.



 **Key performance**

In 2020, no corruption or compliance litigation was filed against the Company.

Risk Management

In June 2020, China Banking and Insurance Regulatory Commission (CBIRC) issued the *Interim Measures for Supervision and Administration of Financial Leasing Companies* which specifies business rules, regulatory indicators and regulatory rules of financial leasing companies. In keeping with relevant regulations by the Ministry of Commerce and CBIRC, we optimized risk control policies such as *Risk Management Measures and Administrative Measures for the Risk Preference System*, carried forward internal control evaluation and internal audit and improved the digital risk management system to identify, monitor and manage business and operational risks in a science-based and systematic way.

Policy	Contents amended
<i>Administrative Measures for Response to and Report of Major Emergencies</i>	The scope, basic response principles, organizational structure and responsibilities, and early-warning mechanism and reporting of major emergencies, as well as emergency response, support and accountability management
<i>Measures of International Sanctions Compliance of COSCO SHIPPING Development</i>	Scope of application; relevant definitions; principles; institutions and responsibilities; sanctions compliance measures; supervision, management and accountability; requirements of subsidiaries
<i>Implementation Guidelines on the Operation of International Sanctions Compliance of COSCO SHIPPING Development</i>	Division of responsibilities; sanctions risk management process; information records and data preservation; sanction list screening tools; sanctions compliance internal control management; training requirements; special audit and inspection; reporting and investigation; etc.

Amendments made to risk control policies in 2020



Identifying special risks

In 2020, we launched three systematic risk screenings targeted at the COVID-19 outbreak and its consequential matters and compiled relevant analysis reports; Shanghai Universal screened risks caused by the pandemic and compliance risks derived thereof and signed the *Qingdao Declaration on Comprehensive Risk Prevention and Control*; strengthened cybersecurity and worked with COSCO SHIPPING to launch the 2020 Cyber Attack and Defense Drill.



Promoting risk management

We organized activities to build the culture of risk management and integrated it into our corporate culture to improve the awareness of managing risks across the board



Strengthening risk limit management

We carried out monthly monitoring and management of the risk control performance of subsidiaries, comprehensively monitoring the risks of each business segment and providing timely warning and guidance



Improving risk control rules

As a comprehensive financial service platform, we formulated and improved the *Risk Review Operation Rules*, *Customer Credit Management Measures*, and Financial Investment Project Risk Evaluation Operation Rules and other policies to further improve lean risk management capabilities



Building a risk control system

We set up the Risk Control Committee to identify, monitor and control risks of the Company

Measures to identify and control risks

Key performance

In 2020, the Risk Control Committee held a total of **6** meetings to review **17** reports, including "2020 Risk Limit of the Financial Holding Platform" and "2019 Compliance Assessment Results of Subsidiaries of the Financial Holding Platform".

A Responsible Supply Chain

The Company has been looking for and chosen honest and upright suppliers whose business behavior is highly aligned with social and environmental norms. We have established the Procurement and Supplier Management Committee to coordinate procurement and supplier management, and formulated the *Supplier Management Measures to comprehensively* and systematically review suppliers' policies and plans concerning health and safety, environment, child labor, forced labor, remuneration and working hours, anti-discrimination, employee rights and supply chain. We also have strict mechanisms to regulate supplier admission, regular audits and dynamic assessments.

Moreover, we evaluate suppliers' safety and environmental performance and ban procurement from suppliers with safety or environmental incidents. To raise their awareness, we ask suppliers to sign the *Anti-Bribery and Corruption Statement* and introduce our anti-corruption policies at the supplier meetings. We encourage suppliers to fill in the *Supplier Self-Examination Questionnaire on Social Norm Compliance* designed by us: those with a high rating will be rewarded. We also provide suppliers with instruments to evaluate their social responsibility management and practice and help them with continuous improvement.

We apply the same standards to subcontractors (tier-two suppliers) to strengthen and deepen management of the supply chain. In 2020, we included subcontractors into our supply-chain management, improved the subcontractors database and mechanisms of access review, regular evaluation and elimination. In addition, we invited safety management experts to study management of subcontractors. Through summary and analysis of typical safety incidents, we identified subcontractors' weak links of safety management, and provided targeted safety management and education.

We work hard to reduce our environmental impact from the source, and promote green procurement of raw materials. Timber is one of the main raw materials for container manufacturing, whose green procurement has become an important basis for sustainable products. Shanghai Universal encourages timber suppliers to obtain the FSC (Forest Stewardship Council) certification and screens suppliers in accordance to its *Administrative Measures for the Evaluation of Suppliers for Centralized Procurement* to give preference to sustainable resources.

Key performance

By the end of 2020

COSCO SHIPPING Development had **466** suppliers

including **449** in Chinese mainland

17 overseas mainland

80% of our timber suppliers for container manufacturing are FSC certified

Intelligent Transformation Towards Integrated Logistics Industry Financial Services

Providing customers with high quality products and services, with shipping finance as our principal business, is the cornerstone of our survival and development.

As the main carrier of world trade, the shipping industry plays an important role in supporting global trade and China's real economy. Based on shipping finance industry, COSCO SHIPPING Development continues to give full play to the strategic advantages of industry-finance integration and synergy with the industrial chain, so as to provide customers with globally competitive products and excellent industry financial services.



An Integrated Logistics Industry Financial Services Platform

COSCO SHIPPING Development focuses on the main line of integrated logistics industry, with container manufacturing and leasing and shipping leasing business chain as the core, mainly expands the financial services of shipping logistics supply chain, and strengthens the integrated business development of industry, finance and investment. With market-oriented mechanism, differentiated advantages and international vision, we aim to become an outstanding industry finance operator with the characteristics of COSCO SHIPPING Development.

Container manufacturing business

- Enhancing R&D and innovation capabilities, upgrading container manufacturing technology and management, and developing higher-quality and more diversified container products to strengthen the core competitiveness of container manufacturing industry.

Investment and services business

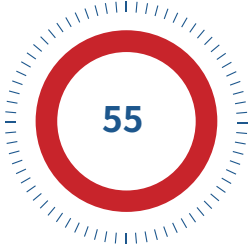
- Focusing on a variety of financial and strategic financial investment businesses, especially in shipping and logistics industries and providing industry chain financial services to upstream and downstream to drive coordinated development of shipping finance.

Shipping and related industry leasing business

- The shipping leasing business manages large container ships, oil tankers and bulk carriers through operational leasing and financing leasing, develops differentiated competition, develops diversified structure financial leasing business, and ensures the demand for shipping capacity.
- The container leasing business mainly involves various types of container leasing, management and used container sales and other businesses, to optimize the allocation of resources and provide customers with more innovative and diversified services of better quality.
- Other leasing businesses focus on the vitality and potential of the future development of China's economy. With "national economy and people's livelihood" as the main line, it develops diversified business segments, covering the fields of medical and health services, public services, clean energy, industrial information, infrastructure construction and other industries.

Building an integrated logistics industry financial services platform

Total container building capacity
(10,000 TEU)



Total scale of container fleet
(10,000 TEU)



Container shipping capacity
(10,000 TEU)



Bulk carrier shipping capacity
(10,000 DWT)



Special ship shipping capacity
(10,000 DWT)



High-quality Products and Services

To always focus on the sustainability of products and services is the best direction to achieve our sustainability commitments. We put customers first, continuously improve the quality control system, and strengthen the development of intelligent products and technological innovation to provide customers with diversified, sustainable products and high-quality shipping finance services.

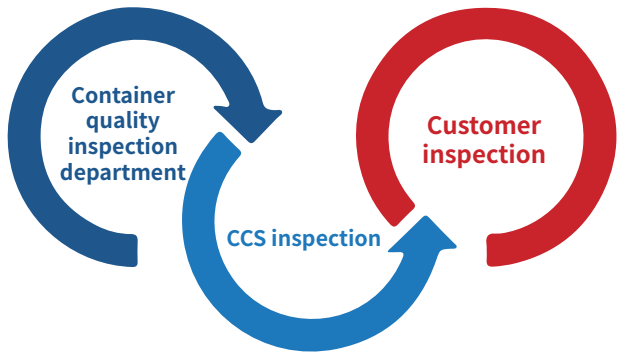
Quality Control

COSCO SHIPPING Development emphasizes quality control in the entire production process 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 customer demands.

In 2020, Shanghai Universal formulated the *Excellent Quality Control Manual*, unifying the quality control system at the headquarters and subsidiaries; launched the "Excellent Quality Month" campaign, and introduced various measures to establish quality inspection-free stations, tackle production quality problems and improve product quality; it also organized skills competition, quality inspector rotation, quality training activities to improve staff's skills and services.



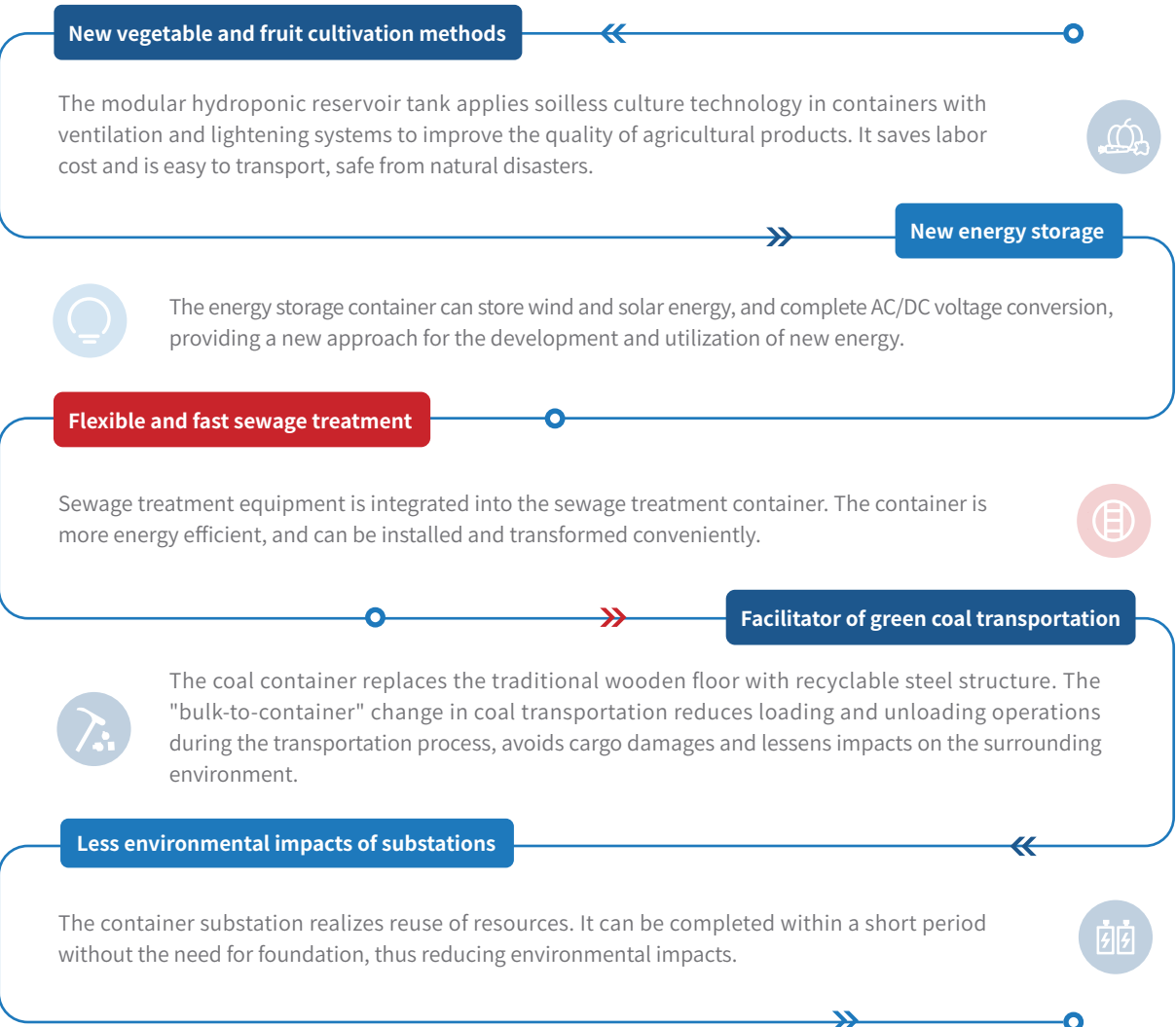
In shipping leasing, container leasing and other shipping and related industry leasing businesses, the lease contract clearly stipulates the responsibilities and obligations of the Company and the lessee, and will terminate when the lessee violates the environmental and safety requirements or causes serious safety and environmental incidents. In 2020, there was zero product recall due to quality and safety problems.



Container quality control system

Development of Innovative Products

The Company continues to improve R&D and innovation ability, and develop special-purpose containers to address the diversified needs of customers. We also carry out research and development of smart containers to help the digitalization and informatization of the container industry chain.



Exploring diversified sustainable products



The intelligent medical container satisfies diversified medical demands

The outbreak of COVID-19 has strained public health resources, and boosted the demand for mobile and flexible medical space worldwide.

To meet the demand of stakeholders, DFIC Qidong developed smart mobile medical containers with modular and intensive attributes. It integrated intelligent medical equipment and 5G technology into the mobile smart medical container, and developed negative-pressure containers for patient quarantine. The product gives full play to the advantages of the mobility of containers, and well meets the needs of detection, quarantine and treatment of aerosol borne infectious diseases.

The certified smart medical container was displayed at the 2020 Smart China Expo Online upon invitation. It not only adds to our container product line for medical purpose, but also propels the development of container products toward a more diversified and intelligent direction.



The smart medical container at the 2020 Smart China Expo



Digital cargo containers drive smarter logistics

With the deep restructuring of the global economy and the emergence of technologies such as 5G, Artificial Intelligence (AI) and Internet of Things (IoT), enterprises are crying for more efficient logistics and transportation services.

In 2020, DFIC Qidong worked closely with G7 IoT platform to develop a digital cargo container which integrates with the trailer and weighs loaded goods in real time with the help of AI technology. It also allows visualized and automated operation throughout the transportation process, including automatic calculation of cost and profit, automatic selection of optimal route, etc., so as to reduce labor cost and improve dynamic vehicle management and cargo allocation.

The delivery of G7 digital cargo container is a milestone in the R&D of our smart container products, and also a breakthrough in the digital development of container industry.



G7 digital cargo container

Quality Customer Services

Remaining oriented towards customer demands, COSCO SHIPPING Development continuously expands the functions and application scenarios of container products to meet diversified demands and improve customer services. We have put into place a customer complaint handling process and system, assigning different departments to handle different kinds of complaints. We propose fair solutions to address customer demands and do all we can to recover losses to improve customer satisfaction.



Modular containers “Made by COSCO SHIPPING” serve Antarctic researches

The Modular Container for Antarctic Research is a national key research and development program. The harsh environment in Antarctica poses extremely high requirements for the container's cold resistance, corrosion resistance, structural stability and snow sealing performance. DFIC Qidong set up a special R&D group in no time to work with the scientific expedition team. In December 2019, the first batch of modular containers arrived in the Antarctic Research Station, providing comfortable living and working environment for researchers.

In September 2020, DFIC Qidong joined hands again with the expedition team to expand the Research Station. DFIC Qidong independently designed and manufactured the cold storage container with sufficient space for storing living and research materials. This partnership fully showcased the expedition team's recognition of "Made by COSCO SHIPPING" and our products and services.



Mobile special containers and cold storage containers made by COSCO SHIPPING Development in Antarctica

Customer Rights Protection

We attach great importance to customer privacy protection and has formulated the Administrative Measures for Information Disclosure and the Administrative Measures for the Protection of Trade Secrets. We also sign confidentiality agreements and add confidentiality clauses in lease contracts to protect customers' privacy, information security and trade secrets.

In addition, we respect and protect intellectual property rights of all enterprises and individuals. We have developed a complete set of policies and mechanisms for maintaining and managing intellectual property rights on an equal basis throughout partnership. Besides, we established a patent library, and ensured that relevant trademarks used in container manufacturing, sales and leasing businesses are registered.

Coordinated Development Across the Industry Chain

COSCO SHIPPING Development actively promotes industry-finance integration, empowers industrial development with finance, and makes the two reinforce each other. We make full use of financial service resources to serve upstream and downstream businesses and facilitate the development of shipping and related logistics industries.

COSCO funds - Shipping industry funds

Investing in new energy fields such as lithium ion power battery to foster the development of COSCO SHIPPING’ s green ship-ping and logistics business.

COSCO funds - Logistics industry funds

Seeking cooperation within COSCO SHIPPING to develop solutions for storage management, international freight forwarding and grain logistics channel to drive the development of supply chain finance and coordination among logistics businesses within COSCO SHIPPING.

COSCO funds - Minghua fund

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

Setting up industrial funds to promote industrial coordination



COSCO SHIPPING GLORY opens a new chapter for industry-finance integration

China is the world's largest consumer and a big importer of paper pulp. The pulp carrier is an important tool for pulp transportation. COSCO SHIPPING Development has tapped into the advantages of shipping finance, and cooperated with partners to manufacture multipurpose pulp vessels, breaking the European monopoly and greatly boosting China's pulp transport capacity.

In November 2020, our first 62,000 DWT multipurpose vessel - COSCO SHIPPING GLORY was delivered, opening a new chapter for integrated development of ship leasing, ship building and shipping.



Delivery and Naming Ceremony of COSCO SHIPPING GLORY

Low-Carbon Development for Ecological Conservation

The foundation for long-term development lies in a good ecology.

It is an international consensus that we should more aggressively tackle global climate change. COSCO SHIPPING Development adheres to the path of green production and low-carbon operation, actively combats climate change, and systematically manages our carbon footprint. The Company leads partners both upstream and downstream to jointly pursue harmonious coexistence with nature.



Environmental Management

We are committed to doing our utmost to minimize impacts on the environment. We stick to the environmental management principle of prioritizing protection, emphasizing preventive measures, taking an integrated approach, engaging the public, 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.

We thoroughly analyze the environmental impact of three business sectors, and believe that the main environmental impact of the Company comes from the container manufacturing business, while the shipping and related industry leasing and investment service business have little impact on the environment. Therefore, the container manufacturing sector is the major focus of our environmental management efforts. At present, our container manufacturing factories have all been certified by GB/T 24001-2016/ISO 14001:2015 environmental management system. China Classification Society Certification Company will review the operation of the system every year, and conduct a certificate-renewal review including a comprehensive environmental impact assessment every three years.

Environmental Management Structure

The Company has established the environmental responsibility system featuring "unified leadership, implementation of responsibilities, hierarchical management, and full participation". The Workplace Safety and Environmental Protection Working Committee headed by the general manager is responsible for coordinating and setting environmental protection targets and work plans, as well as supervising environmental protection performance. Shanghai Universal, as a directly affiliated container manufacturing arm, accepts the supervision of the headquarters and bears responsibility for supervising the environmental protection of its container factories. The chief executives of Shanghai Universal and its container factories act as the first responsible person for environmental management, to promote the implementation of environmental protection supervision of container factories.



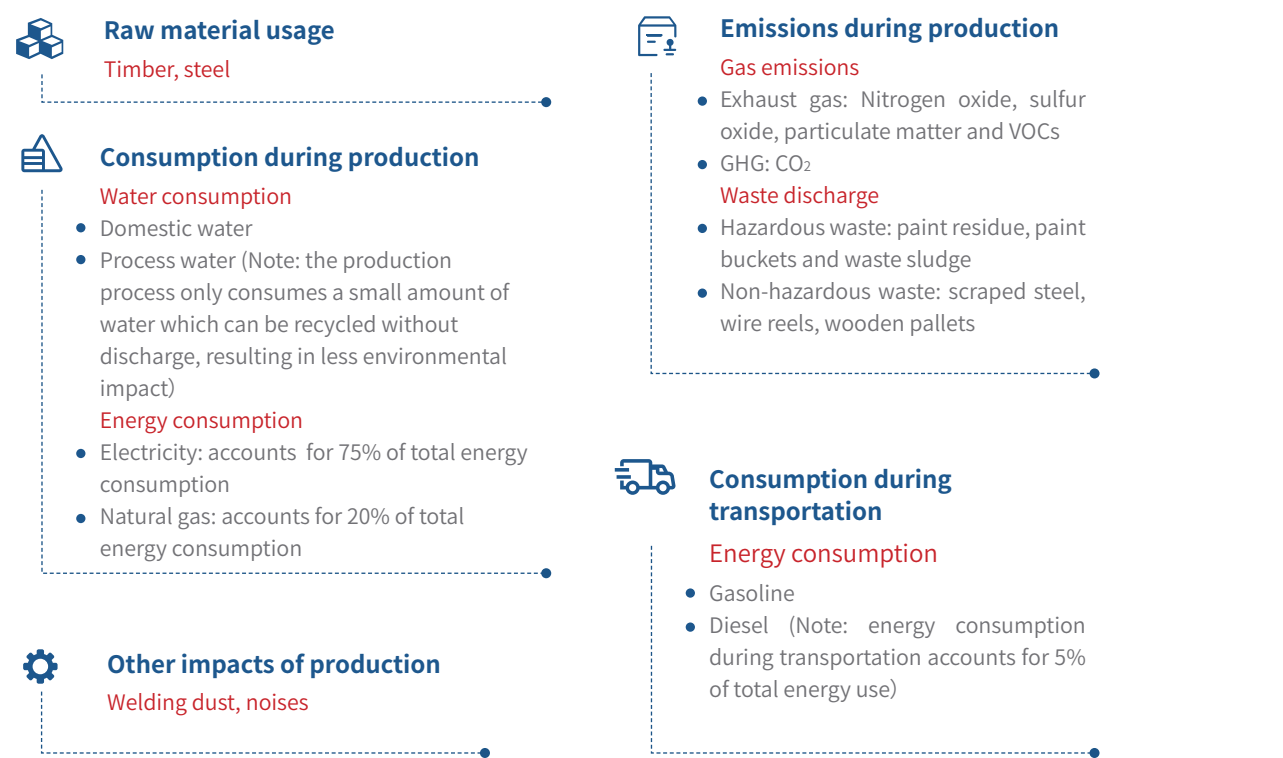
Workplace Safety and Environmental Protection Working Committee

In addition, the Company delegates the responsibilities of environment performance management at all levels to promote closed-loop management. The Company signs the Responsibility Letter for Workplace Safety and Environmental Protection with COSCO SHIPPING every year, and accepts COSCO SHIPPING's supervision on environmental protection, pollution control and energy conservation. The Company has formulated the Administrative Measures for the Evaluation of Workplace Safety and Environmental Protection Performance which clarifies indicators of incident and management and combines qualitative with quantitative methods to strengthen the assessment of subsidiaries' environmental protection performance. We constantly track regular supervision feedback from local government authorities, COSCO SHIPPING and internal departments and conduct dynamic assessment of each factory's environment management implementation to beef up in-process assessment.

The performance assessment of the executives at all departments and subsidiaries is tied to the Company's environmental and safety performance: a declining performance will hurt their performance-based pay.

Environmental Impact Identification and Management

A comprehensive and detailed identification helps us understand the environmental impact of each manufacturing and production process. On top of that we can formulate targeted countermeasures for more reliable and effective environmental management. In 2020, Shanghai Universal and its container factories continued to strengthen the special inspection on environmental protection. DFIC Lianyungang, DFIC Guangzhou, and DFIC Jinzhou identified sources of pollutants and environmental risks throughout the entire container manufacturing process every week, month and quarter or via special self-check actions.



Note Container manufacturing does not involve the use of packaging materials

Environmental impact identification in the container manufacturing process

COSCO SHIPPING Development manufactures containers in strict accordance to the *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 the Prevention and Control of Atmospheric Pollution* and *Law of the People's Republic of China on Conserving Energy*. In line with the latest national environmental management policies and requirements for ecological conservation, we formulate corporate policies on environmental protection based on the Company reality and review the work in this regard every year. In 2020 we issued the *Guide to Regulating Environmental Protection of COSCO SHIPPING Development* as a reference for factories in their environmental protection work.

Main environmental impact	Governing policies and documents
The use of timber, steel and other raw materials	<i>Shanghai Universal's Measures for Procurement Management</i> <i>Shanghai Universal's Regulations on Centralized Procurement Management</i>
Domestic sewage discharge	<i>Pipe Network Layout</i> <i>Regulation on Effluent Discharge Management</i> <i>Sewage Treatment Station Operation Log</i>
Water consumption	<i>Regulation on Energy Conservation and Emissions Reduction Management</i>
Energy consumption	<i>Regulation on Energy Conservation and Emissions Reduction Management</i>
Exhaust gas (including VOCs) and greenhouse gas emissions	<i>Regulation on Exhaust Emission Management</i> <i>Exhaust Emission Environmental Monitoring Report</i>
Hazardous waste discharge	<i>Management Regulation on Solid Waste Pollution Prevention and Control</i> <i>Hazardous Waste Disposal Agreement</i> <i>Hazardous Waste Disposal Record</i> <i>Hazardous Waste Disposal Transfer Form</i>
Non-hazardous waste discharge	<i>Management Regulation on Solid Waste Pollution Prevention and Control</i> <i>Kitchen Waste Disposal Agreement</i> <i>Solid Waste Disposal Record</i>
Welding dust	<i>Management Regulation on Solid Waste Pollution Prevention and Control</i> <i>Exhaust Emission Regulation</i>
Noises	<i>Noises Management Regulation</i>

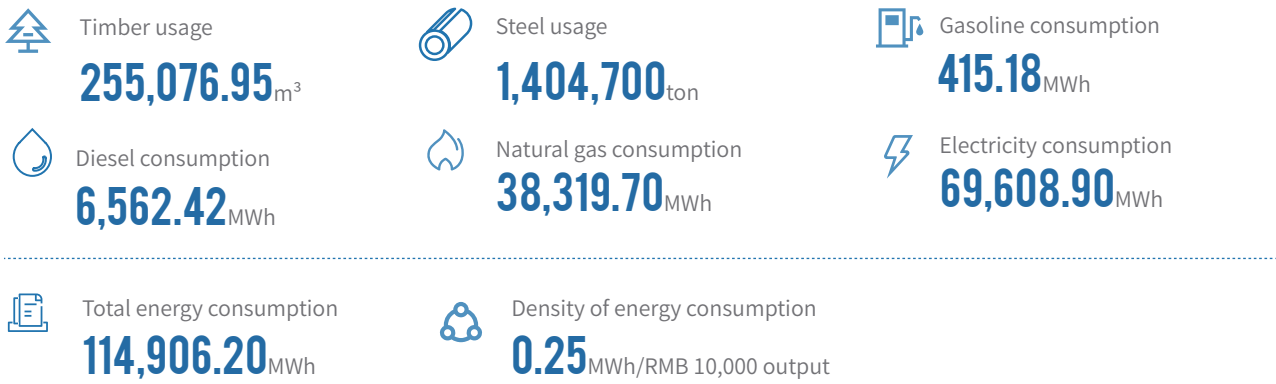
Shanghai Universal's main environmental impact management policies

In addition, we set annual management indicators for vital environmental factors to promote environmental management performance year by year. All our environmental management targets of 2020 were accomplished.

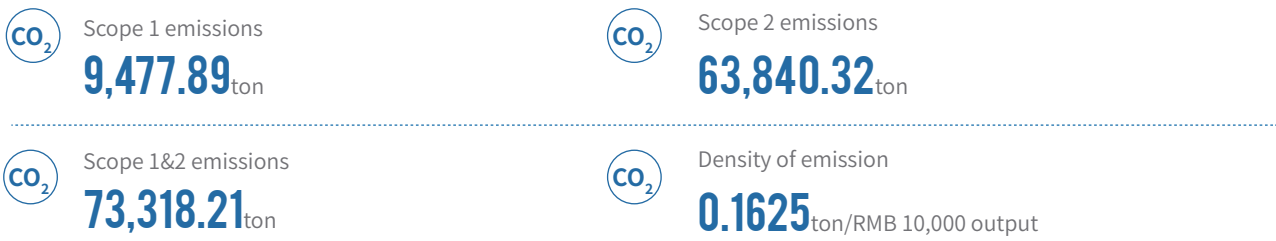
In 2020

The target of comprehensive energy consumption management was less than **0.045** ton of coal equivalent/RMB 10,000 output; **100%** of hazardous waste was recycled and disposed of by a qualified third party according to law;The disposal rate of non-hazardous waste was over **85%**;The emissions of exhaust gas, VOCs and greenhouse gas met national requirements.

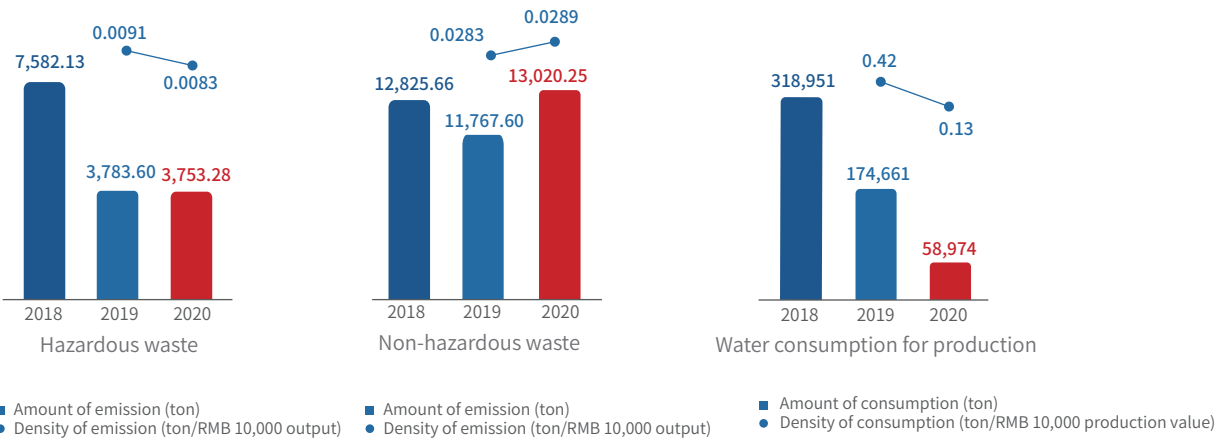
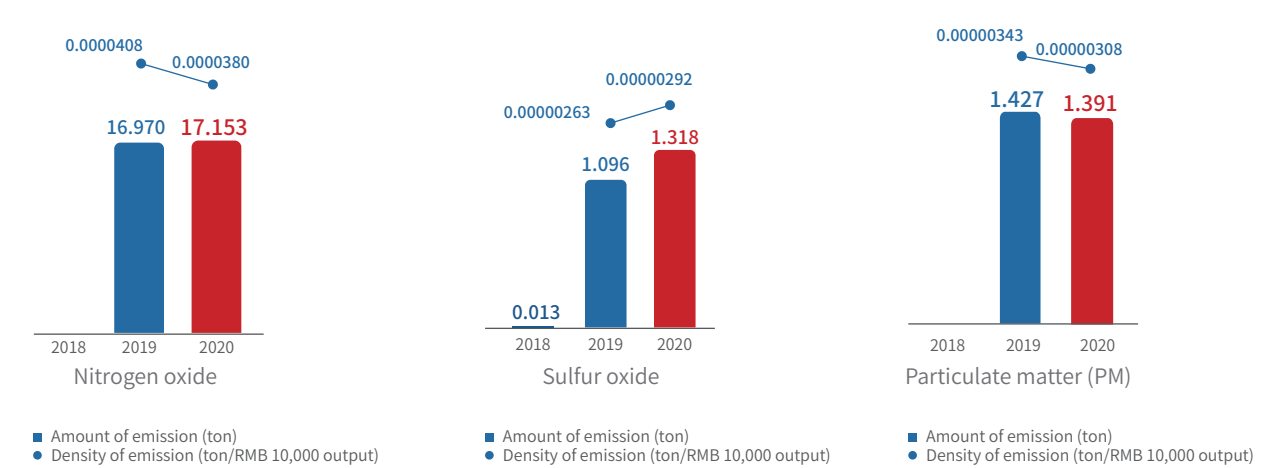
2020 Shanghai Universal's consumption of raw materials and energy



2020 Shanghai Universal's greenhouse gas emissions



2020 Shanghai Universal's other environmental data



Note The raw materials usage data in 2020 cover DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou.

The amount and density of greenhouse gas emission data in 2020 refer to the emission of carbon dioxide at DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou.

The amount and density of energy consumption data in 2020 refer to the data of DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou.

The amount and density of nitrogen oxide, sulfur oxide, PM, and hazardous/non-hazardous waste emission, and water consumption for production data in 2019 and 2020 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 2018 was not measured.

Sources of emission coefficients:

Calculation of greenhouse gas emissions: 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 for 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).

Calculation of emissions of nitrogen oxides, sulfur oxides and PM: 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

While taking precautions to minimize the possibility of environmental incidents, we keep improving our environmental contingency response plan for possible environmental emergencies. We always prioritize the safety and health of employees, and identify key points for control in view of actual operation conditions. In the container manufacturing sector, we have identified dangerous and hazardous factors that might cause fire, explosion, dust pollution, and noise pollution during the production and operation process.

The Company has set up a task force and an office dedicated to emergency response and formulated the Contingency Plan for Workplace Safety and Environmental Incidents to provide organizational and institutional guarantee for fast and coordinated response. The Company has clarified the tiered warning and response mechanism based on the degree of urgency, severity and scope of impact. The Company also raises employee awareness of emergency response, regularly trains the emergency response team and holds one or two joint exercises every year to prepare staff at all levels for environmental emergency response.



Response to Climate Change

It has become a general consensus that climate change will threaten human society and bring brand new challenges and opportunities to businesses. COSCO SHIPPING Development supports the call of the Task Force on Climate-related Financial Disclosures (TCFD) for transparent and consistent climate-related financial disclosures. We identify the risks and opportunities brought by climate change to our business, and make science-based judgments and decisions to cope with climate change.

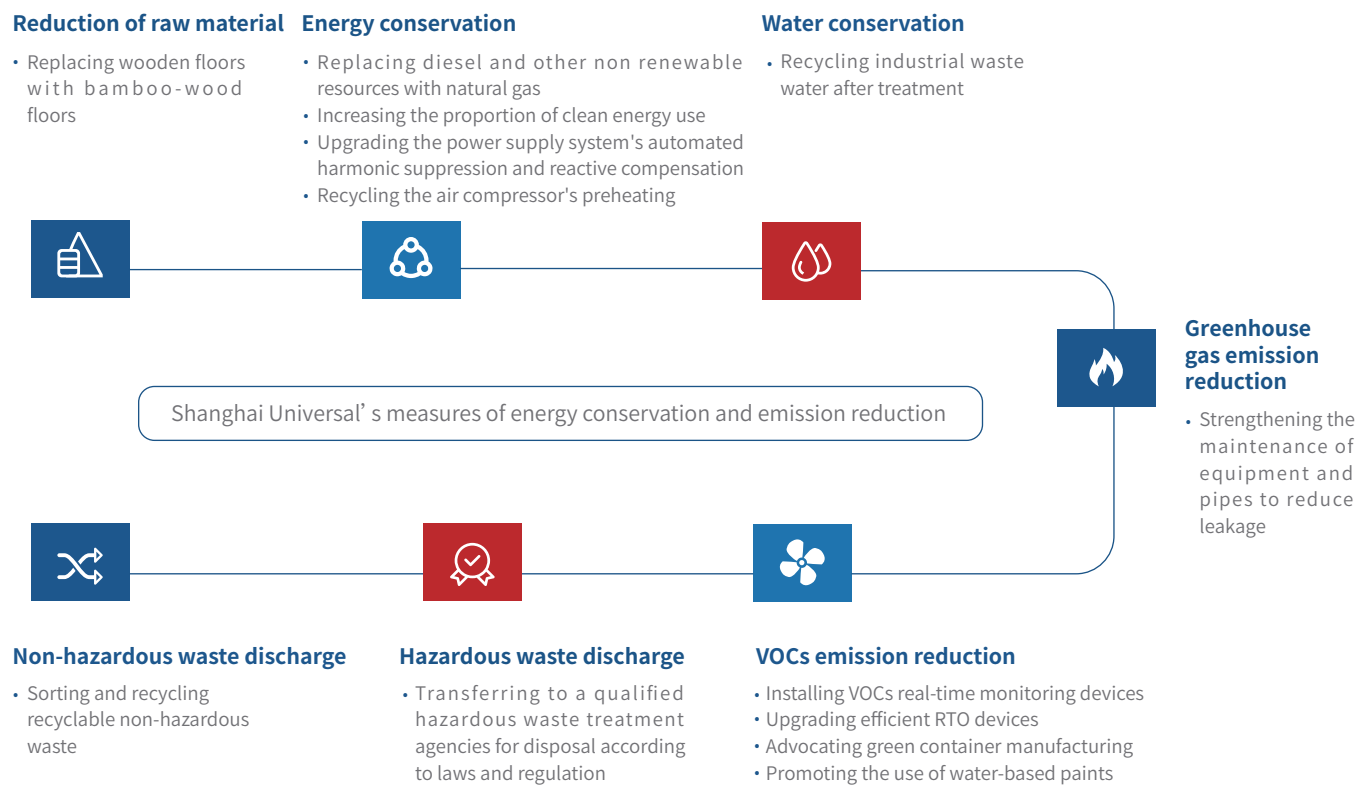
Type	Climate-related risks	Potential financial impacts
Transition risks	Policy and legal risks Shipping leasing <ul style="list-style-type: none">If the lessee fails to meet the regulatory requirements of the International Maritime Organization (IMO) for environmental management and carbon emission disclosure, their contract performance ability may be hurt. Other industry leasing businesses <ul style="list-style-type: none">If customers of construction, heavy equipment manufacturing industries fails to meet the regulatory requirements for pollution control and carbon emission, they will face the risk of fines or litigation, damaging their contract performance ability. Container manufacturing <ul style="list-style-type: none">The <i>China Container Industry Association VOCs Self-discipline Convention</i> signed in March 2016 and the upcoming National Emission Standard of Air Pollutants for Container Manufacturing Industry raise higher emission reduction requirements for container manufacturers.Steel manufacturing is a big polluter. If regulation is tightened over pollution and carbon emission reduction, the steel supply capacity may shrink, thus reducing raw materials supply for container manufacturing.	<ul style="list-style-type: none">More credit risksA rise in environmental compliance costA drop in short-term profitability
	Technology risk Container manufacturing <ul style="list-style-type: none">The VOCs Self-discipline Convention and Emission Standard of Air Pollutants require container manufacturers to upgrade technology, and use water-based paints and green painting technology.	<ul style="list-style-type: none">A rise in production cost
	Market risk Shipping leasing <ul style="list-style-type: none">Climate change will cause uncertainty to shipping routes and safety, and may alter consumer behavior. If less customers choose shipping as a mode of transportation, the ship and container leasing business will shrink.Under the Poseidon Principle, renters may prefer environmentally friendly and energy efficient ships to meet the carbon emissions reduction target of the shipping industry. Other industry leasing businesses <ul style="list-style-type: none">The increase in energy and raw material costs may drive down customers' demand for energy intensive products such as heavy duty equipment and construction materials. Container manufacturing <ul style="list-style-type: none">The rise in the costs of raw materials and production due to technology upgrading may diminish customers' demand for containers.Customers may prefer energy efficient containers made of environmentally friendly materials. Without low-energy containers, we may lose customers and businesses.	<ul style="list-style-type: none">A drop in operating revenue

Type	Climate-related risks	Potential financial impacts
Transition risks	Reputation risk Shipping leasing <ul style="list-style-type: none">Stakeholders raise higher requirements for information disclosure and management in response to climate change. Failure to respond will affect the Company's reputation. Other industry leasing businesses <ul style="list-style-type: none">Stakeholders raise higher requirements for information disclosure and management in response to climate change. Failure to respond will affect the Company's reputation. Container manufacturing <ul style="list-style-type: none">Failure to timely respond to and deal with environmental pollution caused by manufacturing will affect the Company's reputation.Failure to guarantee the safety of employees under extreme weather conditions caused by climate change will affect the Company's reputation.	<ul style="list-style-type: none">A drop in operating revenueA rise in labor management cost
	Acute risk Shipping leasing <ul style="list-style-type: none">Extreme weather events may damage the ships, driving up the repair and maintenance cost.Extreme weather events may cause the loss of ship and container assets, interrupt the lessee's business operation, and thus crippling its ability to honor the contract. Other industry leasing businesses <ul style="list-style-type: none">Extreme weather events may cause asset losses in machinery industry, construction industry, etc., interrupt the lessee's business operation, and thus crippling its ability to honor the contract. Container manufacturing <ul style="list-style-type: none">Extreme weather events may lead to the loss of assets such as containers and factories, and disrupt production.Employees' efficiency under extreme weather (high temperature, rain and snow) decreases.The supply and transportation of steel and timber are vulnerable to extreme weather, threatening supply chain stability and productivity.	<ul style="list-style-type: none">A drop in the value of fixed assetsA drop in production capacityA rise in maintenance costA rise in operating cost
Physical risks	Chronic risk Shipping leasing <ul style="list-style-type: none">Long-term changes in environment such as constant high temperature and sea level rise are likely to affect shipping time, delaying transportation and reducing short-term profitability, which may cripple the lessee' ability to honor the contract. Other industry leasing businesses <ul style="list-style-type: none">Constant high temperature and other long-term environmental changes are likely to disrupt construction and project operation, resulting in project delay, profitability loss, and thus may cripple the lessee' ability to honor the contract. Container manufacturing <ul style="list-style-type: none">Long-term changes in environment such as temperature rise can easily lead to the increase in electricity and energy consumption during manufacturing.Rising precaution costs and premium to prepare containers and other equipment against climate change.	<ul style="list-style-type: none">A rise in operating costA rise in production costMore credit risks

Type	Climate-related opportunities	Potential financial impacts
Resource efficiency	Container manufacturing <ul style="list-style-type: none">Through technological innovation, upgrade, etc., to improve energy efficiency during container manufacturing, management and maintenance, and reduce the power, natural gas, industrial water use and production costs.Adopt more efficient production and distribution processes.	<ul style="list-style-type: none">A drop in operating costRises in production capacity and operating revenue
Energy source	Container manufacturing <ul style="list-style-type: none">Turn to low-emission alternative energy, increase the use of non-centralized clean energy in manufacturing and operation, and reduce the dependence on traditional energy, which can hedge against the risk of rising energy prices or energy consumption in the future.	<ul style="list-style-type: none">Increase the return on investment in low-emission technologyIncrease the value of fixed assetsReduce the risk of energy price rise
Products and services	Other industry leasing businesses <ul style="list-style-type: none">Customer demands for green building and clean energy may increase. By offering finance leasing services in these fields, we can expand the customer base and increase revenue. Container manufacturing <ul style="list-style-type: none">Green container products will retain existing customers and attract more customers.The emphasis on carbon footprint in marketing, publicity and product labels appeals to customers' shift in preference for low carbon products.	<ul style="list-style-type: none">Operating revenue growth due to increased demand for products and servicesImprove competitiveness to reflect changes in consumer preferences and increase revenue
Markets	Shipping leasing <ul style="list-style-type: none">Shipping, with a smaller carbon emissions density, may see growing demand for shipping leasing. Other industry leasing businesses <ul style="list-style-type: none">The demand for finance leasing in green industries such as new energy is increasing. We can offer finance lease for green infrastructure (low-emission power generation, energy efficiency, grid connectivity or transportation network).In recent years, China has vigorously developed the energy conservation and environmental protection industry. With favorable policies, new entrants, and especially smaller market players in these fields will have growing demand for finance.When transitioning to a low-carbon economy, we should cooperate with governments, development banks, small local entrepreneurs and community groups in developed and other developing countries to expand into more markets. Container manufacturing <ul style="list-style-type: none">Eco-friendly and energy-efficient containers will have broad market prospects in the long run. By shifting to these products as early as possible, we can sharpen our market competitiveness.The demand for functional containers for environmental protection purpose is increasing, such as the hydroponic container for growing vegetables and fruits, the sewage treatment container and the integrated energy storage container.	<ul style="list-style-type: none">Access to emerging markets boosts revenueValue of fixed assets increasesLarger market share and more revenue
Resilience	Other leasing businesses <ul style="list-style-type: none">Adjust the portfolio of finance leasing, participate in more green industry leasing projects, and ensure the diversification and flexibility of other leasing businesses. Container manufacturing <ul style="list-style-type: none">Cooperate with environmentally friendly and energy efficient suppliers to reduce carbon emissions and improve our ability to cope with climate change in the long run.	<ul style="list-style-type: none">Increase revenue and asset value with more adaptable products and servicesImprove the reliability and operation flexibility of supply chain

We will continue to integrate the risks and opportunities of climate change into risk management and investment decision-making, and take more aggressive countermeasures across our businesses and operations.

In container manufacturing businesses, we will further improve energy efficiency and use more clean energy by technological and managerial means, make production greener and more sustainable, and strive to reduce the carbon footprint of container manufacturing. Shanghai Universal has formulated the Administrative Rules for Energy Conservation and Emission Reduction and established the leading group for energy conservation and emission reduction headed by its general manager, with support from competent executives as deputy heads and heads of the safety and environmental protection department and key energy conservation and reduction units. The responsibility to save energy and cut emission is effectively implemented at every level in daily operations and production.



In the leasing, investment and services for shipping and related industries, we consider the response of the lessee or the portfolio companies to climate change in making investment decisions, and actively identify existing or potential negative effects of their decisions and activities on the environment, to reduce business risks.

Shift to Water-based Paints

We work hard to promote green production and processing. Oil paints have long been used for coating containers, producing a large amount of volatile organic compounds (VOCs) that are hazardous to the environment and human health. Following the *China Container Industry Association's Self-discipline Convention on VOCs Emission Reduction*, Shanghai Universal urged its container manufacturing factories to replace organic solvents and high-VOC-containing paints with those containing little or zero VOCs, to green the industry. DFIC Lianyungang, DFIC Guangzhou and DFIC Jinzhou have all replaced oil paints with water-based paints.

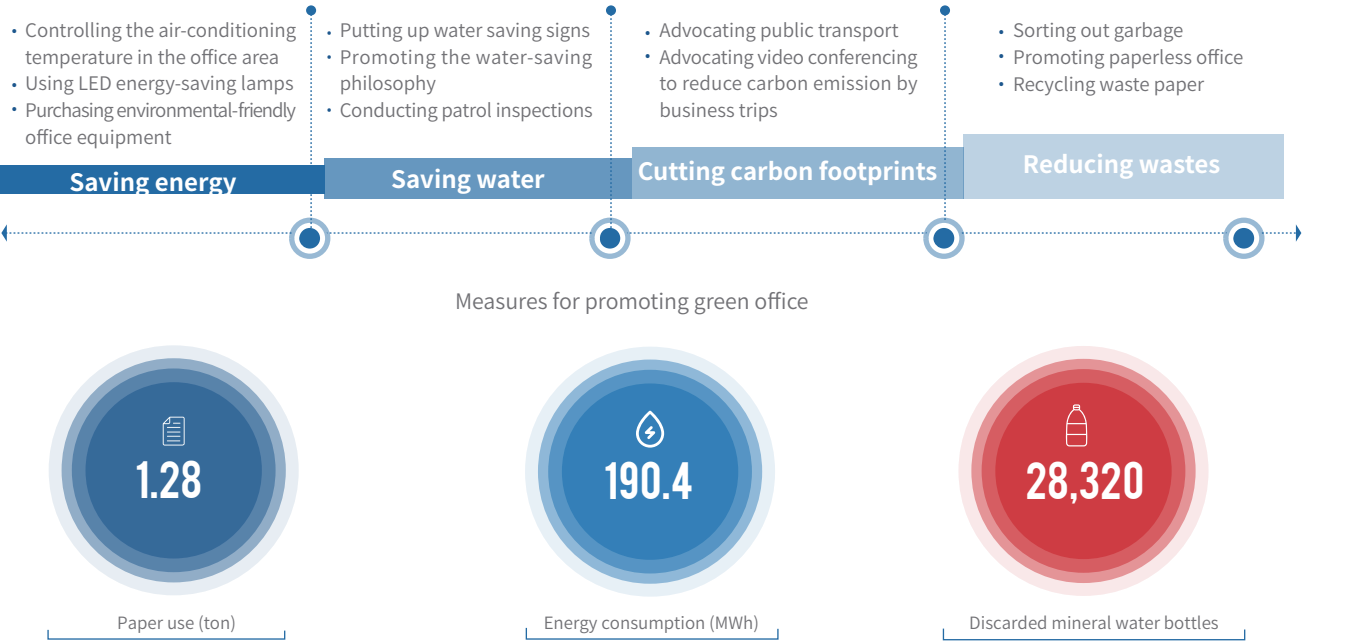
In 2020, Shanghai Universal, together with China International Marine Containers (Group) Ltd. (CIMC), MAERSK and other peer companies, urged the shift from oil paints to water-based paints for cold storage containers. DFIC Qingdao experimented intensively on water-based paints for cold storage containers in the hope of reducing VOCs emissions through technological innovation and contributing to the national fight against air pollution. The use of water-based paints for cold storage containers can cut VOCs emission by about 60% from the source, which is much higher than the national requirement.

Key performance

VOCs emission reduction through water-based paints renovation: 75%

Green Offices

We pay attention to environmental impact of our daily office work. We actively identify and manage environmental risk factors in the office environment of the headquarters, financial leasing, investment and services businesses, and advocate green offices and waste reduction and recycling.



Note The energy consumption in 2020 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)*; the consumption of paper and mineral water bottles comes from the data of COSCO SHIPPING Development headquarters.

A People-Centered, Competitive Shipping FinanceTeam

We are committed to creating more possibilities for each employee and work with them to achieve great dreams.

Employees are the unfailing source for sustainable corporate development. A company cannot build and maintain its core competitiveness without talents, and must act proactively to attract and retain talents. People-centered, COSCO SHIPPING Development recruits extensively to build a professional shipping finance team, spares no effort in enhancing employee growth and wellbeing, and works with our employees for common development and a bright future.



Human Resources Management

Sound institutional support helps stimulate the vitality of employees. COSCO SHIPPING Development upholds the principle of equal employment, respects and protects employees' basic rights. We keep improving the human resources management system and the salary system, and strengthen communication with employees, striving to create a fair and just working so that employees can feel at ease and fully unleash their creativity, and thus promote high-quality corporate development.

Management Systems

We work actively to establish a harmonious and friendly relationship with our employees. The headquarters and subsidiaries strictly abide by the *Labor Law*, *Labor Contract Law*, *Provisions on Prohibition of Child Labor issued by the State Council* and other relevant laws and regulations. We have formulated and revised human resources policies, and constantly strengthen the management of recruitment, training, promotion, remuneration, benefits, working hours and holidays. We advocate equal employment opportunities, prohibit the use of child labor or any form of forced labor, respect the diversity in ethnicity, race, gender, religious beliefs, etc., as well as employees' personal privacy, providing a fair and inclusive working environment. We have clearly identified in the labor contract that the company has the right to terminate the labor contract for employees who have seriously violated the company's rules and regulations or disciplinary offence. Shanghai Universal has been strictly enforcing relevant national laws and regulations as well as company policies to prevent child labor and forced labor from occurring.

Category	Key policies and documents on corporate management
Recruitment	<i>Administrative Measures for Headquarters Employee Recruitment of COSCO SHIPPING Development</i> <i>Administrative Measures for Employee Recruitment of Shanghai Universal</i>
Training	<i>Administrative Measures for Staff Training of COSCO SHIPPING Development</i> <i>Administrative Measures for Career Development of COSCO SHIPPING Development</i> <i>Cadre Administrative Measures of Shanghai Universal</i>
Remuneration and benefits	<i>Administrative Measures of COSCO SHIPPING Development for Remuneration</i> <i>Administrative Measures of COSCO SHIPPING Development for Performance Appraisal</i> <i>Administrative Measures of Shanghai Universal for Remuneration</i> <i>Administrative Measures of Shanghai Universal for Benefits</i>
Basic rights	<i>Administrative Measures of COSCO SHIPPING Development for Employee Attendance and Leaves</i> <i>Administrative Measures of Shanghai Universal for Employee Attendance and Leaves</i> <i>Regulations on the Protection of Female Workers and Minors</i>

COSCO SHIPPING DEVELOPMENT main staff management policies

In 2020, we revised the Administrative Measures for Staff Secondment to further optimize the talent flow mechanisms, accelerate the cultivation of interdisciplinary talents, and improve the comprehensive capabilities of employees. COSCO SHIPPING Investment Holdings has newly formulated the *Implementation Guidelines on the Management of Expatriate Workers (for Trial Implementation)* to regulate the management of job titles, evaluation, remuneration and benefits of expatriate employees to protect their lawful rights.

Remuneration System

We have explored a market-based remuneration and incentive mechanism to bind remuneration with job performance, mobilize employee initiative and creativity, and attract more talents. In 2020, we optimized the remuneration and incentive plan for professional managers, defined the tiered, performance-based pay structure, and tied their variable pay to the progress toward individualized development goals, so as to better incentivize them.

In addition, we have formulated and implemented an equity incentive plan to mobilize the enthusiasm and creativity of senior management and backbone employees, and attract and retain outstanding talents. We reward selected employees with shares to promote their common growth with the Company.

In 2020

124

such employees were selected

108

working in the mainland

16

working in the overseas

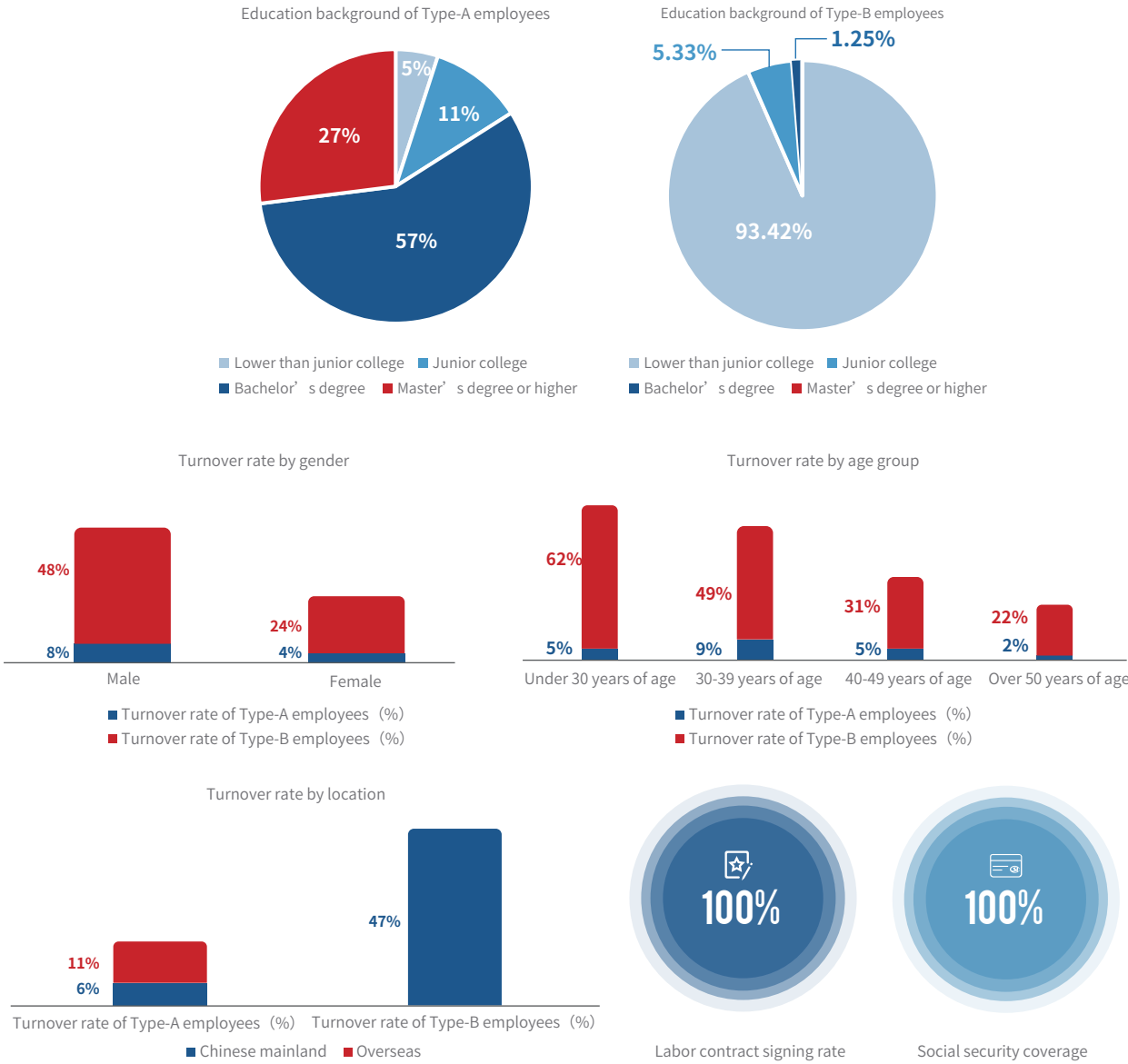
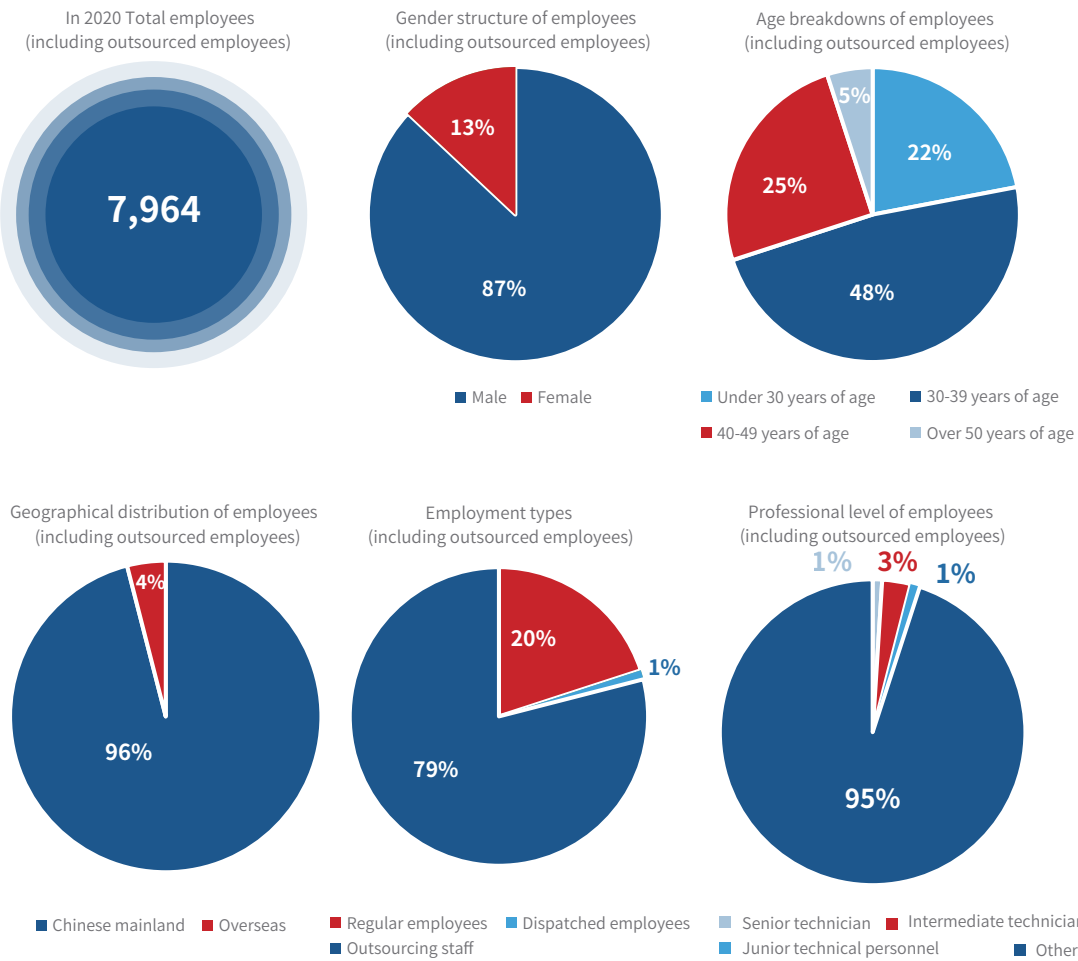
Employee Communication

COSCO SHIPPING Development has steadily promoted democratic management and optimized the workers' congress system. We have diversified channels for employees to participate in democratic management, listen to their opinions, understand and respond to their concerns, improve communication with them and provide them more opportunities to engage in corporate development.



The Value Forum convened to better employee communication

In December 2020, COSCO SHIPPING Development held the first Value Forum themed "Face-to-Face for Development". Executives explained to employees, face-to-face, corporate strategies for the 2021-2025 period, and fielded their widely-concerned questions about the Company's future development and personal development. The forum marked a progress in democratic management of the Company, helped employees understand our development philosophy and exercise their rights to be informed, to participate, to express and to supervise, and contributed to better and more effective employee communication.



Notes The total number of on-the-job employees refers to the data of contract-based employees, dispatched workers and outsourced workers (including crew) of COSCO SHIPPING Development headquarters and subsidiaries at home and abroad. Other indicators do not include crew. Major differences exist in the educational background and turnover rate between different types of employees hired by our different specialized companies. Therefore, we divide employees into type A and type B, based on which we provide the data of their educational backgrounds and turnover rate by gender, age group, and location. Type A refers to contract-based employees of COSCO SHIPPING Development headquarters and domestic and overseas units, and type B are outsourced employees of Shanghai Universal, a subsidiary specialized in container manufacturing. The labor contract signing rate and the social insurance coverage rate are data of the COSCO SHIPPING Development headquarters and domestic and overseas units.

Employee Growth

Talents are the most valuable asset and provide the source of dynamic growth for a company. In COSCO SHIPPING Development, we continuously improve the training, selection and employment mechanism for shipping finance talents, strengthen their capabilities through education and training, and create an unimpeded career development path, to help each employee maximize their potential and pursue high-quality development with the Company.

In 2020, we formulated the 2021-2025 human resources development plan. Based on the framework of COSCO SHIPPING's professional talent pool construction system, we built a talent pool for senior talent. In accordance with the Interim Measures for Building the Senior-Specialist Talent Pool supplemented by COSCO SHIPPING Investment Holdings, we clarified the admission and exit mechanism, strive to cultivate talents who are experts in both industry and finance and much needed for the Company's high-quality development, and give full play to their creativity.

Based on employees' personal potential and career plans, we provide targeted trainings for employees at different stages of career development. We also have abundant learning resources, and diversified training methods to meet their diverse needs for personal growth.

01 Regulating training management

We have revised the *Management Measures for Staff Training*, improved the content and forms of trainings, and strengthened management of training resources and application of training results. We encourage all departments and units to carry out employee trainings in a standardized manner.

02 Making the training list

We have made a training list based on the survey on employees' needs, and provided different forms and topics of trainings according to the characteristics of business and employees, aiming to meet the individual needs of employees for growth.

03 Pooling training resources

We have collected resources from external training organizations such as Golden Education and Overseas Education College of Shanghai Jiao Tong University, integrated internal resources, and carried out online and offline trainings to improve the comprehensive ability of employees.

Employee training management process

We offer diverse career paths and unimpeded development channel, encourage employees to build their career based on the Company's development needs and their strengths, and provide them with a stage to show themselves and create personal value, so that they can grow with the Company.

Improving the career paths

We have specified the management and technical career paths to provide dual career channels for employees. We have also optimized the management system and reduced job grades to help employees better plan for their career development.

Optimizing management of job grades

We have been paying attention to the adaptability of ability and positions, and determine their positions and job grades based on personal ability and performance to make sure employees are competent for their jobs and can give full play to their strength.

Adopting a talent transfer mechanism

We have revised the *Management Measures for Staff Secondment of COSCO SHIPPING Development* to standardize the talent transfer mechanism, promoted internal exchanges among employees, and helped employees gain experience from multiple positions such as positions of operation and management, so as to meet their diverse development.

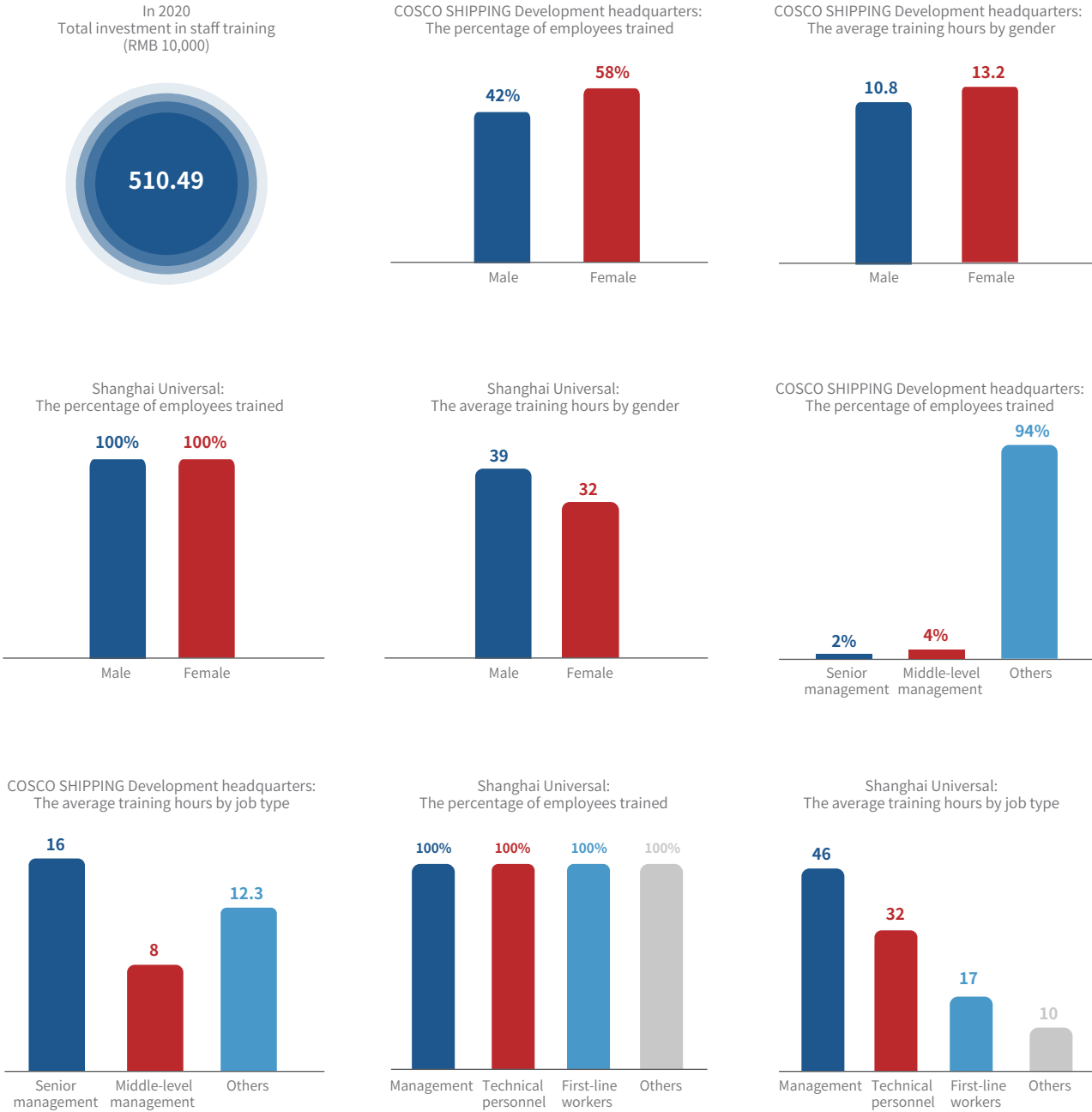
Talent cultivation mechanism



Training talent to help employees grow

In order to build a high-quality professional team suitable for its development and improve talent competitiveness, Shanghai Universal has improved its talent training system and established a regular training mechanism to build a tiered workforce and to create an enabling environment for employees' rapid development.

DFIC Guangzhou signed a cooperation agreement with Guangdong Industry Polytechnic, to jointly establish an education and training center and develop a targeted, practical and effective training system to help employees improve their job skills and comprehensive capabilities. DFIC Qidong established Dong Fang Qizhi College to provide comprehensive, systematic and standardized trainings for employees, and promote the improvement of the management team and grass-roots workers' capabilities. DFIC Jinzhou set up the "Innovation Studio", a platform for first-line workers to work on technological problems, seek innovations and commercialize their achievements, thus to spur innovation and craftsmanship, as well as enhance workers' core competitiveness.



Occupational Health and Safety

Safety is the basis for corporate development, the safety and health of employees is vital for steady growth of an enterprise. At COSCO SHIPPING Development, the occupational health and safety management is our absolute top priority. We strictly abide by relevant laws such as the *Law on Workplace Safety*, the *Fire Protection Law*, and the *Law on Prevention and Control of Occupational Diseases*, and have established the Workplace Safety and Environmental Protection Working Committee(whose organizational structure applies to occupational health and safety management and environmental management, as detailed in the previous chapter), and improved the occupational safety and health management system, so as to create a safer and more humane working environment.

Container manufacturing takes place in front-line factories which are the key area of our occupational health and safety management. All our container factories have obtained GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certification, and receive annual reviews from China Classification Society (CCS) so that the Company can better analyze and assess key occupational health and safety risks facing the container manufacturing business.

Occupational Health and Safety Risk Identification and Management

Comprehensive identification of occupational health and safety risks can help us formulate targeted countermeasures, effectively improve our occupational health and safety management capabilities, and reduce potential safety hazards. We apply uniform standards to identify and manage occupational safety and health risks across the board, with the principle of "all employees, all processes, and all aspects". We screen risks regularly for container factory workers, and systematically analyze risk factors of each job from the aspects of people, facilities and equipment, environment, and management. Based on the analysis we formulate the *Workplace Safety Risk Identification Form*, and take risk control measures accordingly to ensure workplace safety for each employee.

Business segments	Common occupational health and safety risks	Countermeasure	Relevant policy
The headquarters and relevant business segments	Fire, suspicious objects or unclaimed parcels, natural disasters, etc.	<ul style="list-style-type: none">Carrying out firefighting trainings and emergency drillsOrganizing safety inspectionsSpreading knowledge about emergency response and carrying out emergency drills	<i>Occupational Hazard Detection and Assessment Policy</i> <i>Rules on Workplace Safety Risk Management Education and Training Policy for Occupational Health and Safety</i> <i>Rules on Exhaust Emission Management</i> <i>Rules on Prevention and Control of Solid Waste Pollution</i> <i>Rules on Noise Control</i>
Container manufacturing	VOCs, dust, noises, fire, explosion, hitting by objects, falling objects, etc.	<ul style="list-style-type: none">Upgrading VOCs collection devicesInstalling welding fume collection devicesProviding labor protection supplies such as protective earplugsCarrying out firefighting trainings and emergency drillsCarrying out hazardous chemical screenings and equipment maintenanceThird-party tests	

Common occupational health and safety risks, countermeasures and relevant policies

Based on the guideline of "putting safety first, stressing on prevention and realizing comprehensive management", and *Guideline of China Occupational Safety and Health Management System*, we further improve the standardized safety management system to ensure its effective operation. We guide the container factories to formulate and continuously update such policies as the *Identification and Management System for Hidden Hazards to Workplace Safety*, and the *Identification and Management System for Hidden Hazards to Occupational Health and Safety*. We urge factories to establish a dual control mechanism for tiered safety risk control and hazard identification and elimination. A management and control system is in place, comprising supervision on key areas, comprehensive inspection, self-inspection and self-rectification, to improve the effectiveness of risk control. In 2020, based on the IT-enabled safety management practices at DFIC Lianyungang and DFIC Jinzhou, we hired a third-party company to expand the functions of the IT-enabled management platform. The upgraded platform is capable of dynamic statistical analysis and whole-process recording, management and evaluation of the dual control system, so as to empower safety management with IT, and manage occupational health and safety risks more efficiently and reliably.

Note The total investment for staff training in 2020 refers to the data of COSCO SHIPPING Development headquarters and domestic and overseas units.

Health and Safety Management for Outsourced Employees

Our container factories hire some outsourced employees, who are the main force of container manufacturing and the focus of our occupational health and safety management.

We have formulated the *Outsourced Construction Safety Management System*, and ask labor contractors to sign the *Rules on Contractor and Supplier Management* which specifies that they take full responsibility for the construction safety of container factories. But we provide outsourced workers with the same occupational health and safety protection as salaried employees to reduce safety incidents and hazards. Outsourced employees will receive special pre-job trainings on occupational health and safety, and on-site supervision on their work by factory safety supervisors. We provide them with the same safety facilities and labor protection equipment as salaried employees, in addition to annual physical examinations and health records to protect them from occupational diseases.

CCS audits our health and safety management for outsourced employees every year to ensure that all mandatory measures are fully implemented.



Education on Occupational Health and Safety

Safety education and trainings can improve employees' safety awareness and safe operation skills. Staff-oriented and to create a home-like environment for staff, Shanghai Universal has established an internal-trainer management system to build a team of internal trainers with professional knowledge and teaching skills so as to better protect the safety of employees and improve employees' comprehensive capabilities. It has formulated the *Education and Training System for Occupational Health and Safety*, integrated internal and external resources, and regularly organized various forms of safety education and training activities to improve employees' safety knowledge and capabilities.

Providing more diverse publicity campaigns

Through WeChat, publicity boards and other channels, we carry out online and offline safety promotion activities simultaneously. Meanwhile, by selecting fine examples among Party members and launching the campaign themed "Become a Work Safety Promoter", we inspire employees to learn from these models and create a safety atmosphere.

Creating new training forms

We carry out practical and comprehensive safety trainings in various forms, such as lectures given by experts, accident simulation, firefighting drills, emergency drills, case studies, short videos, comic exhibitions, etc., through which employees gain knowledge, put knowledge into practice, and improve their safety awareness and emergency response capability.

Organizing more safety activities

By organizing various activities about work safety such as the knowledge contest, speech contest, Party lessons, theme Party Day activities, we continuously step up efforts in fostering a safety culture.

Carrying out special trainings on safety

By carrying out various special trainings on physical injury simulation, welder certification, crane men, pulling of containers, occupational health, etc., we improve the safe operation ability of employees.

Occupational health and safety education measures of Shanghai Universal in 2020



Hosting the safety knowledge contest to raise employees' safety awareness

The Workplace Safety Month this year was themed "Eliminating hidden hazards and building a strong line of defense for safety". In order to spread safety knowledge, enhance safety awareness of all employees, and build a consensus on safety issues, Shanghai Universal organized the "Ankang Cup" safety knowledge contest and video trainings on "6S" on-site management during the month. Through content-rich and detailed videos and witty knowledge contests, education was fun, and safety and health knowledge was popularized, while the concept of love and safety was more deeply rooted in the hearts of the people.

We care about every employee, not only the occupational health and safety of factory workers, but also the physical and mental health of office workers. In addition to regular physical examinations, we provided psychological counseling and health trainings during the COVID-19 pandemic, to help employees maintain a positive and healthy working life.

Emergency Response to Safety Incidents

We actively identify and control risks to occupational health and safety, and step up safety management to minimize employees' exposure to safety risks. Meanwhile, we make emergency plans to protect employees' health and safety from safety incidents. Based on the principle of "unified leadership and tiered accountability", we have formulated the *Emergency Response Plan for Safety and Environmental Incidents* and *Regulations on Reporting, Recording and Investigating Safety Incidents* and other systems to ensure timely and proper emergency response. We review and revise internal policies regularly and improve emergency response to safety incidents, to minimize negative impact on employees' health and safety.



Emergency response departments

We have established emergency response departments and incident investigation teams at the headquarters and subsidiaries at all levels to standardize the emergency command and follow-up duties and procedures.

Emergency response trainings

We have formulated a training system for emergency response and regularly spread knowledge about prevention, avoidance and self-rescue in emergencies to improve employees' awareness of emergency response.

Emergency drills

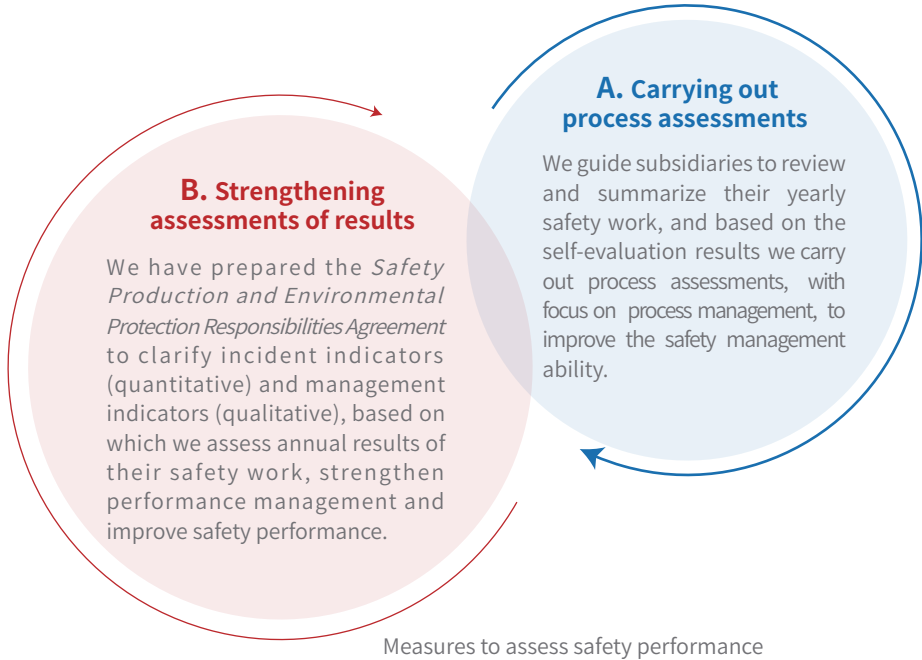
We regularly organize emergency drills and on-site response drills, enable employees to apply their safety knowledge and enhance employees' ability to deal with emergencies.


Emergency response system for safety incidents

In 2020, Shanghai Universal and its container factories sorted their firefighting rules and revised emergency plans. They formulated on-site emergency response plans for key places and positions for firefighting, spread knowledge about the fire protection law and fire safety during the Workplace Safety Month and Fire Safety Month. Meanwhile fire safety trainings and emergency drills were organized to enhance employees' fire safety awareness and emergency response ability.

Safety Performance Assessment

We employ qualitative and quantitative indicators to assess both the process and the outcomes of safety performance, to ensure the fulfillment of all safety responsibilities. Safety performance is included in the assessment of our executives to motivate them to improve the Company's safety performance. In accordance with the *Interim Measures for Workplace Safety Supervision and Management of Central Enterprises*, *Detailed Rules for Workplace Safety Assessment of Central Enterprises*, *Detailed Management Rules for Work Safety Performance Assessment of COSCO SHIPPING*, and *Administrative Measures for Performance Assessment of Work Safety and Environmental Protection* and other regulations and systems, we comprehensively review the list of safety responsibilities, and clarify the responsible person for occupational health and safety of each business segment and position. The chief executive of each container factory shoulders the primary responsibility for safety and occupational health management, for the occupational health and safety of employees.



 **Key performance**

From 2018 to 2020
employees lost for job-related causes **0**, percentage of the total number of employees **0**%.

In 2020
working days lost due to work-related injuries **667**, no serious or more serious injuries was reported, no new cases of occupational diseases was reported

Special Protection Against COVID-19

We always put the health and safety of our employees first. During the COVID-19 outbreak, we worked out countermeasures and response plans, as well as production and operation plans, and employed remote work and flexible working methods to reduce the risk of COVID-19 infection. We regularly and thoroughly disinfected the office area and sourced thermometers, disinfectants and masks and distributed them to employees. We also tracked the daily health condition of employees, and spread knowledge about how to protect yourself from COVID-19, to ensure their physical and mental health.

In the response to COVID-19, our focus was Shanghai Universal, a labor-intensive manufacturer. In order to ensure the safety and health of employees returning to work and avoid cluster infection, Shanghai Universal carried out strict screening and quarantine measures, and updated employees' health condition each day, striving to achieve "zero diagnosis and zero suspicion". In daily anti-coronavirus measures, it employed the digital network to remotely check on each factory, and strengthened the disinfection and sterilization of factories, canteens, and dormitories. Through dual management of employees living in dormitories and their homes, it weaved a tight grid-based response network that covers the whole production process and all aspects and employees, sparing no efforts to ensure the safety and health of every employee after the production resumed.



A Pleasant Working Environment

A relaxed and pleasant working environment can not only benefit the physical and mental health of employees, but also keep them motivated and improve work efficiency. Advocating the idea of "Happy Work and Wonderful Life", COSCO SHIPPING Development provides employees with diverse benefits and activities, and strives to create a harmonious and happy atmosphere.

Employee Activities

We are well aware that a happy, united workforce is important for stimulating the vitality of an enterprise. In 2020, we continued to organize cultural activities in various forms for employees, and allowed employees to show themselves, cultivate their minds, let their steam off, and enjoy a relaxing and fulfilling after-work life.



Cultural salon



Staff Library



Art Performance



Tug-of-war

Employee Care

We deeply understand that everyone works to live a healthy, high-quality and wonderful life. We address concrete issues facing employees and their families, and provide female employees, employees in difficulties, and retired employees with extra care, and considerate support for all our coworkers.

Care for female employees
We set up a "Mummy's Room" for breastfeeding women employees. We have purchased the "Special Medical Insurance for Female Employees" to protect them and enhance their sense of happiness.
Health care
We organize pre-job medical examinations, annual physical examinations and special physical examinations for employees (according to the special requirements of certain positions), and join in medical insurance schemes including the "Mutual Support Scheme of Supplementary Hospitalization Insurance for Active Employees" and " Special Mutual Support Scheme for Groups with Serious Diseases" to ease employees' worries.
Employee visits and gifts
We give gifts to employees during holidays, visit hospitalized employees, and offer wedding, childbirth and birthday gifts, to show our care for employees and improve their sense of belonging.

Employee care measures



In 2020

we provided over **40** jobs and raised about RMB **140,000** for family members of employees in difficulties

we provided high temperature subsidies of RMB **1.27** million for over **8,000** employees

we visited **35** hospitalized employees

we gave wedding and childbirth gifts to **45** employees

we gave birthday gifts to **3,653** employees

Steady Growth in the Long Run with Stronger Corporate Responsibility Sense

To promote human well-being, we actively fulfill our responsibilities as a corporate citizen and try our best to make the world a better place.

Enterprises form an important part of the society, and the society creates conditions and opportunities for enterprises to develop. Living off resources in the society, enterprises should pay back to the society with their actions, and assume responsibilities for the society. Always conscious of its social responsibilities, COSCO SHIPPING Development leverages its expertise and integrates resources from all parties to give back to the society and contribute to social development.

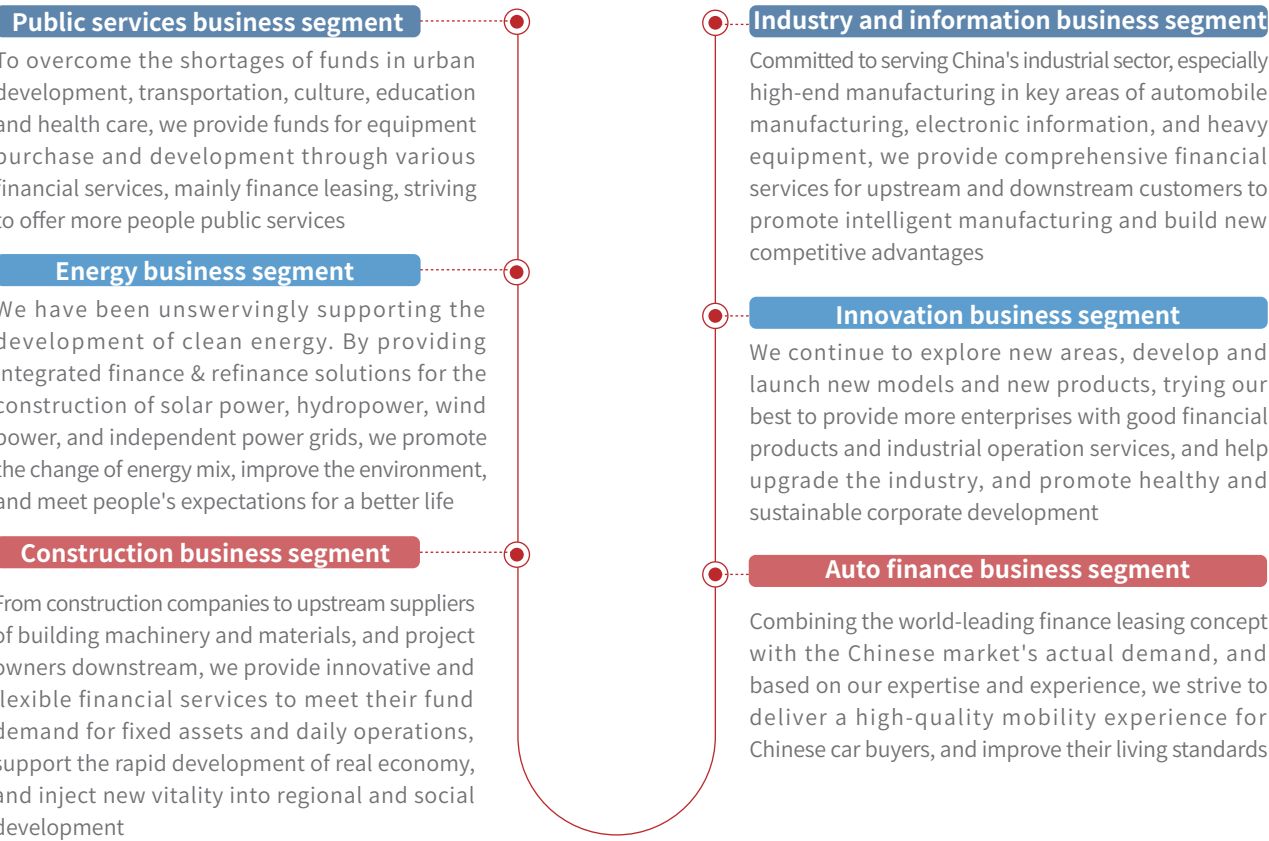


Harmonious Communities

An enterprise cannot grow without community engagement and support, and the community needs corporate creativity and contribution to prosper. With the concept of serving the national economy and people's livelihood, COSCO SHIPPING Development supports local economic and social development, actively fights poverty in a targeted manner, organizes and encourages employees to participate in various public welfare activities, aiming to share development achievements with the community.

Social and Economic Development

Leveraging capital, technology and information, we provide various financial services, mainly finance leasing, to optimize resource allocation and support public services, change in energy mix, industry development, thus promoting efficient economic and social development.



Boosting economic and social development

Steady Growth in the Long Run with Stronger Corporate Responsibility Sense

Poverty Alleviation

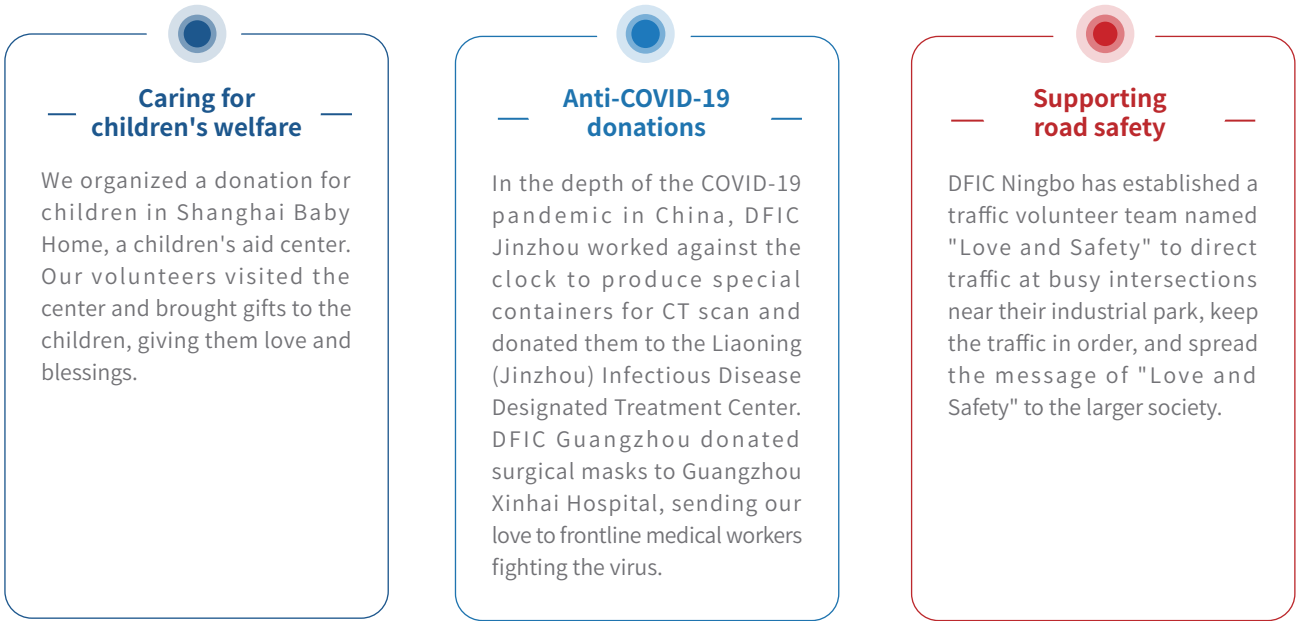
The fight against poverty cannot be won overnight; it requires perseverance and sustained efforts. Always regarding targeted poverty alleviation as our due responsibility, we actively participate in COSCO SHIPPING's targeted poverty alleviation projects and support the development of poverty-stricken areas. In 2020, we invested RMB 10 million to help Yongde county in Yunnan province shake off poverty, and spent RMB 922,600 buying specialty products from poverty-stricken households in Yunnan and Hunan provinces to promote local development. Shanghai Universal donated RMB 30,000 to support poverty-stricken areas, contributing to the fight against poverty.

Investment in targeted poverty alleviation (RMB 10,000)

Year	Investment (RMB 10,000)
2018	400
2019	600
2020	1,000

Public Welfare

Public welfare activities bring warmth to the community and make the world a better place. We have long been concerned about the well-being of vulnerable groups including children. We organize and encourage employees to contribute to community welfare and donations, used practical actions to convey love, and create a good social atmosphere.



Community welfare activities

Resumption of Work and Production

The raging COVID-19 has posed great threats to people's lives, presented unprecedented challenges to economic and social development, and disrupted people' normal life. Shortly after the outbreak, COSCO SHIPPING Development responded promptly and took multiple measures against the coronavirus. We conducted business while ensuring the safety of employees, and supported work and production resumption of upstream and downstream enterprises in the shipping industry, making full use of our resources to contribute to the fight against the pandemic.

In face of the disruption of normal production and operation caused by the pandemic, we did our best to ensure internal pandemic prevention and control and organize safe and stable production. Meanwhile, with our advantages in financing, we proactively supported the work and production resumption of upstream and downstream enterprises within COSCO SHIPPING. In response to the *Notice on Further Strengthening Financial Support for COVID-19 Prevention and Control* jointly issued by five agencies including the People's Bank of China and China Banking and Insurance Regulatory Commission, we help small and micro enterprises engaged in essential business solve funding problems and pool financial resources against the pandemic.

Through the "COSCO SHIPPING E-Financing" platform, we provide safe, simple and convenient contactless factoring services for suppliers of key subsidiaries of COSCO SHIPPING. On the platform, account receivables are promptly settled with suppliers, giving them the money much needed for work and production resumption, and thus to promote steady operation of COSCO SHIPPING's shipping business. Considering the importance of container lorries for foreign trade, we increased factoring amount for container lorry platforms to promote the resumption of transportation and foreign trade.



Technology makes financial services more efficient

During the critical period of the domestic battle against COVID-19, in order to provide more efficient and convenient financial services to micro, small, and medium-sized enterprises and ease their capital shortages, Haihui Factoring worked with Ant Group's "Double Chain" platform and innovatively applied blockchain technology to move all factoring and related review services online. In April 2020, Haihui Factoring successfully made the first payment online which tided an enterprise in Sichuan province and its upstream and downstream suppliers over the crisis and helped them resume production.

Outlook for 2021

Responsibility vision

Integrating CSR into corporate vision to promote a sustainable industry chain

Based on shipping finance, the Company will continuously improve its comprehensive service capabilities, give full play to its experience and resources in shipping and financial services, support the development of upstream and downstream enterprises through open cooperation, and work with stakeholders to promote sustainable development of the shipping industry.

Responsibility management

Integrating CSR into corporate management to build a comprehensive CSR management system

Based on careful analysis of industry trends and sustainable development prospects, the Company will identify core CSR topics such as environmental protection, risk management, safety management, fair operation, employee rights protection, community development, etc., and urge all business segments and subsidiaries to take these topics into account through institutional building and optimization. We will establish a comprehensive CSR management system with focus on sustainability, aiming to further promote CSR management.

Responsibility practices

Integrating CSR into corporate operations to unlock the potential for value creation

The Company will conduct in-depth analysis of expectations and demands of stakeholders as well as requirements of sustainable development, and consider actual business operations and its advantages and resources in the industry, so as to refine the CSR practices in economic, social and environmental development, and create long-term value for more stakeholders.

Responsibility team

Passing on the idea of CSR to employees to lay a solid foundation for building a responsible team

The Company will cultivate a CSR culture through down-to-earth practices, to raise employees' CSR awareness and abilities. In this way, we will build a responsible team, consolidate the foundation of sustainable development, and share the sense of commitment and accomplishment in value creation with employees.

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 nonhazardous waste.	P38	
	A1.1	The types of emissions and respective emissions data.	P39-40	
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P39	
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P40	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P40	
	A1.5	Description of emission target(s) set and steps taken to achieve them.	P38, P45-46	
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P38, P45-46	
Aspect A2 - Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P38, P45-46	
	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).	P39	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P40	
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	P38, P45-46	
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P45-46	
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	/	The company's physical products are containers with no outer packaging, so this indicator is not applicable
Aspect A3 – The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	P38	
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P33-46	
Aspect A4 – Climate change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	/	Related work continues to advance
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P42-45	

Social				
Aspect	Index number	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.	P49	
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	P51-52	
	B1.2	Employee turnover rate by gender, age group and geographical region.	P52	
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.	P56	
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P61	
	B2.2	Lost days due to work injury.	P61	
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P56-62	
Aspect B3 - Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P53-54	
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P55	
	B3.2	The average training hours completed per employee by gender and employee category.	P55	
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.	P49	
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	P49	
	B4.2	Description of steps taken to eliminate such practices when discovered.	P49	

Environmental				
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.	P22	
	B5.1	Number of suppliers by geographical region.	P22	
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	P22	
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	/	
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P22	
Aspect B6 - Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P27, P31	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P27	
	B6.2	Number of products and service related complaints received and how they are dealt with.	P30	
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	P31	
	B6.4	Description of quality assurance process and recall procedures.	P27	
Aspect B7 - Anti-corruption	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P31	
	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.	P18	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P20	
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P18	
	B7.3	Description of anti-corruption training provided to directors and staff.	P19	
Aspect B8 - Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P67-69	
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	P67-69	
	B8.2	Resources contributed (e.g. money or time) to the focus area.	P67-69	