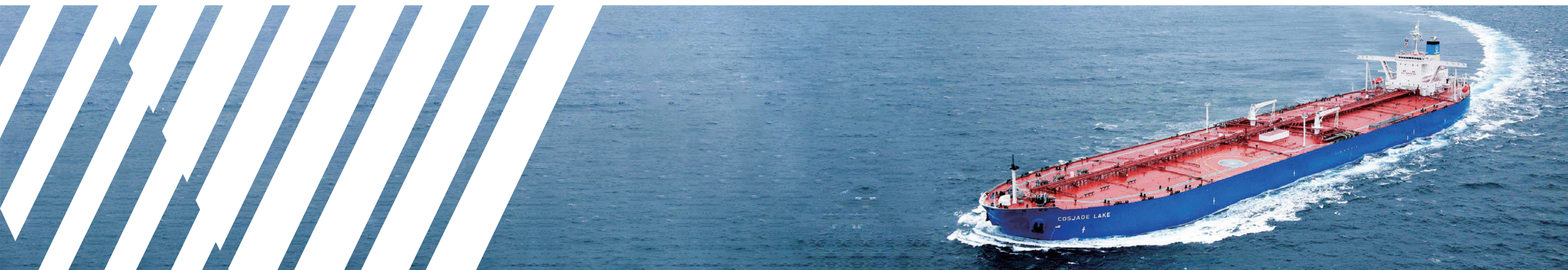


Integrated Capacity Infinite Capability



Corporate Social Responsibility Report 2020 COSCO SHIPPING Energy Transportation Co., Ltd.

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About This Report

Reporting Period

This Report covers the period from 1 January to 31 December, 2020, and includes additional information beyond the stated reporting period.

Organizational Coverage

The Report covers COSCO SHIPPING Energy Transportation Co., Ltd. and its subsidiaries, which is also referred to as "COSCO SHIPPING Energy", "the Company" or "we".

Reporting Cycle

Our corporate social responsibility (CSR) report is released in each fiscal year. This Report is the 13th CSR report released by the Company since 2008.

Data Source

All information and data included in this Report come from the official documents and related statistics of COSCO SHIPPING Energy.

Reference Standards

This Report is prepared with reference to the *Environmental, Social and Governance Reporting Guide (HK-ESG)* released by The Stock Exchange of Hong Kong Limited, the *Notice of Improving Listed Companies' Assumption of Social Responsibility and the Guide on Environmental Information Disclosure by Listed Companies*, as well as the *Notice on Further Improvement of Information Disclosure on Poverty Alleviation by Listed Companies* issued by the Shanghai Stock Exchange, and the *GRI Sustainability Reporting Standards (GRI Standards)* issued by the Global Sustainability Standards Board(GSSB) and *SDG Compass* by the United Nations.

Reporting Principles

The report follows the principles below:

Materiality: Following the procedure of identifying material topics stipulated by *Environmental, Social and Governance Reporting Guide (HK-ESG)*, we identify ESG factors concerned by internal and external stakeholders based on our communication and surveys with them and then determine material topics for disclosure.

Quantitation: This Report discloses quantitative targets and performance data of environmental and social indicators. All indicators have specified statistics scopes and calculation methods. For easier data comparison, performance data of three consecutive years are disclosed under partial indicators.

Consistency: The report follows the statistics disclosure methodology adopted in the previous annual report. Changes will be indicated in this Report if any.

Report Formats

The Report is released in printed and online forms. It is available for online query and download via the following link: <http://energy.coscoshipping.com>

Report Languages

The Report is available in simplified Chinese, traditional Chinese and English. In case of any discrepancy, the simplified Chinese version shall prevail.

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Message from the Chairman

The year 2020 witnessed our growth despite the global economic downturn. The complicated international context and the COVID-19 pandemic posed challenges on the shipping industry and our business operations. COSCO SHIPPING Energy, following the CSR philosophy of Integrated Capacity and Infinite Capability, stepped up efforts on COVID-19 prevention and worked to ensure operation stability. We forge ahead with determination towards achieving our strategic goal of becoming a world-leader in shipping capacity, business mix, safety marketing and business model.

Cultivating core competitiveness

We are working to ensure stable energy supply and better services for our customers by mobilizing the synergies between our domestic and international fleet. To achieve the goal of being a "global carrier", we optimized the distribution of routes and our shipping network to provide all types of tankers and 24/7 quality global services for our customers in 2020. We have been expanding our LNG shipping business as the "Second Development Curve", and have shared sustainable resources with partners in the industry, accumulating momentum to outrun changes in the market and the world.

Ensuring safe operations

Safety is the top priority of energy transportation enterprises. We performed safety inspections and improved our "Three-in-One" safety management model for all-rounded risk identification and prevention. We complied with laws and regulations with awareness of our responsibilities, protected our ships with reverence to the ocean, and cared for our crew with the highest respect to people's well-being. In 2020, our safety performance remained stable, and we went through the challenging year fulfilling our mission of delivering energy.

Safeguarding the ecosystem through green development

A sound ecological environment is the precondition for our long-term stable development. In 2020, we implemented challenging targets of environmental management, performed rigorous analysis and management on the environmental impacts of our tankers throughout their lifecycle and whole operation processes, making efforts to address climate change and protect marine biodiversity. We achieved a 5.59% cut in carbon dioxide emission intensity through 2020.

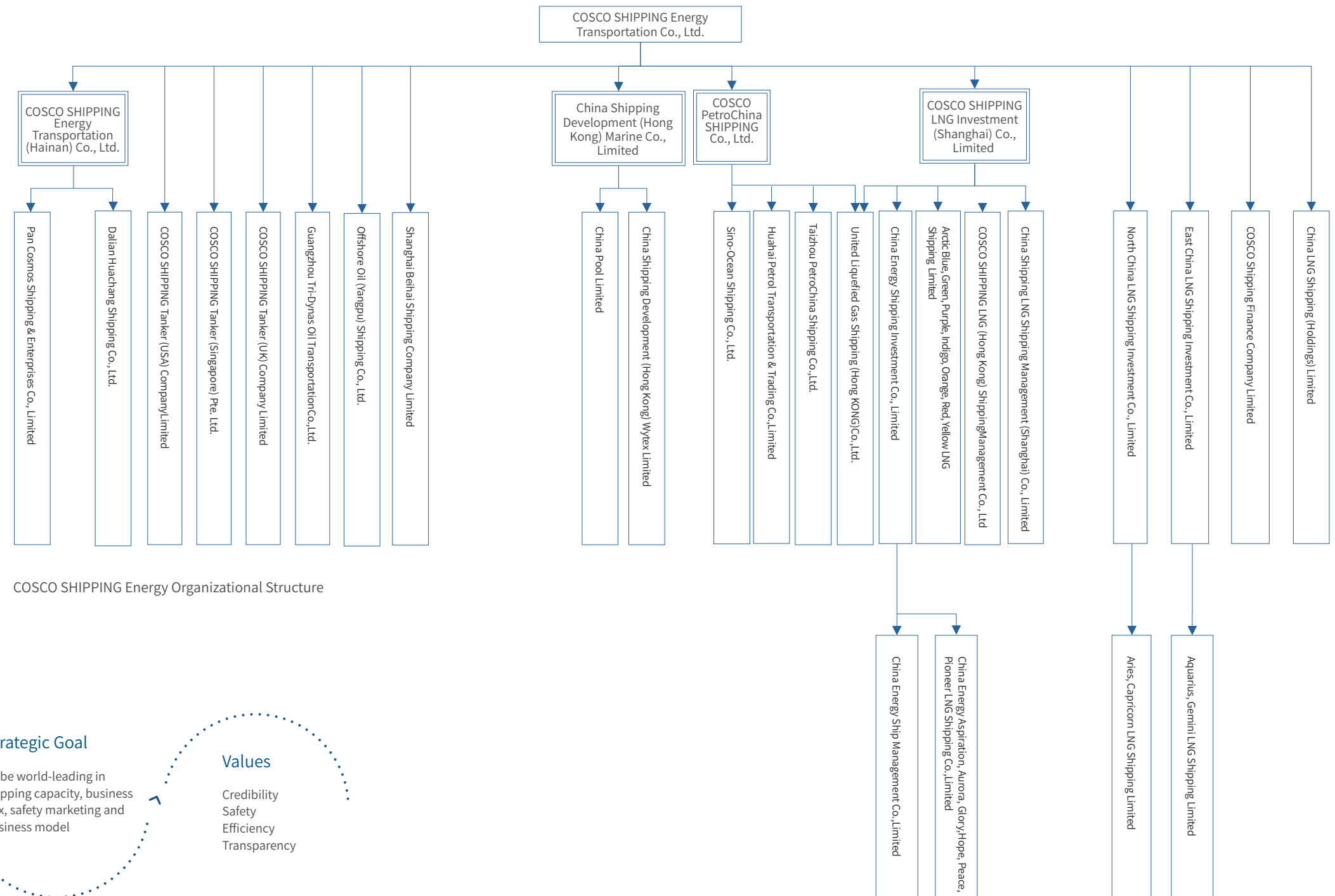
Furthermore, we have created a working environment that embraces diversity and harmony to facilitate our employees' career development and enable them to gain a sense of belonging and happiness. In the meantime, as we care for the community, we actively contribute to poverty alleviation and rural vitalization, and conduct humanitarian rescues at sea, so as to fulfill our duty of delivering energy for the world.

At the starting point of China's 14th Five-Year Plan period, COSCO SHIPPING Energy will step up our development in LNG and alternative energy shipping businesses while consolidating the leading-edge in oil shipping industry through operational optimization and prudent planning. We are committed to being an outstanding leader in global energy transportation and will contribute to the new pattern of national development. We are working together with our partners to create shared value in economic, social and environmental aspects, and follow the path of sustainable development to empower the world.

Liu Hanbo, Chairman of COSCO SHIPPING Energy

About Us

COSCO SHIPPING Energy Transportation Co., Ltd., operating under COSCO SHIPPING Corporation Limited (COSCO SHIPPING), is a specialized company in shipping oil, LNG and chemicals. The Company was established in Shanghai on June 6, 2016 by merging the energy transportation business units of China Ocean Shipping (Group) Company (COSCO) and China Shipping (Group) Company (China Shipping). The Company has two core businesses: oil shipping and LNG shipping. It is committed to becoming an outstanding leader in global energy transportation. COSCO SHIPPING Energy owns and controls 160 tankers with total capacity of more than 23 million DWT, including all major types of tankers in the world. The Company leverages the scale of tonnage to provide clients with whole-process energy transportation solutions. The Company is also a leader in China's LNG shipping industry and competes in the global LNG shipping market. COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd. (Shanghai LNG), a wholly-owned subsidiary of the Company, and China LNG Shipping (Holdings) Co., Ltd. (CLNG) in which the Company holds a 50 percent stake, are top owners of LNG shipping fleets in China. The Company is working with global partners in the energy industry for win-win collaborations and development.



COSCO SHIPPING Energy Organizational Structure



COSCO SHIPPING Energy Culture System

Key Performance

Parameters	2020	2019	2018
Economic Performance			
Total assets (RMB billion)	(A Share) 65.96 (H Share) 65.96	(A Share) 65.84 (H Share) 65.84	(A Share) 63.42 (H Share) 63.42
Operating revenue (RMB billion)	(A Share) 16.39 (H Share) 16.27	(A Share) 13.88 (H Share) 13.72	(A Share) 12.29 (H Share) 12.10
Net profit (RMB billion)	(A Share) 2.37 (H Share) 2.38	(A Share) 0.43 (H Share) 0.41	(A Share) 0.11 (H Share) 0.08
Self-owned ships	156	153	148
Gross tonnage (million DWT or million cubic meters)	20.97/1.05	19.26/1.05	19.03/1.05
Transportation volume (million tonne)	160	150	155
Transportation turnover(billion tonne-miles)	486.06	440.79	545.37
Volume of crude oil shipment (million tonne)	127.88	118.96	129.34
Volume of product oil shipment (million tonne)	32.59	31.03	25.17
Average age of vessels (year)	9.55	9.40	8.50
Total number of suppliers	578	625	670
Suppliers from Hong Kong, Macao, Taiwan and foreign countries and regions	134	192	108
Suppliers from Mainland China	444	433	562

Environmental Performance			
Nitrogen oxides emissions (tonne)	88,261.50	84,816.30	90,116.39
Unit turnover emission of nitrogen oxides (kg/1,000 tonne-miles)	0.18	0.19	0.17
Sulfur oxides emissions (tonne)	9,637.75	58,494.00	62,149.23
Unit turnover emission of sulfur oxides (kg/1,000 tonne-miles)	0.02	0.13	0.12
Carbon dioxide emissions (tonne)	3,156,656.84	3,031,939.00	3,221,401.96
Scope 1 carbon emissions (tonne)	3,155,039.48	/	/
Scope 2 carbon emissions (tonne)	1,617.36	/	/
Unit turnover emission of carbon dioxide (kg/1,000 tonne-miles)	6.50	6.88	6.06
Oily water discharged (tonne)	100,118.21	68,148.00	85,058.93
Oil content of oily water (tonne)	15,284.65	8,124.36	18,019.51
Hazardous waste emissions (tonne)	13,939.12	8,374.78	35.70
Unit turnover emission of hazardous waste (g/1,000 tonne-miles)	28.7	19.0	27.7
Non-hazardous waste emissions (tonne)	413.00	404.39	848.42
Unit turnover emission of non-hazardous waste (g/1,000 tonne-miles)	0.85	0.90	1.60

Total energy consumption (electricity, gas, and oil) (kW·h in' 000s)	11,797,778.68	11,341,741.25	12,050,724.17
Unit turnover of energy consumption (kW·h in' 000s /1,000 tonne-miles	0.02	0.03	0.02
Gross fuel consumption (thousand tonne)	1,014.5	974.9	1,035.8
Unit fuel consumption (kg/1,000 tonne-miles)	2.09	2.21	1.95
Fuel conserved (tonne)	102,707.10	112,181.68	142,729.39
Lube oil consumption (tonne)	7,118.86	7,193.09	7,689.68
Total water consumption (m³)	383,746	373,607	451,285
Water conserved (m³)	196,601.60	198,447.92	228,968.00
Water consumption density (m³/1,000 tonne-miles)	0.00079	/	/
Total electricity consumption at Shanghai Headquarter (kW·h)	1,622,223	1,811,600	2,144,678
Total fuel consumption of official vehicles in Shanghai Headquarter (Litre)	18,112.45	38,270.00	65,036.00

Social Performance			
Total number of employees	719	775	737
Number of expatriate employees	20	24	12
Number of new employees	25	26	17
Number of disabled employees	1	0	11
Coverage of labor contract (%)	100	100	100
Coverage of social insurance (%)	100	100	100
Return rate after maternity leave (%)	100	100	100
Physical examination coverage (%)	100	99.87	100
Total investment in trainings (RMB thousand)	945.9	2,166.4	1,456.0
Per capita training time (hours)	39.28	23.85	33.10
Customer satisfaction (%)	100	100	100
Number of customer complaints	6	18	0
Complaint handling rate (%)	100	100	/
Supplier inspection coverage (%)	100	100	85
Passing rate of zero defect annotation (%)	87.88	74.58	81.88
Anti-typhoon success rate (%)	100	100	100
Anti-piracy success rate (%)	100	100	100
ISPS (International Ship and Port Facility Security) inspection passing rate (%)	100	100	100
Investment in work safety (RMB million)	87.94	111.31	113.37
Work-related fatalities	1	2	0
Lost days due to work injury	2	25	0
Targeted poverty alleviation investment (RMB thousand)	8,489.6	7,600.0	4,456.2

Sources of factors for indicator conversion:
The NOx emission factor comes from relevant standards developed by COSCO SHIPPING.
The SOx emission factor comes from Statistics on Energy Conservation and Environmental Protection of Central Enterprises by State-owned Assets Supervision and Administration Commission of the State Council.
The CO₂ emission factor comes from International Maritime Organization (IMO) emission factors.
The total energy consumption conversion factor comes from General Principles for Calculation of the Comprehensive Energy Consumption coded GB/T 2589-2008.
Notes:
1. The units of total energy consumption and unit turnover of energy consumption are respectively adjusted as "kW·h in' 000s" and "kW·h in' 000s/1,000 tonne-miles".
2. The Company conducted twenty more dry docking programs in 2020 than in 2019. The frequency of oil tank cleaning before dry docking went up accordingly and thus the year saw a significant increase in oily water discharged, oil content in oily water, hazardous waste emissions and unit turnover emission of hazardous waste.

Honors and Awards

DECEMBER 2020

Tanker Lian Xi Hu was awarded National Model Tanker in the Transportation Industry 2018-2019.

DECEMBER 2, 2020

Chen Jianrong, an employee of COSCO SHIPPING Energy, was awarded Shanghai Model Worker and the VLCC Department of the Company won the honor of Shanghai Model Group.

DECEMBER 4, 2020

Liu Hanbo, Party Secretary and Chairman of COSCO SHIPPING Energy, was awarded Excellent Ideological and Political Workers of National Transportation Industry in 2019-2020.

DECEMBER 8, 2020

COSCO SHIPPING Energy won the "Best Social Responsibility (S) Award" at the Golden Kirin ESG Sub-forum and China ESG Gold Awards 2020 - "Best Social Responsibility Award" ceremony.

DECEMBER 10, 2020

COSCO SHIPPING Energy won the Shipping Technology Innovation Award from the Shanghai International Shipping Center Development and Promotion Organization.

AUGUST 2020

COSCO SHIPPING Energy won the "Social Responsibility Award" in the 14th "Value 100" (China Listed Company Value Awards).

SEPTEMBER 2020

COSCO SHIPPING Energy was awarded the second prize in the essay-writing contest themed the Most Admired Listed Company by the Listed Companies Association of Shanghai.

SEPTEMBER 24, 2020

COSCO SHIPPING Energy's *2019 Corporate Social Responsibility Report* won the "Overseas Development Award" on "2020 Shanghai Corporate Social Responsibility Report Conference".

NOVEMBER 2020

COSCO SHIPPING Energy received the National Model Organization Certificate for passing the National Model Organization review for the fourth consecutive year.

NOVEMBER 2020

COSCO SHIPPING Energy received the 2019 Shanghai Operation Innovation Award for its projects on Installment of Service Tank Repurification Equipment on MRs and Retrofit on Cooling Units of Low Sulfur Oil Equipment of Tankers.

Corporate Governance

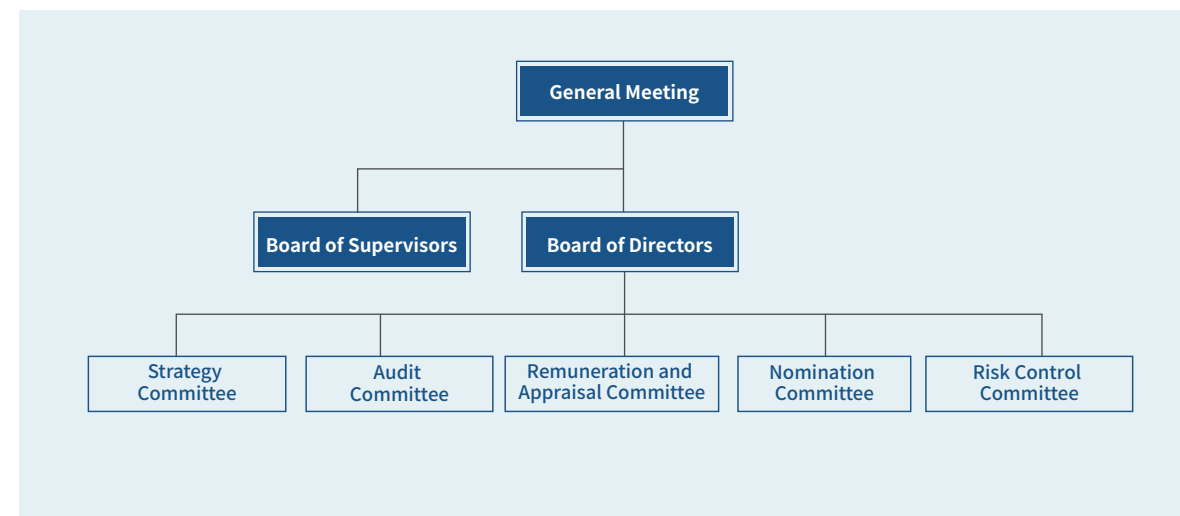
Sound corporate governance is the foundation for development. COSCO SHIPPING Energy complies with corporate governance requirements for listed companies and improves its modern governance capacity. The Company has put in place an effective and standardized governance system to improve its modern governance capability.

Improving Governance Structure

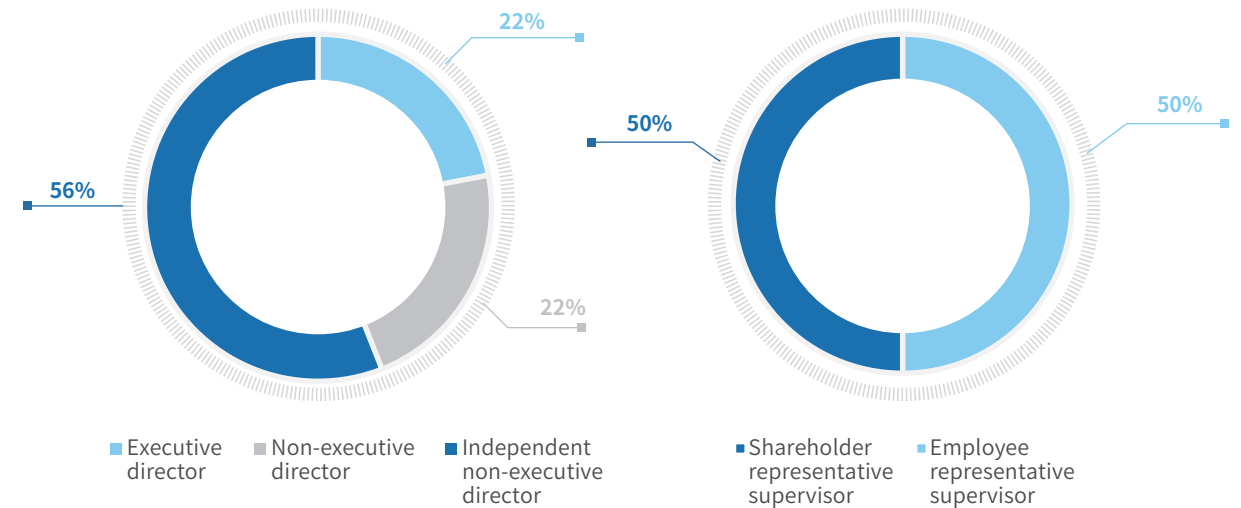
COSCO SHIPPING Energy continuously upgrades its corporate governance system and governance competency. We have established an efficient and standardized corporate governance structure and developed the rules of procedure in accordance with the *Company Act*, *Code of Corporate Governance for Listed Companies* and other laws and regulations and the requirements of the China Securities Regulatory Commission and other regulatory authorities. The General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the specialized committees have their own clearly-defined duties and authorities. They operate independently and effectively coordinate with each other.

Five specialized committees are established under the Board of Directors: the Strategy Committee, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Risk Control Committee. The specialized committees perform their functions stipulated in the *Articles of Association and Rules of Procedure of the Board of Directors*, which ensures science-based, professionally-performed corporate governance. We have recruited professionals with expertise in auditing, law and human resources serve on the specialized committees, which diversifies the background of the Board of Directors and improves its competence and overall governance quality. Following the adjustments of the corporate organizational structure and functions and responsibilities, in 2020, the Company amended the *Measures for Appointing Directors and Supervisors* in which higher requirements are specified for director and supervisor appointment.

In 2020, the Company convened one General Meeting of Shareholders, fourteen meetings of the Board of Directors, nine meetings of the Board of Supervisors and thirteen meetings of the specialized committees, at which a total of 43 proposals were reviewed, including the proposals on the change of directors and on the amendment of rules and regulations. Twenty-two members participated in training sessions for directors, supervisors and independent directors held by regulatory authorities and the Listed Companies Association of Shanghai, which helped to ensure that duties and functions of the directors and supervisors are fully fulfilled.



Structure of the Board of Directors



Strengthening Information Disclosure

COSCO SHIPPING Energy has developed sound information disclosure and management mechanisms in strict compliance with the regulations on listed company information disclosure by the China Securities Regulatory Commission and The Stock Exchange of Hong Kong Limited. The Company has formulated the *Administrative Measures for Information Disclosure* and *Administrative Measures for Information Disclosure Suspension and Exemption* for ensuring true, accurate, complete and timely information disclosure on governance and operations, providing sufficient information support for investors' decision-making.

We attach great importance to the investor relations management. We have opened up a variety of communication channels, including investor hotline, on-site survey, online communication, reverse roadshows, *China Securities Journal*, *Shanghai Securities News* and The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, to maintain efficient communication with the capital market. In the reporting period, the Company participated in the investor reception of Shanghai listed companies where the Company responded to investors over the Internet. As an active participant in the "Month of Investor Protection" initiated by China Securities Regulatory Commission, Shanghai Securities Regulatory Bureau and Shanghai Stock Exchange, the Company carried out communication projects via different social media such as the Company's website and WeChat to improve transparency.

In 2020

The Company hosted around 600 shareholders and investors via conference calls, IR hotline and on-site communications, answered more than 200 hotline calls from investors and received 36 investor visits throughout the year.

In 2020

The Company disclosed periodic reports and interim announcements in compliance with laws: The Company prepared and disclosed five periodic reports including the Annual Report 2019 and CSR Report 2019, and issued a total of 71 documents of A share and H share disclosure (including 58 on A shares and 13 on H shares).

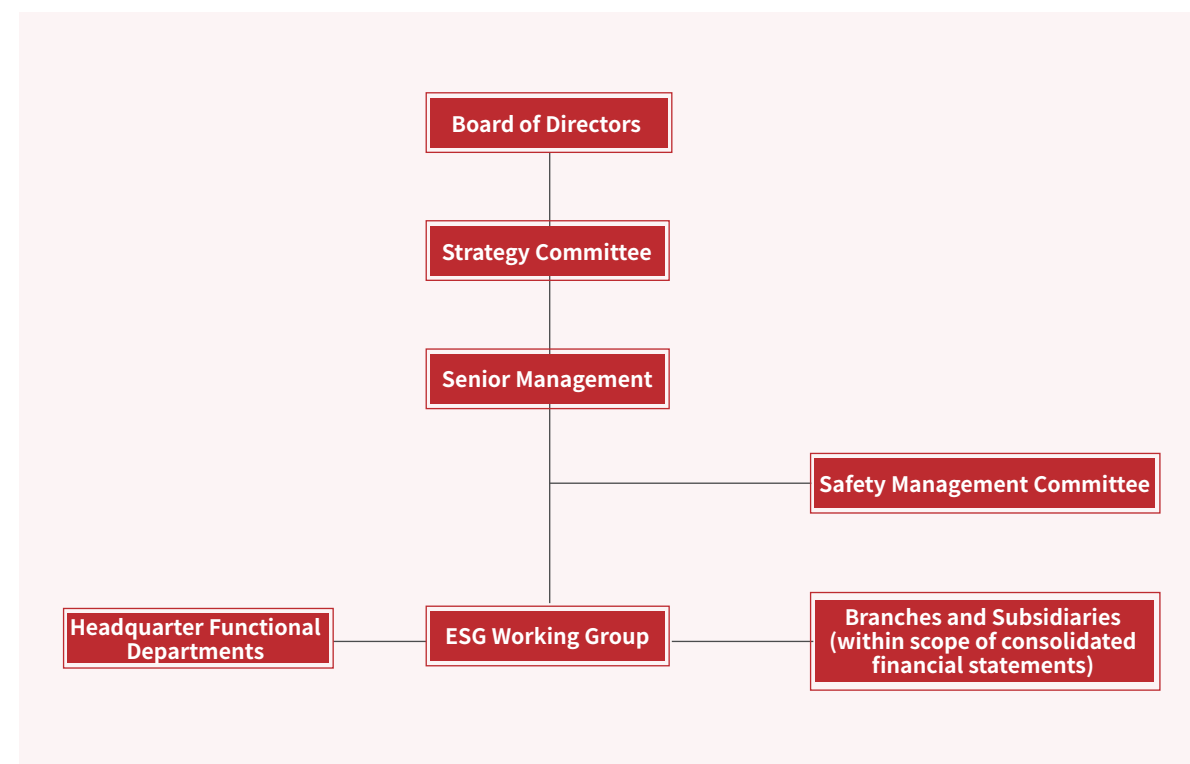
Responsibility Management

Stakeholders, including the government, investors, customers, partners, employees, communities and environment, are all indispensable in the development of the Company. COSCO SHIPPING Energy, following the CSR philosophy of Integrated Capacity and Infinite Capability, understands and responds to the appeals of all stakeholders and contribute to the sustainable development of the society by taking effective and accountable actions.

Social Responsibility Management

COSCO SHIPPING Energy is working in compliance with regulatory requirements to perfect its governance structure and incorporate ESG deeply into the governance system.

ESG Working Group, led by the business executives, coordinates and promotes ESG-related work of the Company. Relevant departments of the headquarters participate in the management of ESG topics according to functions. The Company's subsidiaries are also required to follow the ESG management framework in their operations.



ESG Management Structure

How does the Board of Directors participate in ESG Management?

The Board of Directors is the ESG decision-making body that plans for and promotes ESG management. As stipulated in the *Articles of Association*, *Rules of Procedure of the Board of Directors* and *Implementation Rules of the Strategy Committee*, the Board of Directors makes policies and supervises operations on sustainable development, environment, society and corporate governance; the Strategy Committee under the Board of Directors is responsible to study ESG strategies, set goals, develop evaluation mechanisms and proposals; and the executives are responsible to promote ESG management. The Safety Management Committee is the decision-making and coordinating unit of the Company's work safety, consist of the general manager and related executives of the Company, and the head of our subsidiaries. This Committee plays a crucial role in the decision-making and management of the Company's work safety.

Safety:

- **Goal Setting:** We set the annual safety goals and included the safety goal and safety management in the *Performance Report of the Board of Directors*.
- **Supervision and Management:** In 2020, we submitted the *Safety Performance Report* to the Board of Directors for review. The report covers the performance in work safety, environmental protection in 2020, and the targets and plans of safety and environment management in 2021.
- **Implementation:** The Safety Management Committee is set up to implement safety management through the ship management center, the safety supervision department and the technical support department.
- **Performance Management:** Managers at various levels sign the *Statement of Responsibility for Work Safety*.
- This document makes clear that the process and result of safety management will be evaluated, which is aimed to ensure effective safety management.

Environment:

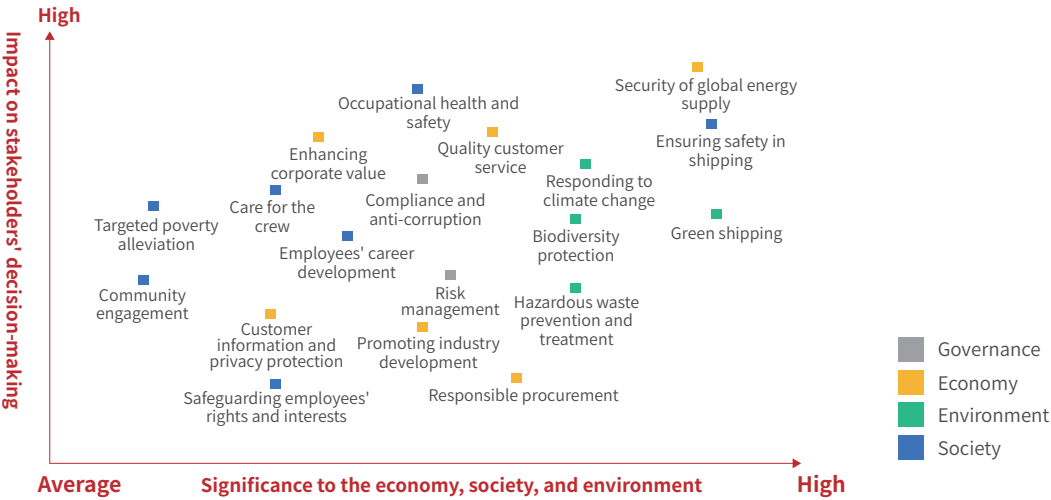
- **Goal Setting:** We set short-term and long-term environmental goals and decide on the path towards environmental management.
- **Supervision and Management:** The Strategic Committee of the Board of Directors is responsible for making plans and reviewing targets.
- **Implementation:** We established a leaders' group for energy conservation and tasks reduction. Its main function is to coordinate, supervise, guide and evaluate the environmental management. Accordingly, an administrative office was set to realize interdepartmental collaboration and ensure the implementation of working plans.
- **Performance Management:** The *COSCO SHIPPING Energy Performance Standards for Management Personnel* stipulates that energy conservation, emission reduction and environmental protection are obligatory targets for evaluating the performance of management personnel, which helps to ensure that environmental goals are attained.

Business ethics:

- **Planning:** The Audit Committee is responsible for formulating the annual work plan.
- **Supervision and Management:** The management coordinates integrity management, improves the management system, performs supervision to ensure the responsibility fulfillment and organizes integrity education.
- **Implementation:** The supervision and audit department is responsible for integrity supervision, develops proposals for addressing integrity risks and follows up the implementation of the proposals.
- **Institutional Guarantee:** The *Measures for Integrity Risk Prevention and Control (Trial)*, *Measures for Anti-Commercial Bribery (Trial)*, *Manual for Key Business Area Integrity Risk Prevention and Control* and *Manual for Anti-Commercial Bribery* are issued to arise and enhance the integrity awareness and ability.

Materiality Analysis

According to the material topics stipulated by the *GRI Standards* and *Environmental, Social and Governance Reporting Guide (HK-ESG)*, COSCO SHIPPING Energy has formulated the process, and has prioritized the material topics according to global standards. In addition, based on the trends in the industry, benchmarking results and studies on stakeholders, we have selected corresponding material topics. In 2020, we identified and ranked 19 material topics according to their economic, environmental and social influence, as well as their impact on the decision-making of stakeholders, and determined the key areas in corporate management and disclosure, to better respond to our stakeholders. The analysis results of material topics have been approved by the Board of Directors.



Analysis on Material Topics



Stakeholder Communication

On the basis of identifying stakeholders' appeal, fully understanding and analyzing the impact of business operation, the Company formulates and improves CSR strategic plans to achieve comprehensive value creation, and promote the establishment of sustainable ecology between company, industry and society.

Stakeholders	Main concerns	Responses of the Company
State-Owned Assets Supervision and Administration Commission of the State Council (SASAC)	<ul style="list-style-type: none">• Sustainable growth of corporate value• Compliance and integrity• Risk management	<ul style="list-style-type: none">• Promote the sustainable and steady growth of business and profitability• Strengthen communication with the SASAC• Release the CSR report
Shareholders	<ul style="list-style-type: none">• Sustainable growth of corporate value• Compliance and integrity	<ul style="list-style-type: none">• Enhance communication with investors• Improve profitability• Hold general meetings of shareholders• Release regular reports and CSR reports
Government / Regulators	<ul style="list-style-type: none">• Compliance and integrity• Risk management• Climate change• Eco-friendly shipping• Biodiversity protection• Prevention and control of hazardous waste	<ul style="list-style-type: none">• Abide by laws• Strengthen internal control and improve the supervision system• Create jobs opportunities for local communities• Facilitate upstream and downstream industrial development• Promote environmental protection practices in the course of business
Clients	<ul style="list-style-type: none">• Guarantee of global energy supply• Shipping safety• High quality customer service• Protection of customer information and privacy	<ul style="list-style-type: none">• Optimize the layout of the global branches• Customized services• Open channels for customer feedback• Ensure shipping safety and be prepared for responding to pirates and natural disasters
Employees	<ul style="list-style-type: none">• Safeguard basic rights and interests• Occupational health and safety protection• Career development of employees• Care for the crew	<ul style="list-style-type: none">• Provide decent remuneration and benefits• Organize professional trainings• Provide assistance to employees in need• Arrange the staff congress, employee dialogues and other communication meetings
Suppliers	<ul style="list-style-type: none">• Responsible procurement• Promote industry development	<ul style="list-style-type: none">• Provide equal opportunities and select the better ones• Require reasonable prices and quality services• Conduct responsible procurement and achieve growth with suppliers
Partners / Industry Associations	<ul style="list-style-type: none">• Promote industry development	<ul style="list-style-type: none">• Establish strategic cooperation agreements• Initiate university-enterprise communication• Participate in industry scientific research and development of industry standards• Attend industry forum meetings
Media	<ul style="list-style-type: none">• Compliance and integrity• Promote industry development	<ul style="list-style-type: none">• Hold media communication meetings and press conferences• Attend industry forums• Release company news
Communities	<ul style="list-style-type: none">• Community engagement• Public charity	<ul style="list-style-type: none">• Invest in community building and poverty alleviation• Participate in rescues and protect the safety of navigation
Social organizations	<ul style="list-style-type: none">• Community engagement	<ul style="list-style-type: none">• Release the CSR report to disclose performance in relation to the economy, safety, society, environment and other aspects• Donate to social organizations or pay membership dues

Risk Management

COSCO SHIPPING Energy keeps improving its risk management system. The Risk Control Committee of the Board of Directors undertakes risk management coordination and creates a sound working environment for efficient operations, which lays the foundation for sound development of the Company. The Company has rebuilt its "immune system" by formulating the *Handbook for Risk Management and Internal Control* which has been reviewed and approved. The handbook re-prioritizes risk management in the five key areas including strategy, market, finance, law and operation.

Each ship represents one risk management unit. Based on the *Handbook for Risk Management and Internal Control*, procedural documents on ship management and risk control, which helps to further build the risk prevention and control capacity. On November 23, 2020, the first issue of Compliance Monthly, a periodical dedicated to ship management, was officially released.

Improving risk management policies

We have developed a general risk management policy, specific risk management policies and daily risk management rules and procedures.

Optimizing the compliance management system

We have developed and issued the administrative measures for compliance management in key areas and the compliance manual, while improving compliance warning and risk screening mechanisms.

Upgrading the internal control system

We have upgraded such risk management modules as procedural documents, risk database, authorization list, templates library and database of risk warning indicators, and have enforced a three-in-one risk management system.

Risk Management Mechanism



Case Risk prevention and control during COVID-19

In order to prevent potential COVID-induced default risks, COSCO SHIPPING Energy set up a COVID-induced risk assessment team. It identified, analyzed and assessed 16 relative risks. The *Analysis of on Potential Contract Risks induced from COVID-19* was thus released based on in-depth analysis. Risks concerning ship repair and ship building, procurement services and time charters and other legal risks were specified in the report. Targeted measures and preventive plans were developed accordingly for different departments of the Company to prevent and control risks. All departments and subsidiaries of the Company also reviewed the terms of the contracts that they were performing to identify default risks and developed targeted risk control strategies.

Integrity Management

COSCO SHIPPING Energy abides by laws and regulations, operates in compliance with business ethics, and fulfills its commitments to stakeholders in a responsible manner. As we operate globally, we have developed an integrity management system that aligns with international business ethics standards to ensure integrity at any location in the world. The Company has developed a systematic integrity management model which helps to ensure integrity in every job position, every business process and every business project as well. It is a great achievement that, in 2020, there is no charge for corruption for the Company.



Integrity management

We organized the signing of the *Statement of Commitment to Dual Duty for Stringent Party Governance* and *Statement of Commitment to Integrity*, held group and individual conversation sessions to facilitate the fulfilment of integrity management duty, and updated the integrity records regarding personnel in management roles.



Integrity risk prevention

We carry out integrity risk assessment and area-specific and routine inspections to identify integrity risks and follow up with risk mitigating progress. In order to minimize integrity risks, we conduct in-depth studies on the *United Nations Convention against Corruption*, *Foreign Corrupt Practice Act of the United States*, *Bribery Act of the United Kingdom* and anti-corruption laws of China.



Integrity audit

We conduct internal audits according to the annual audit plan, prepare and submit an audit report. In 2020, we completed twelve integrity-related internal audits, covering five subsidiaries and three major projects; we also conducted quarterly online audits penetrating the entire company on business entertainment and conference expenses and the safety expense accrual and spending.



Reporting system

We have created an e-mail account and a hotline for reporting and a dedicated team to document and handle reported issues. We have formulated the *Rules for Penalizing Violation of Laws and Regulations* and *Anti-Corruption Administrative Measures* to safeguard the privacy and the legitimate rights and interests of whistleblowers and protect them from retaliation. We have also developed an incentive mechanism that rewards crew members who report significant issues.



Integrity culture

Internally: We design anti-corruption education plans for all employees and enhance their awareness of maintaining integrity through holiday anti-corruption reminders, case studies, policy interpretation and themed trainings. Externally: We conduct supplier anti-bribery due diligence and annual anti-bribery assessment, and require that all suppliers sign the *Letter of Supplier's Commitment against Commercial Bribery*.

Integrity Management Mechanism

We are highly resolved to create the corporate culture that cultivates integrity. In 2020, the Company organized six integrity training programs that involves all members of the Board and employees to enhance their awareness.

Training for shore-based employees



- Training on corruption risk prevention and anti-commercial bribery in key business areas
- Virtual training on discipline inspection and supervision
- Warning lessons from typical cases

Training for offshore employees



- Integrity training at the duty debriefing meetings of the Captains, Chief Engineers and Commissars
- Integrity training for Commissars of COSCO SHIPPING Group
- Educational integrity dialogues with the boarding crew
- Warning lessons from typical cases

Integrity Training 2020

Sustainable Supply Chain

A supply chain can be compared to not only a platform where enterprises cooperate for win-win results but also a bridge through which enterprises exchange ideas on social responsibility. COSCO SHIPPING Energy, while building its capacity for better fulfillment of its responsibilities, embeds its social responsibility philosophy into its supply chain. We select ethically responsible suppliers and implement responsible procurement and supervise the selection and implementation processes for ensuring that our suppliers fulfill their social and environmental responsibilities. We work with the whole industry to promote sustainable value creation.

Lean Procurement and Supplier Management

COSCO SHIPPING Energy requires its procurement and supplier management systems to keep up with the times and to effectively avoid environmental and social risks by integrating sustainable development concept such as morality, human rights, and environmental protection. We have formulated and implemented the *Measures for Procurement Management* and *Measures for Supplier Management*, which facilitates the development of a comprehensive and standardized management system. We start with the supplier access conditions, requiring suppliers to submit industrial and third-party certification documents on quality, safety and environmental protection before the inclusion, ensuring that our suppliers fulfill their responsibilities and share our sustainable development philosophy that focuses on ethics, human rights and environmental protection.

Supplier Supervision

COSCO SHIPPING Energy annually conducts the supplier evaluation in which the suppliers are assessed against the criteria of physical safety, food, environmental safety, ethics and anti-commercial bribery to supervise the suppliers' fulfillment of social responsibility. The Company also conducts the supplier management audit to standardize the supplier management procedural rules. In 2020, the Company set up an inspection group, focusing on the procurement compliance and standing book integrity. Departments that failed in the investigations were required to take corrective measures for preventing commercial bribery and ethical risk.

In 2020

578 suppliers operate directly under COSCO SHIPPING Energy

Supplier audit covered **100%** suppliers



01 Create Infinite Value with Development of the Times >>>

The development of oil and gas industry ties closely to the global economy. Ensuring the steady development of global industrial chain during the economic recession triggered by COVID-19 has a distinct epochal value. COSCO SHIPPING Energy, committed to becoming an outstanding leader in global energy transportation, has played a key role in ensuring a safe and stable oil and gas industrial chain. We share sustainable resources and wisdom with industry partners and customers to create value for society.

Our Actions



We actively dedicate to improve our LNG shipping capacity and explore the Yangtze River LNG shipping solution for promoting green energy transformation in China.



We adhere to the operation philosophy of seizing the momentum and adapting to market changes. We strive to build world-leading energy transportation capacity and create stable profitability by making the most of our competitive advantages and operating under a flexible and efficient business model.



We highly value collaboration with industry partners and conduct research with universities and institutions for boosting high-quality development.

By the end of December 2020

We owned and
controlled**160** oil tankers

with a total capacity of

23.72 million DWT**38** LNG carriersthat we invested in and had
been in operation

with a total capacity of

6.42 million
cubic
meters

We had

3 LNG carriers
under constructionrepresenting a total
capacity of**522** thousand
cubic
meters

Developing a World-Leading Energy Transportation Business

Energy is indispensable to high-quality socioeconomic development. Fair and mutually beneficial energy cooperation is becoming important for countries that seek common development. We forge ahead together with upstream and downstream players in the energy industry. By improving our shipping capacity, and increasing shipping routes, we strive to provide all types of tankers and 24/7 global services and contribute to the global economic prosperity.

Industry-Leading Fleet

With the strategic goal of being a "global carrier" and becoming a key player in the global oil and LNG shipping industry, we actively made adjustments to shipping routes and source of cargo according to the market condition in 2020, taking benefits and efficiency into account. We increased the proportion of "triangular routes", to enhance our resilience in the industrial chain to better meet the global energy demand.

Advantageous tonnage capacity

We have a well-developed fleet of oil tankers that ranks the first in tonnage scale in the world.

Optimized route network

We optimize the distribution of routes and build a highly efficient global shipping network.

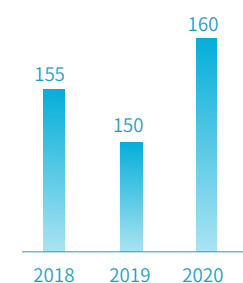
Overseas service offices

We have set up overseas offices to share marketing, cargo sourcing and transportation resources for better resource integration and coordinated development.

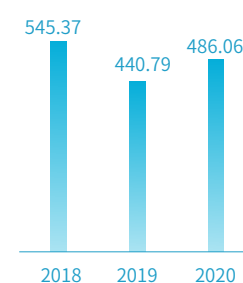
Valued projects

We are developing projects related to the industry chain of oil & LNG transportation, so as to broaden the market we serve and our brand influence.

Fleet with International Competitiveness



■ Shipping Volume
(million tonnes)



■ Transportation Volume Turnover
(billion tonne-miles)

A Trustworthy Partner for Global Customers

We seek to establish new business connections and enhance cooperation with global partners via our eight customer service and operation platforms. These platforms improve the structure of our cargo sources, and make us a trustworthy partner for our global customers. In 2020, the Company stepped up efforts in fostering business relationships with new customers and expanding its global shipping network.



Supporting the Green Energy Transition

In the *2050 World and China Energy Outlook*, the natural gas demand of China is expected to continue to grow, as it is a realistic choice for achieving carbon neutrality. Being aware of the inherent demand for green energy development, COSCO SHIPPING Energy takes LNG shipping as the "Second Development Curve", which has helped to optimize our business mix and boost the green development. The Company has also shared its LNG shipping experience for promoting the development of LNG industrial chain and green energy transformation in China.

Captain Energy Classroom

Liquefied Natural Gas (or LNG) forms when natural gas (predominantly methane) is cooled to -163°C. The cooling process shrinks the volume of natural gas 625 times, making it easier to store and ship. LNG carriers are expensive high-tech products that are technically difficult to manufacture and have high added value.

LNG Shipping, the "Second Development Curve"

COSCO SHIPPING Energy is committed to becoming a key player in the global LNG shipping market. And the Company has been working to improve all that is needed for LNG shipping projects. In 2020, COSCO SHIPPING Energy established its own ship management company to enhance the manufacturing and management capacity for LNG carriers. The establishment has made the Company qualified to participate independently in international LNG project tenders. In order to become competitive in LNG carrier management, COSCO SHIPPING Energy has developed a high-quality LNG carrier management platform, in which a perfect ship management system and a crew training system were established, making LNG ship management the core competitiveness of the Company.

Case: An innovative approach to cooperation with upstream and downstream players that drives the integrated development of the LNG industrial chain in China



Led by COSCO SHIPPING, the Company, joining PetroChina International Co., Ltd. and Hudong-Zhonghua Shipbuilding (Group) Co., Ltd., has participated in the PetroChina International Project, an LNG shipping project that is initiated, operated and managed solely by Chinese industrial players. The innovative approach to cooperation where the shipper, the ship owner and the ship builder form a win-win ecosystem has accelerated the integrated growth of the LNG industrial chain. In operating the joint project, the Company steps up its efforts to develop the tech team and talents for LNG shipping, its "Second Development Curve".

The PetroChina International Project is the first project that is invested solely by a Chinese LNG carrier owner, supervised solely by Shanghai LNG and managed solely by the wholly-owned ship management company under Shanghai LNG. The project is a milestone in the history of the Company, representing its efforts in seeking cooperation with players along the LNG industrial chain to drive its integrated expansion.

In 2020

Shanghai LNG had **7** LNG carriers operating under the Yamal LNG Project

where **66** voyages were accomplished

representing a transportation volume of **10.74** million cubic meters

Case The Yangtze River LNG Shipping Solution drives the green development of the Yangtze River Economic Belt



Natural gas has become an important transition fuel for addressing pollution and climate change. The importance of the Yangtze River Economic Belt to China's ecological security makes it imperative to promote the use of LNG in this region. The cost of trailers used for LNG inland transport however limits the delivery scope. LNG waterway transport thus can be developed as a crucial alternative.

COSCO SHIPPING Energy, guided by COSCO SHIPPING, has established a joint project team for designing and developing LNG carriers dedicated to domestic trade in cooperation with Shanghai LNG, Jiangnan Shipyard (Group) Co., Ltd., COSCO SHIPPING Heavy Industry Co., Ltd., Shanghai Ship and Shipping Research Institute and China Classification Society via the Joint Innovation Studio for Shipping Technology. The Company has utilized its LNG shipping experience, designed and developed the new type of small size river-sea LNG carriers that are smart, efficient and energy-saving and customized for LNG terminals along the Yangtze River. The new type of LNG carriers has received an Approval in Principle (AIP) from China Classification Society and has also been widely recognized by industry experts. It has provided data support for LNG shipping along the Yangtze River in a detailed and scientific way.



Promoting Flexible and Innovative Operating Models

Responsive operation strategies and flexible and innovative business models are core competitiveness of shipping enterprises. Taking advantage of its large fleet scale and the qualification satisfying both domestic and international operation, COSCO SHIPPING Energy adjusted its capacity input according to different market conditions. In times of crisis, the Company was able to maintain sound relationships with customers while creating economic value, spend difficult time with them and ensure their long-term stable development.

Despite the turbulence of the oil shipping market caused by COVID-19, COSCO SHIPPING Energy succeeded in translating crisis into opportunity by below two transformations, owing to a complete range of ship types and the qualification satisfying both domestic and international operation.

Shift in vessel coordination

We have closely monitored dynamics in the domestic and international markets to more effectively coordinate our vessels that are qualified to operate in both markets, so as to improve fleet flexibility and economics.

We have enhanced our cooperation with domestic independent refineries following the rapid growth in their refining capacity, and have actively sought potential market expansion while facilitating their development.

Shift of market focus

Flexible Reactions in the Epidemic

Case

Coordinating tonnage resources for domestic and international trade to ensure a stable industrial chain



Quarantine measures during COVID-19 reduced the efficiency of seaborne energy transportation. With the resulting shortages of shipping capacity, the domestic demand for energy import and export was under-met, posing a risk of supply chain disruptions.

A key client suspended its oil shipment pick-up during the pandemic in 2020 when it failed to match required capacity to serve international trade. Following the customer-oriented strategy, the Company quickly responded by coordinating ship resources between domestic and international markets, offering tanker Fei Ma Zuo which was the geographically optimal choice for this mission. Eventually, the Company rapidly solved the crisis with its professional transportation capacity, winning trust and recognition from the client.

In 2020

39 shipments of connected domestic and international voyages with vessels qualified to operate in both market segments

which increased by **7** on a year-over-year basis

contributing to a profit increase of around

120 million RMB

Providing Well-Targeted Customer Service

Competitiveness of shipping companies lies in the quality services provided to customers. We adhere to our values of credibility, safety, efficiency and transparency in practicing the customer-oriented principle to enhance the reliability of our service. We have been improving the lifecycle customer service system, to better understand and meet customer needs. We customize whole-process shipping solutions, establishing diverse and sustainable partnerships. We value customer privacy and thus have formulated the *Measures for Customer Management* to strictly control the access to and the use of customer information. In 2020, driven by the lifecycle customer service management approach, the Company recognized critical processes in customer service and explored areas of improvement in customer serving, communication and feedback to upgrade our service management systematically and attain better customer satisfaction.

- We developed new measures for managing the quality of our transportation services, conducted in-depth analysis on typical cases and optimized critical client-serving processes, in order to effectively protect clients' economic interests and improve our market reputation.



- We developed the customer satisfaction survey function in our customer service application to encourage feedback and suggestions so as to better respond to customers' needs.

- We have improved our customer service mobile application Captain Energy to provide pandemic-related information, have upgraded online interactive functions to allow online access to customer service managers, and have launched CCTV camera to make monitoring of the transportation process possible and increase our service transparency.

Improving Customer Service Management

Case

Designing customized transportation solutions to ensure timely and professional service



Our customers may suffer when their needs for scheduled shipping capacity are not available due to harsh weather conditions or port congestion. To help our customers manage risk, we provide customized transportation solutions, safeguarding our reputation as an efficient energy transportation company. In daily operations, the Company develops transportation plans in advance where sound capacity arrangements are made to ensure safe and timely delivery. The Company has also maintained close contact with other shipping companies with whom consensus are reached that when emergencies such as capacity shortages occur, ships positions and cargo sources could be exchanged with them for arranging alternative vessels in time, bringing flexible and efficient services to our customers and increasing their satisfaction.

In 2020

The Company received a total of **6** customer complaint cases

We handled and concluded **100%** of the received cases

winning a **100%** customer satisfaction rate

Building a Win-Win Industry Ecosystem

As one of the key players along the supply chain of the energy industry, COSCO SHIPPING Energy adheres to the concept of cooperating with upstream and downstream players for win-win development. By making use of our influence and leadership, we connect upstream and downstream players in creating an industry ecosystem where all players are interdependent to drive high-quality development of the industry.

Establishing China Pool

The volatility of the global oil and gas shipping market requires increasingly advanced ship technologies and specialized ship types, posing significant operational risks for both upstream and downstream players in the energy transportation industry. The Company, however, has discovered opportunities amidst the challenges by promoting China Pool, which closely connects the upstream and downstream players in the industry. The cluster effect will increase the efficiency and benefit of energy trade.

COSCO SHIPPING Energy has been working to build the brand influence of China Pool by setting high standard on employees, suppliers, ship owners, service quality and charter party clauses, aiming towards a new pattern of oil transportation development. In 2020, the Company formulated the supplier management mechanism and the new ship access mechanism of China Pool and improved the internal management system for grounding its entrance to the global market.

01

Supplying quality services

The commercial pool ensures the supply of large tonnage capacity and a complete range of ship types, enabling the provision of reliable and professional services to ship cargoes in various volumes and of different regions.

02

Lowering costs with high operating efficiency

The commercial pool elevates the scale of fleet, market share and influence by grouping external tonnage resources without extensive investments in self-owned vessels.

03

Enhancing profitability from more active fleet employment

The commercial pool enables the involving ship owners to increase their ship utilization rate, operating revenues and profitability.

The Win-Win China Pool Model

Promoting the Robust Development of the Industry

Sustainability depends on precise directions and solid partnership. COSCO SHIPPING Energy actively works with universities, institutions, other energy transportation companies and upstream and downstream players to embrace digital transformation with innovative technologies.

The energy and petrochemical industry has a long industrial chain and a long trading cycle with multiple participants handling trading settlement cross borders, which makes it difficult to improve the efficiency. Introducing blockchain technology to energy and petrochemical trading enables real-time, transparent and secure exchanges of trading information (i.e. documents and contracts) on energy and petrochemical assets among participants in the industrial chain and cross-validation of transactions, which reduce operational risks and increase the operational efficiency. In 2020, COSCO SHIPPING Energy Transportation Co., Ltd. deepened cooperation with nine important industry chain partners, with whom the company jointly established the Gateway Blockchain Alliance. The alliance, starting from chemicals, explores the application of blockchain technology in the energy and petrochemical sectors. In addition, the company and members of the Gateway Blockchain Alliance jointly released the *White Paper for the Application of Blockchain Technology in the Energy and Petrochemical Industries* to provide support and experience for the two industries to realize digital transformation through deepened application of blockchain technology.

By the end of December 2020

The Company had joined

22

industrial associations

Released 90 research results such as market projections and industry trend analyses via its customer service app

“

Blockchain with transaction traceability and token incentives, is secure and tamper-proof. Applying the blockchain aligns with our customer service philosophy of "Credibility, Safety, Efficiency and Transparency". In our constant pursuit of excellence, we will make use of the innovative blockchain technology to provide higher-quality services for our customers.

——— Liu Hanbo, Chairman of COSCO SHIPPING Energy

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Our Actions

3 GOOD HEALTH AND WELL-BEING



We strive to promote the safety culture and make the working environment conducive to the physical and mental health of each employee and crew member.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



We improve the occupational health and safety management system, and work towards the target of zero-accident in the workplace with stricter risk prevention and control measures and emergency management.

02 Anchor on Safety to Foster Stable Development >>>

Safety is the lifeline for energy transportation enterprises. Because of the inherent risks of energy transportation, we must adhere to high standard of safety management and make the safety concept & awareness deeply rooted among all our employees.

Safety and environmental policies

- Protect health of personnel
- Ensure safety of ships
- Protect the marine environment

Safety management target

- Zero injury
- Zero accident
- Zero pollution

Safety concepts

- Safety risk is the biggest risk of the Company
- Safety has the absolute priority
- All accidents can be prevented
- Ensuring safety is the top responsibility of every employee
- Ensuring safety is the best care for employees
- Achieve intrinsic safety and safe development
- Safety is the brand and core competitiveness of the Company
- Safety management is mainly preventive work, involving all aspects, all employees and all processes

Development of Safety Culture

The core of safety management is managing people. Both the starting point and ultimate goal of safety management are to protect the life and health of people. Crew members who work on the front line in energy transportation business are the mainstay of our safe operation. As shore-based employees are connected with crew members at work, we are also committed to bringing every shore-based employee in and witness the improvement of our safety management. We strive to create a culture where everyone values and ensures safety.

Operational safety publicity and education

We organized events such as "The Month of Safety" "The Month of 119 Firefighting Campaign" to raise employees' awareness of operational safety policies, laws and regulations, safety knowledge, accident prevention strategies and self-protection skills

Safety knowledge competition

More than 400 onshore and offshore employees participated in the national Ankang Cup Knowledge Competition; more than 350 onshore and offshore employees participated in the Company's Ship Safety Knowledge Contest.

"Find Potential Safety Hazards Around Us"

- We received 441 photography entries from 82 ships, of which 120 won awards.
- We organized a photo exhibition with the theme of "Everyone is a safety officer."

Featured activities for safety culture development

Safety Management System

Guided by the strategy of "world-leading safety marketing", we are pursuing safety management with better understanding, clearer goals and more unified actions. To further specify the governing body of safety management as well as its support and oversight responsibilities, we established a new high-standard safety management system in February 2019. The new system has set up an internal control mode for relevant departments and teams to conduct mutual supervision and inspection, continuously enhancing our safety management capability. Also, our "Three-in-One" management model and integrated management are becoming more effective in safety management. In 2020, we added and revised rules and regulations such as the *Work Safety Standardization Manual* and *SMM Safety Management Manual* to strengthen the foundations of safety management. In addition, the Board of Directors enhanced its participation of safety management by reviewing and considering the annual *Safety Performance Report*.

"Three-in-One" management model

- Safety Supervision Department: Leading a safety culture and overseeing the safety management system
- Ship Management Center : Executing safety management functions on all fronts
- Technical Support Department : Performing timely and adequate technical support

Integrated management

- Managing Director's Office: Fulfilling responsibility for shore-based safety management
- Human Resources Department: Fulfilling responsibility for shore-based occupational health management

Safety management model

Our safety management system complies with applicable international and domestic mandatory regulations and rules associated with occupational health, safety and security, as well as applicable rules, guidelines and standards that are suggested by relevant authorities, classification societies and industry organizations adopted by the Company.

Certification of the safety management system		
Name	Certified by	Valid until
GB/T 33000-2016 Guideline of China occupational safety and health management system	China Classification Society Certification Company(CCSC)	Dec.1,2023
Document of Compliance (DOC) for China-flagged, Hong Kong-flagged and Singapore-flagged ships	China Maritime Safety Administration (CMSA)	Jul.21, 2024
DOC for Panama-flagged ships	China Classification Society (CCS)	Aug.8, 2024

External safety audits of business lines					
Safety audit	Auditee	Audited by	Frequency	Key audit focus	Result
DOC audit for China-flagged, Hong Kong-flagged and Singapore-flagged ships	COSCO SHIPPING Energy	CMSA	Annual	Verify the compliance of the Company's safety management system with the requirements of the <i>International Management Code for the Safe Operation of Ships and for Pollution Prevention</i> , which is applicable to tankers and chemical ships	Obtained the annual endorsement of the corresponding DOC
DOC audit for Panama-flagged ships	COSCO SHIPPING Energy	CCS	Annual	Verify the compliance of the Company's safety management system with the requirements of the <i>International Management Code for the Safe Operation of Ships and for Pollution Prevention</i> , which is applicable to tankers	Obtained the annual endorsement of the corresponding DOC
Domestic trade DOC audit	COSCO SHIPPING Energy	CMSA	Annual	Verify the compliance of the Company's safety management system with the requirements of the <i>Management Code for the Safe Operation of Ships and for Pollution Prevention of the People's Republic of China</i> , which is applicable to tankers	Obtained the annual endorsement of the corresponding DOC
Work safety standardization evaluation	COSCO SHIPPING Energy	CCSC	Annual	Verify the compliance and operational effectiveness of the Company's work safety standardization system, inspect the Company's shore-based daily management activities, and review the rectification of problems identified in the self-evaluation	Obtained the Level I Certificate of the Transportation Enterprise Work Safety Standardization Evaluation
TMSA	COSCO SHIPPING Energy	British Petroleum (BP)	Biennial	Review the relevant regulations in the documents of the Company's safety management system and the execution of the system in accordance with TMSA elements; conduct spot checks of records related to safety management, identify problems and provide corresponding advice	Obtained the qualification of entering time charter party
QHSE audit	Shanghai LNG	Lloyd's RegisterQuality Assurance(LRQA)	Annual	Audit the implementation of the system, verify the compliance of the system management activities of each department, as well as the continued effectiveness of the system	Proved effective

In 2020

General and above accidents

0

Minor accidents

6

External safety management system certification and audits help us determine whether our safety management system is appropriate, effective and adequate. We have also been strengthening the identification, prevention, control and rectification of safety management risks through annual internal audits of the safety system.

Internal audits of the shore-based safety system (covering all businesses)			
Auditee	Frequency	Key audit focus	Result
The Company's executive level and 16 departments within the system	Annual	<ul style="list-style-type: none">Verify the compliance and suitability of the company's integrated management system documentsVerify the compliance of the functioning of the shore-based integrated management system with the requirements of the ISM/NSM CodeReview and verify the compliance of shore-based management activities with the requirements of applicable conventions, laws and regulations	The management system, established in accordance with the requirements of the ISM/NSM Code, MLC2006, relevant international and domestic regulations, rules and provisions, TMSA standards and industry guidelines, meets the requirements of the Company's management policy and objectives, and the audit results show the Company's management system is running effectively.

Meanwhile, we carry out strict safety management performance assessment. According to the *Work Safety Supervision Measures (Trial)*, *Work Safety Results (Accident/Incident Assessment)* and other rules and regulations, relevant employees of all levels shall sign the *Liability Statement for Work Safety and Environmental Protection*. Safety management indicators, including the number of Work safety accidents and the number of major risks not identified or reported in time, are directly linked to the performance of the Company's executive suite. Any major safety and quality accidents will result in a reduction of the executive suite's annual pay. We hope these stringent measures will help us build a solid line of defense against work accidents.

	Unit	2020	2019	2018
Work-related fatalities	person	1	2	0
Work-related fatality rates	%	0.01	/	/
Lost days due to work injuries	day	2	/	/

For accidents in productive activities, we have conducted in-depth analysis and formulated corresponding corrective and preventive measures. On that basis, we carried out discussions and self-examination, themed on rethinking and learning from the accidents. During the whole process, 534 rectification and improvement plans were made and the safety awareness of all employees were further strengthened.

Ship Safety Risks

Ensuring ship safety is the most important risk control measure for energy transportation enterprises. With the belief that all accidents are preventable, we put "treat the potential hazards as accidents" as a cautionary measure for the prevention and control of ship safety risks. In 2020, we refined our implementation plan for three-year action on special remediation of work safety, improved the safety risk prevention and control mechanism, and advanced the revision of the *Instructions for Ship Safety Inspection Management* and other rules and regulations. In addition, we developed an intelligent monitoring system to further improve the effectiveness of ship safety risk prevention and control by identifying and analyzing three major risk categories, namely navigation area (area warning), navigation status (ship monitoring) and operation type (operational warning).

- Hierarchical control of safety risks**
Regulating risk analysis and control, creating risk assessment templates for ship deck and engineering operations, updating the list of hazard sources and the list of important environmental factors, and verifying the implementation of risk assessment with shore-based inspection
- Building up the system for hazard detection**
Combining risk control with hazard detection and elimination, and improving the three-tiered system of shore-based inspection, supervision by affiliated units and self-inspection of ship units, so as to achieve accurate detection and control at the roots.

Dual risk control mechanism

Case "Cloud Boarding", a new model of ship safety supervision

Digital transformation has become the accelerator to enhance the core competitiveness of the Company, and also brings solutions to carry out on-site ship safety supervision in the context of the COVID-19 pandemic. In 2020, the Company made full use of VDR, CCTV and VSAT, as well as communication tools such as DingTalk and WeChat, to conduct remote & non-contact verification on key links of ship safety management, and to carry out comprehensive spot checks on ship's safety & operation and crew's working condition.

- Routine supervision:** The inspection of ship's safety management and system implementation is conducted by the Company's shore-based management personnel with full consideration of ship's navigation status, without affecting work safety.
- Joint supervision:** The Company's shore-based management personnel conduct inspection when ships are at berth or anchorage, and maritime security personnel participate the remote inspection via CCTV or WeChat. During the reporting period, the Company conducted 44 "Cloud Boarding" inspections, making safety management more intelligent and safety supervision more efficient.

Health and Safety Management of the Crew

The health and safety standards for our regular employees applies to all of our crew members. Relevant management and practices are ensured through strict internal and external audits (by classification societies, maritime authorities, etc.) on annual basis. Most of our crew members are hired from COSCO SHIPPING Seafarer Management Co., Ltd. (COSCO SHIPPING Seafarer Management), a subsidiary of COSCO SHIPPING, specializing in crew management. We have signed the *Crew Management Service Agreement* with this seafarer management company, specifying our respective responsibilities including labor protection, occupational health and accident treatment in accordance with the International Labor Organization's *Maritime Labor Convention 2006*.

Prior to boarding

COSCO SHIPPING Seafarer Management provides safety skills training and safety awareness campaign for crew members in strict accordance with COSCO SHIPPING Energy's safety management system.

After boarding

shore-based management personnel will continue to supervise the safety management and practice of crew members in accordance with COSCO SHIPPING Energy's safety management system, improve their safety operation skills and ensure work safety by equipping them with complete labor protective equipment and practical training.

Identification and control of health and safety risks for the crew		
Key risks & operations		Targeted measures
Oil gas Waste gas	Engine-room operations Cargo operations	<ul style="list-style-type: none">Equip the crew with personal gas detectors and other protective equipmentVentilation and gas freeOxygen, explosion and toxicity measurement
Noise	Engine-room operations Pump room operations	<ul style="list-style-type: none">Equip the crew with earmuffs, earplugs and other protective equipmentLimit the work time of the crew in noisy environments
Vibration	Engine-room operations	<ul style="list-style-type: none">Improve the quality standards of newbuilding ships and reduce the vibration level of equipment and the workplaceRepair and retrofit the equipment with high vibration level of old shipsAdjust the RPM of main engine and guide the crew away from the resonance zone so as to reduce the vibration effect
Electric arc radiation Welding fume		<ul style="list-style-type: none">Equip the crew with adequate protective equipmentProvide standardized operational guidance
Chemicals		<ul style="list-style-type: none">Equip the crew with adequate protective equipmenProvide standardized operational guidanceCentralized management and control of dangerous substances by designated personnel.

Emergency Management

We minimize ship safety risks by continuously improving the identification and control mechanism. Also, we have established a complete emergency management system to regulate the responses of the Company and the crew in case of onshore or offshore emergencies, making it our top priority to prevent or minimize casualties. Based on the principle of "unified leadership and hierarchical accountability", we have set up an emergency management leading group headed by the general manager, who organizes the formulation and revision of the Company's emergency plans, supervises and inspects the implementation of the management system. All affiliates established the emergency response organization, responsible for work safety emergencies of different business types and severity. In 2020, we revised the *Special Plan for Shore-based Emergency, Record and Annexes of the Special Plan for Ship Emergency*, among other rules and regulations.

Typhoon and flood prevention success rate

100%

Anti-piracy success rate:

100%

Cyber Security Management

Promoting the application of data-driven technologies and implementing optimized digital solutions among ships could cause certain cyber security risks, threatening the safety of ships shore-based operations. With full awareness of the necessity of a sound cyber security system, and to establish such system, we have revised relevant rules and regulations, including the *Special Emergency Plan for Ship Network Information Security Practice*. We have specified management institutions and responsibilities, and standardized basic management requirements and emergency response procedures in accordance with the Company's regulations on network information security management. While improving the organization and mechanism, we have also built a firm cyber security shield by strengthening the monitoring of cyber security during key meetings and holidays, regularly inspecting and reinforcing energy servers stored in the cloud data center, and preparing a simple guide to mail security. In 2020, the Company reported no cyber security incidents.

Core Competitiveness of Safety

COSCO SHIPPING Energy adheres to the strategy of "global leadership in safety marketing" and strives to enhance customer loyalty through stable, reliable and excellent safety management performance. At the same time, we value each safety service, win customers' trust and confidence with professional safety assurance. In 2020, we furthered our cooperation with ports and terminals, cargo owners and maritime authorities to provide ships with comprehensive safety services.



03 Achieve Green and Sustainable Development >>>

In response to such global issues as climate change, as well as China's goal of "peaking CO₂ emissions before 2030" and "achieving carbon neutrality before 2060", COSCO SHIPPING Energy follows the strategy of green development, leading the green and intelligent shipping with forward-looking environmental management and research capabilities. We are striving to become an outstanding leader in global energy transportation.

Our Actions



We explore the application of dual-fuel technology on ships in line with the trend of transformation to intelligent and green ships, so as to promote innovation and sustainable development.



We keep strengthening environmental management throughout the ship's lifecycle, and increasingly adopting green technologies to improve the overall energy efficiency of the fleet.



We strictly manage discharge of ballast water and oily water treatment procedures, and strictly control accidental oil spills to fulfill our commitment to biodiversity.

Enhancing Whole-process Environmental Management

We strictly comply with international, domestic and industry laws and regulations, and have established a ship-shore collaborative environmental management system in line with our environmental factors. To reach the goal of "zero pollution, high efficiency and low emissions", we have been working hard to reduce the environmental impact of ship transportation in all operation cycle which would damage the ocean, atmosphere and ports.

Establish an Environmental Management Organization

To achieve our environmental targets, we have established a leaders' group for energy conservation and emission reduction and a designated office to manage such actions to coordinate and supervise major environmental issues. Captains, Commissars, Chief Engineers and Chief Officers formulates their joint responsibility to make sure that our environmental policies and mechanisms are implemented (Our environmental management adopts the same organizational structure as safety management, which is specified in the section of "Safety management system").

We regard environmental management as a key issue on the agenda. We have set reasonable objectives and plans, and carry out performance assessment on energy conservation, emissions reduction and ecological environment protection as restrictive parameters in the assessment of top executives. In 2020, we formulated the *Liability Statement for Work Safety and Environmental Protection* in accordance with relevant policy documents, including the *Interim Measures for the Supervision and Management of Energy Conservation and Emission Reduction at Central State-owned Enterprises*, *Guidance of COSCO SHIPPING on Strengthening Environmental Protection and Administrative Measures of COSCO SHIPPING Energy on Work Safety (Trial)*. Specifying the targets of environmental accident control and the criteria for performance assessment, the liability statement will guarantee long-term operation of the management mechanism. All employees in charge of environmental management must sign the liability statement to ensure the implementations at each level. In 2020, we focused on empowering ship management with information technology. We perfected our Ship Management Information Standardization Platform, improving its functions and enhancing its capability of digital lean management. Now the platform has a new module of planned maintenance and oily water management, which can carry out real-time monitoring of ship operations to ensure that they are in the best conditions.

Identify and Manage Environmental Impacts

We have sorted the identification of ship environmental factors, by ranking environment impact factors during ship navigation by their effect degree, and taking administrative measures accordingly to allocate resources while minimizing environmental impacts.

Emissions to the atmosphere

- Carbon dioxide (CO₂)
- Sulfur oxides (SO_x)
- Nitrogen oxides (NO_x)
- Ozone-depleting pollutants (gases such as Freon)
- Volatile organic compounds (VOCs)
- Chimney particles
- Incinerator waste
- Inert gases

Emissions to the ocean (normal)

- Tank cleaning water
- Oily water from the engine room
- Sewage from ships
- Grey water
- Ballast water
- Ship garbage
- Paint
- Chemicals
- Water from scrubber and deck
- Water seal
- Biofouling

Emissions to the ocean (accidental)

- Leakage of cargo (cargo oil, bulk toxic liquid)
- Leakage of oils, including fuel oil and lubricating oil

Noise

- Noise (including underwater noise interferences)

COSCO SHIPPING Energy environmental management polices and regulations

Major environment impact	Major management policies and documents
Discharge of oil pollutants	<i>Oil Tank Washing, Oil Record Book, Management of Fuel Oil and Lubricating Oil, Ship Oil Pollution Emergency Plan, Tanker Cargo Operations, Oil Tanker Ship-to-Ship (STS) Operation, Special Emergency Plan for Ship Emergency, Tanker Washing, Gas-Free and Cleaning Operation, Ship Environmental Factor Control</i>
Emission of toxic and hazardous substances	<i>Operations of Goods Containing Benzene, Hydrogen Sulfide and Other Toxic Ingredients, Tanker Wash, Management of Fuel Oil and Lubricating Oil, Special Emergency Plan for Toxic Liquid (Gas) Overflow Emergency, Cargo Operation on Chemical Tankers, Tanker Cargo Operations, Oil Tanker STS Operation, Tanker Washing, Gas-Free and Cleaning Operations, Inert Gas System Operation, Oil Tanker and Chemical Tanker Anti-Static Operation</i>
Garbage discharge	<i>Ship Garbage Management Plan Ship Environmental Factor Control</i>
Ballast water discharge	<i>Oil Tanker Ballast Water Operation, Ballast Water Management Plan</i>
Sewage discharge	<i>Domestic Sewage Treatment Plant Operation Record</i>
CO ₂ emissions	<i>Ship Energy Efficiency Management, The European Union Ship Greenhouse Gas Emissions Monitoring, Reporting and Verification</i>
Waste gas emissions	<i>VOC Management Plan, Ship Energy Efficiency Management</i>

In addition, we actively encourage our subsidiaries to establish their independent environmental management mechanisms in line with domestic and international standards. To date, Shanghai LNG has obtained Lloyd's QHSE management system certificate.



Responding to Global Climate Change

Climate change is a major challenge for the shipping industry in its effort to achieve sustainable development. The environmental impact of energy transportation and the challenges that a changing climate may pose to our operations are important considerations in determining our strategies. Therefore, we have been using our expertise to address climate change, including controlling CO₂ emissions in our operations, and conducting research on eco-friendly ships and alternative marine fuels based on our technological and management innovation.

Setting ambitious GHG emission reduction targets

In 2018 IMO adopted an initial strategy on the reduction of GHG emissions from international shipping, with all 174 Member States agreeing to reduce the total annual GHG emissions by at least 50% by 2050 compared to 2008. To play our part, we respond actively to the requirements of international conventions and domestic laws and regulations, such as the International Maritime Organization (IMO)'s *Data Collection System for Fuel Oil Consumption of Ships* and the EU Regulation on monitoring, reporting and verification (MRV) of CO₂ emissions from maritime transport. We have also set challenging environmental management targets, quantitatively tracked our progress, and revised the environmental indicators according to the progress.

Carbon emission intensity target

CO₂ emission per unit transport turnover of operating ships to decrease by 7% in 2020 compared to that of 2015

Energy intensity target

Energy consumption per unit transport turnover of operating ships to reduce by 6% by 2020 compared with that of 2015

Sulfur oxides management target

To use fuel containing no more than 0.5% sulfur, and use fuel containing no more than 0.1% in Emission Control Areas (ECAs)

Environmental targets

In 2020

The unit turnover emission of CO₂ of our ships was

6.50 Kg / 1,000 tonne-miles

Unit turnover emissions of sulfur oxides

0.02 Kg / 1,000 tonne-miles

5.59%
Lower than in 2019

84.75%
Lower than in 2019

Unit turnover emissions of nitrogen oxides

0.18 Kg / 1,000 tonne-miles

Pay for pollution prevention

RMB 89.67million

4.43%
Lower than in 2019

Manage Energy Efficiency of Ships

In 2020, the Company further regulated the management of energy efficiency of ships based on the *Ship Energy Efficiency Management Plan*, while improving the closed-loop mechanism for such management.

Promoting the use of clean energy and energy efficient technologies

We are building the world's first LNG dual-fuel Very Large Crude Carrier (VLCC) to put the use of clean fuel into practice and lead green shipping; we actively conduct research and analysis of other alternative energy sources, such as wind propulsion, hydrogen power and electric power.

Upgrading fuel efficiency and environment conservation

We optimize ship energy efficiency management plans and strengthen audits of the Company's management system, covering lean fuel management, slow steaming, routes optimization, installation of fuel efficient devices, optimization of ship types, equipment upgrade for fuel efficiency, the use of clean energy, and recycling and treatment of pollutants.

Improving data collection and monitoring mechanisms for energy consumption

We further improve data collection mechanisms for ship energy consumption, implement various measures of lean fuel management and actively promote best management practices.

Cultivating environmental awareness through trainings for onshore and offshore personnel

We organize activities communicating environmental conventions, latest management requirements, new technologies and innovative processes, and ensure full participation among our employees; we organize trainings to raise employees' awareness and capabilities of energy conservation and emissions reduction.

Energy efficiency management measures

In 2020

The company's fuel consumption target is

2.18 Kg / 1,000 tonne-miles

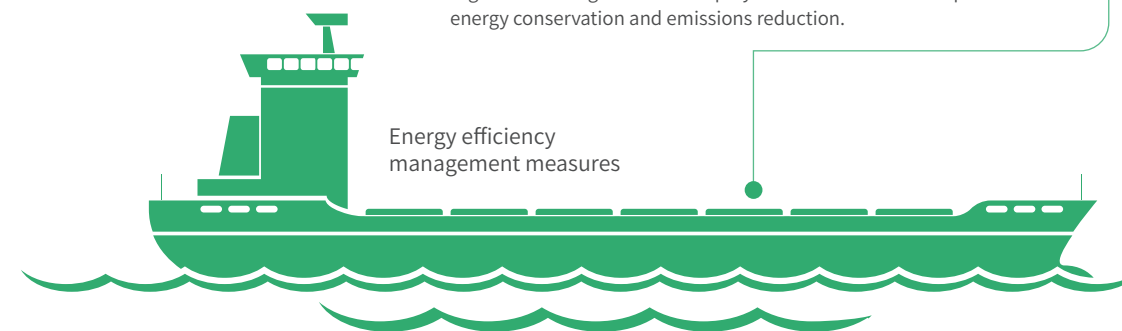
The unit fuel consumption of the company is

2.09 Kg / 1,000 tonne-miles

5.56%
Lower than in 2019

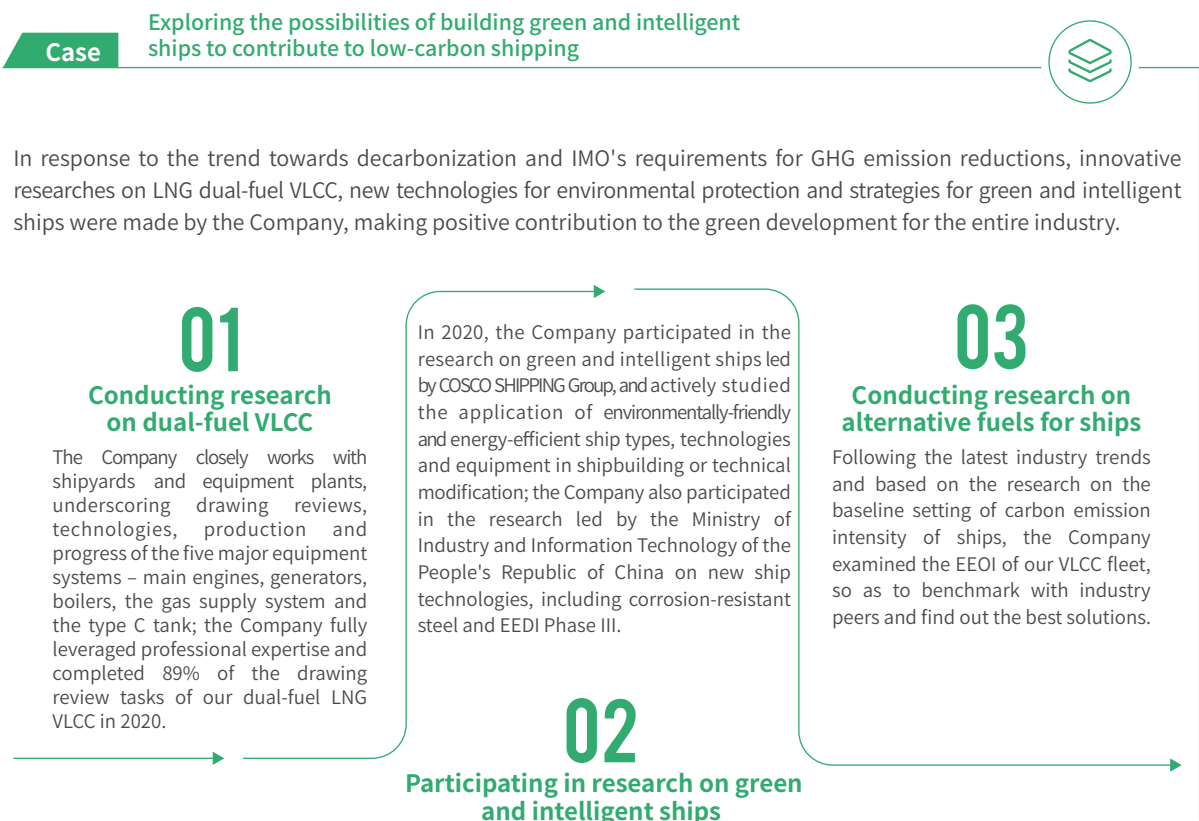
Captain Energy Classroom

The Ship Energy Efficiency Management Plan (SEEMP), formulated by the Marine Environment Protection Committee (MEPC) of the International Maritime Organization (IMO), proposed the Energy Efficiency Design Index (EEDI) and the Ship Energy Efficiency Operational Indicator (EEOI) as standards to measure ships' energy efficiency.



Build Green Ships

We consider the environmental impact throughout the whole lifecycle of a ship from shipbuilding to demolition. For new shipbuilding projects, we explore the adoption of dual-fuel configuration and respond actively to the demand for low-carbon vessels from international industry organizations as well as the market. Based on this, we have established databases and technical standards for ship emission, hull biological pollution and so on, to support the environmental protection throughout the lifecycle.



Protecting Marine Biodiversity

Home to marine life, the ocean guards the biodiversity and human civilization along with the land. Since our business gives us a closer relationship with the ocean, we have been identifying the impact of each part of energy transport on marine biodiversity, considering systematic strategies (starting from route planning) to eliminate environmental impacts of routes and ports of call, and working with stakeholders to protect marine ecosystems.

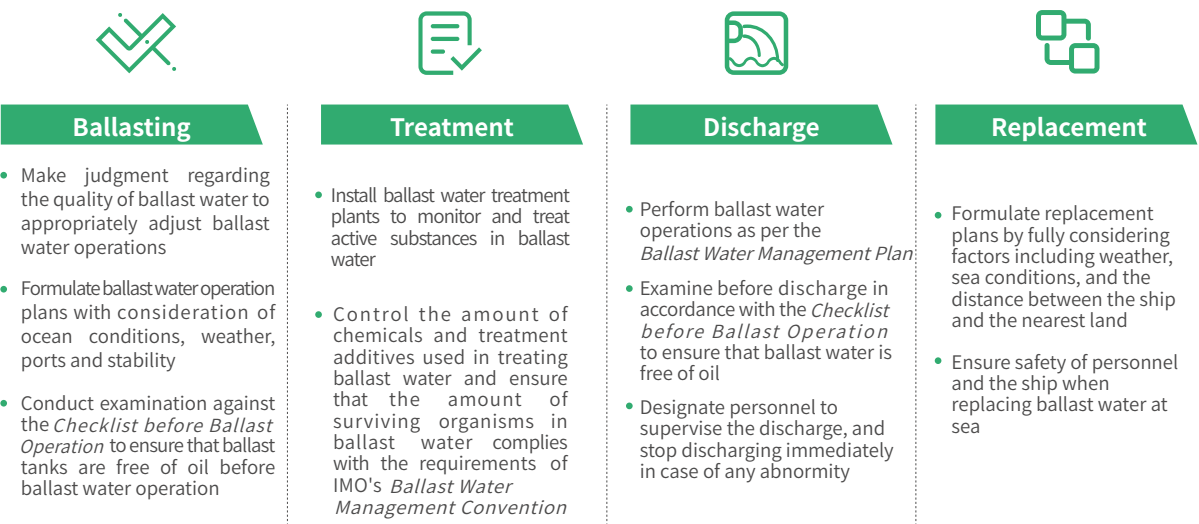
Route Planning

We define particularly sensitive sea areas (PSSA) as those with special geographical conditions, ecosystems, biological and non-biological resources and special marine exploitation and utilization requirements. When drafting a route, we take the following steps: 1) study the feasibility of the route, fully consider the location of the PSSA, and maintain the distance from the area specified by the coastal countries; 2) investigate and comply with the environmental requirements of the coastal countries and the local authorities; 3) investigate the third-party organizations around the ports that are qualified to receive and treat environmental pollutants, and reach a cooperation agreement with them to promptly dispose of the pollutants generated during navigation.

Ballast Water Management

Exotic species and pathogens in ships' ballast water, if not treated properly, will affect marine biodiversity and ecosystem as well as fishery. Therefore, we value ballast water management. We have formulated the *Ballast Water Management Plan* and *Ballast Water Operation for Tankers*, equipping ships with ballast water treatment devices. Meanwhile, we have stipulated that ballast water operations shall be performed in accordance with the *Ballast Water Management Plan* of each vessel and relevant institutional documents and shall be recorded in the *Ballast Water Record Book*. We monitor the content of microorganisms, pathogens and other stock organisms in ballast water to ensure that ballast water is discharged based on regulated standard and to avoid invasion of foreign species.

In 2020, we launched a renovation program on ship-specific ballast water treatment and completed the retrofitting and upgrading of ballast water devices on 33 ships, which comprehensively enhanced the ballast water treatment capacity of the fleet.



Oily Water Management

Oily water represents a potential threat to marine biodiversity. COSCO SHIPPING Energy prioritizes onshore treatment in accordance with the *Regulation on the Treatment of Oily Water* to control marine pollution. Qualified third-party suppliers are entrusted to receive oily water, so as to reduce environmental impacts of hazardous waste.

In addition, we carry out quantitative management of oily water discharged, making detailed records of all de-slopping operations. Accidents in which the oil spilling quantity exceeds 100kg will be treated severely. It is a closed-loop management model featuring operation, discharge, index recording and performance management of oily water.

In 2020, we arranged a total of 207 ship discharges with a total of 100,118.21 tons of oily water. All discharges were in compliance with relevant regulations.

Oil Spill Management

In order to avoid accidental oil spills from improper cargo operations or bunkering operation, we have formulated the *Ship Environmental Factor Control and Management of Fuel Oil and Lubricating Oil*, which clearly stipulate the anti-pollution requirements for cargo operation as well as bunkering processes. The Company has enhanced the training and supervision of crew's operation. In case of oil spills, the Company will promptly control the spread and recycle it in accordance with our contingency plan.

Sewage and Garbage Management

We strictly control the discharge of sewage and garbage. Sewage is forbidden to be discharged directly into the sea; unless treated with an approved sewage comminuting and disinfecting system within the scope of the *International Sewage Pollution Prevention Certificate*.

Toxic and Hazardous Substances Management

Such hazardous waste as paint and chemicals, which are used during navigation and maintenance, might affect marine ecosystems. That is why we target to reduce 3% of hazardous waste every year by advancing control mechanism.

With respect to the use of paint and chemicals for ship maintenance, we gradually raise the staff's awareness of water pollution caused by marine paint, especially pollution in water area caused by organic tin anti-fouling primers, through publicity and training activities. We prohibit the use of organic tin anti-fouling primers and further standardize management procedures for paint operations. We also prohibit unauthorized paint operations in restricted areas, such as ports and terminals, to prevent environmental pollution.

Mitigating Environmental Impacts of Shipping

We have formulated a high-standard environmental management system and detailed measures and procedures to manage the identified environmental impact factors. We have proposed management standards that are compliant with and even more stringent than international conventions to minimize environmental impacts from a ship in its whole lifecycle.

Ship Recycling

Follow the non-mandatory *Industry Code of Practice on Ship Recycling*, provide the shipyard with a complete list of hazardous substances and assist the shipyard in discharging potentially harmful liquid from the ship, so as to reduce the environmental impact from scrapping.

Management of gas pollutants

Ozone-depleting substances: Regulate the maintenance and repair of systems or equipment to prevent improper operations that cause slight release of ozone-depleting substances; phase out devices that contains ozone-depleting substances; use eco-friendly refrigerants to replace those containing ozone-depleting substances

VOCs : Comply with MARPOL73/78 requirements and formulate the *VOC Management Plan*, using cargo vapor collection system to collect VOCs

Air pollutants from chimney particles, incineration, inert gases and ash blowing: formulate the *Anti-Pollution Equipment Management and Technical Safety Operation* to regulate the management of gas storage equipment and related operating procedures





04 Build a Harmonious Enterprise for Employees >>>

Talent is fundamental to the achievement of our vision and goals. We resonate with the growth of each employee and build a platform for them to realize their dreams. And our employees, in turn, give the Company the impetus to flourish.

Our Actions



We organize a series of cultural and sports activities to help our employees achieve work-life balance and show our concern for their physical and mental health.



We have established a differentiated education and training system to meet individual needs, improve their performance, and help them realize their career development goals.



We strictly comply with laws, regulations and labor policies, and eliminate any form of gender discrimination; we provide equal development opportunities and resources for female employees and help them enhance their competitiveness.

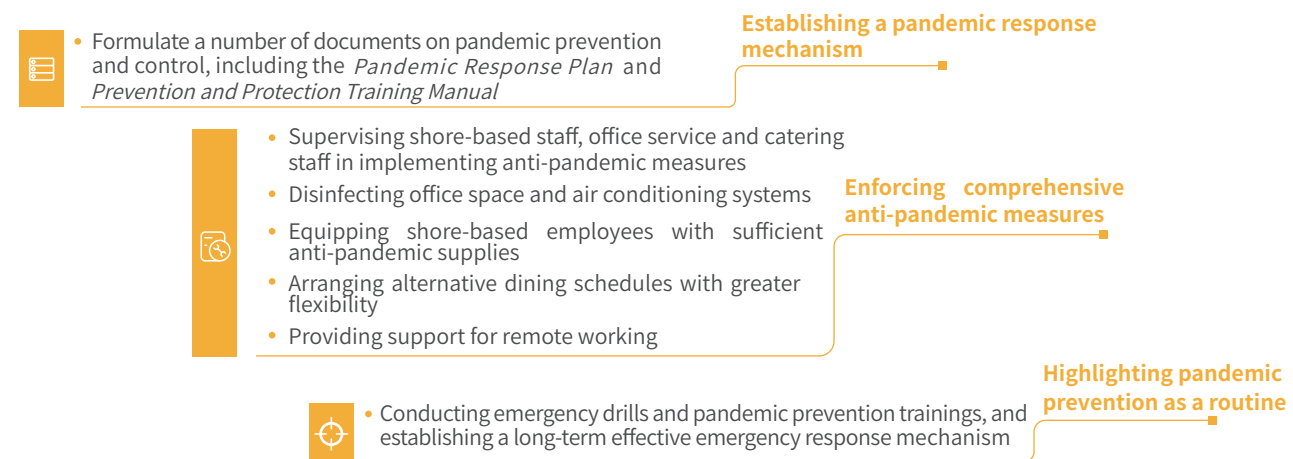


We respect and protect the legitimate rights and interests of employees, and strive to build an enabling development platform, and a harmonious working environment.

Safeguarding A Strong Defense Against COVID-19

Facing the severity and complexity of COVID-19 prevention, we have taken our responsibility to ensure smooth and orderly operations and the safety and health of both onshore and offshore employees, following the "six strict" principle, i.e., strict access control at the gangway, strict inspections, strict awareness campaigns, strict control of gathering activities, strict disinfection procedures and strict supervision.

In January 2020, we set up a pandemic prevention and control leading group headed by the secretary of the party committee and the chairman, the deputy general manager and the assistant general manager. We also set up two special working groups for onshore and offshore COVID-19 prevention. The leading group efficiently formulated the prevention and control work plan and emergency response plan, ensuring effective coordination comprehensive deployment of prevention and control measures.



Zero shore-based employees infected with COVID-19



The COVID-19 pandemic has proved that every crew member sailing at sea is a hero. To better cope with the unprecedented challenges brought by the coronavirus, we adhere to the action plan of "caring for the crew for safety of the ship", carefully assess the impact of the pandemic on the physical and mental health of the crew and on work safety and operation, and carry out timely safety monitoring. the special working groups are responsible for the implementation of anti-pandemic measures for crew members and ships, the formulation of the *Contingency Plan for Ship Prevention from COVID-19*, and the guidance for our ships and those of joint ventures on effective pandemic prevention and control.

Special inspections

Carrying out inspections to examine the implementation of anti-pandemic measures

Psychological counseling

Paying close attention to the mental health of crew members, especially those from regions with high rates of infection, and extending greater care and support

Emergency drills

Identifying potential loopholes in pandemic prevention and improving plans to enhance our capability of dealing with emergencies

Measures for pandemic prevention and control

During the outbreak

We completed **687** shipments of anti-pandemic materials supply at home and abroad.

All ships have reported zero COVID-19 cases.

Case Coordinating all resources to help crew members "return home safely"

The COVID-19 pandemic has made crew change a prominent issue in the global shipping industry, and it has become our priority to enable crew members to return home safely. However, due to the strict prevention and control mechanism in domestic and overseas ports, insufficient capacity for nucleic acid testing or limited isolation conditions in some ports, and regional differences in anti-pandemic policies, it is all the more difficult to organize shift schedules.

In February 2020, we set up a task force for crew change and formulated:

- A response plan: *Response Plan to Crew Change During COVID-19*
- A schedule: *Weekly Crew Change Schedule*
- A mechanism: *Mechanism for Dynamic Tracking of Key Ships and Key Crew Members*
- A Program: *Implementation Program of Overtime Bonuses for Crew Members during COVID-19*

We coordinated multiple resources to guarantee adequate anti-pandemic supplies for ships. We worked with ship-owners' associations, maritime authorities, seafarer management companies and other industrial chain forces to ensure crew change to be accomplished. We created specific crew changing plans for each ship based on the port she called, and made timely updates according to the development of the pandemic. Through dynamic analysis, we followed closely the situation of crew members working overtime and those serving overseas for a long time, and coordinated resources from all parties to ensure shift arrangements for those crew members.

During the pandemic

Crew change was organized for the whole fleet owned by the Company (excluding newly delivered ships).

Ensuring the Rights and Interests of Employees

Recognizing the importance of talent pool to our core competitiveness, we do our best to secure the rights and interests of our people. In strict compliance with *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Labor Dispute Mediation and Arbitration Law of the People's Republic of China* and other laws, regulations and policies on labor, we have established a sound labor employment system that respects and protects employees' legitimate rights and interests, thus fostering a positive work environment for them.

Uphold Employment Equity

We have formulated rules and regulations on employee management, such as the *Employee Management Measures* which stipulates reasonable and lawful rules regarding salary, recruitment, dismissal, promotion, working hours, days of leave, equality of opportunity, respect for diversity and anti-discrimination. We strictly refrain from employing child labor. During the recruitment process, we review the identity of our job candidates in accordance with the Company's rules and regulations to ensure that their age and educational background are real and legal. At the same time, we say no to forced labor, guaranteeing that each employee is entitled to all national holidays, as well as annual paid vacations according to the overall length of service.



Newly recruited employees

25

Proportion of localized overseas employees

0.7 %

Employees with disabilities

1

Labor contract coverage

100 %

Social insurance coverage

100 %

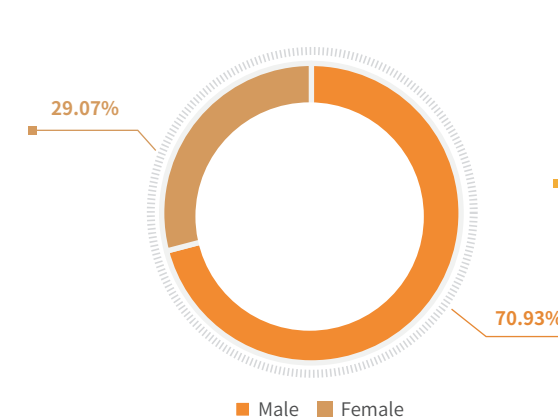
Employee return rate after maternity leave

100 %

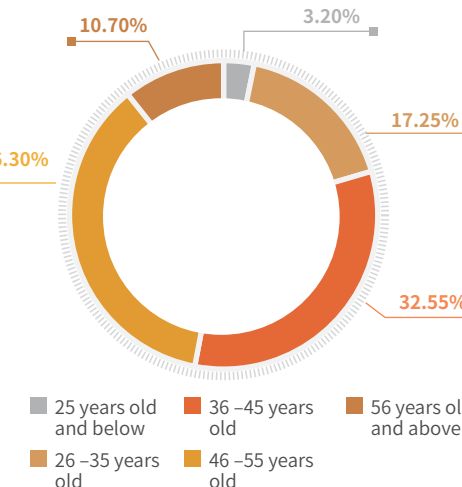
Average days of paid leave

10.48 days

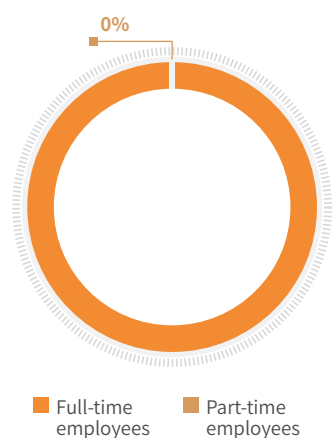
Employee distribution by gender



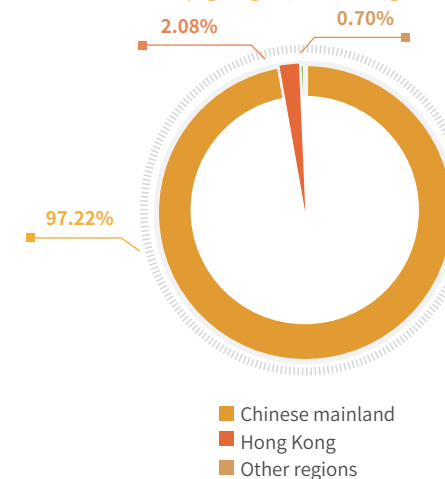
Employee distribution by age group



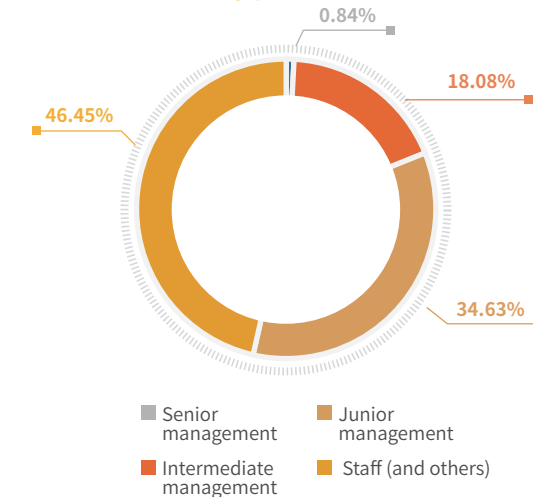
Employee distribution by employment type



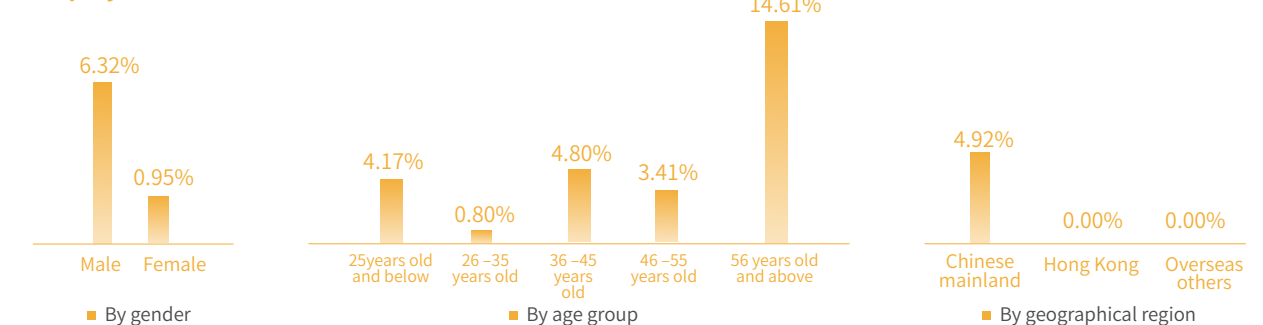
Employee distribution by geographical region



Employee distribution by position



Employee turnover rate



Provide Communication Channels

We listen to all employees and advocate transparent and open communication. We have established the employee communication management committee. By continuously improving communication procedures and channels, we can know more about what employees need, put their proposals into practice, and engage them in all parts of the Company's development.

Support Employee Development

The Company has formulated and revised relevant rules and regulations to ensure better democratic management, including the *Implementation Measures of Employee Proposals and Administrative Measures of the Staff Congress Proposals*.

Offering better communication channels

The Company publishes and gives timely response to employee concerns through its WeChat official account, WeChat work groups of trade union, ship trade union WeChat work group as well as "Sisi Mailbox".

Valuing proposals from employees

At the Fourth Session of the First Staff Congress in 2020, the Company collected 13 proposals from employee. The Proposal Hearing Committee discussed the proposals one by one and timely transferred such proposals to the relevant departments for further actions, which was tracked for feedback. We achieved 100% satisfaction from the proposing staff.

Supporting Employee Development

Our path to achieving sustainable development requires highly competent employees. Therefore, we continue to refine the *Implementing Regulations for Onshore Employees Taking Temporary Post as Commissioners (Trial)*, *Implementation Plan for Elite Training Program* and other rules and policies to facilitate the high quality development of our human resources.

Mobility in career track

While selecting talents from top universities, we are exploring mechanisms to allow reasonable vertical mobility in the company, and have developed temporary staff relocation programs during the reform within the organization and a mechanism for certain specialized positions to move between different professional tracks

Mobility in manager positions

We identify the most excellent employees through their performance during the organizational reform, market fluctuations and the pandemic. We conduct stringent assessment and remove incompetent or irresponsible managers.

Improve employee development

With the goal of building competence of talent at all levels, we continue to improve the "5+N" training system targeting five levels of employees, namely executives, department heads, managers, young specialists and new employees. Based on their respective characteristics, we have improved our multi-tiered and differentiated training system, giving employees faster access to skills training and practice opportunities.

Employee level

Meeting employees' needs to upgrade knowledge and skills to fulfill their responsibilities and achieve their career goals

Corporate level

Elevating the Company's core competitiveness of the Company and building a talent pool that matches the vision of the Company through improving expertise, professionalism and holistic qualities of the talents

"5+N" training system for shared growth of the Company and its employees

In 2020, the Company established partnerships with COSCO SHIPPING University, Dalian Maritime University and higher education or training institutions. Together, we made use of online training tools and organized training courses for reassigned employees and young key employees, and online courses for leaders from listed companies.

During the reporting period, the total investment in training was RMB **945,900**





Case

Propelling the Company toward the transformation and upgrading of its LNG business



During the transformation towards a leading international LNG fleet owner, Shanghai LNG faces greater needs of personnel specialized in commerce, financing, technology and complex management. To expand the talent pool, Shanghai LNG established an internal learning and training program with the goal of "great learning, great training and great development", giving full play to the advantages of internal professional resources. The program serves to deliver business knowledge, professional skills and management experience through overseas exchange, domestic rotation, project development and on-site training in shipbuilding projects. This will fuel the rapid transformation and enhancement of competitiveness of the Company. In December 2020, Shanghai LNG held the first internal training on the *Operation and Management of LNG Carriers*, having more than 80 attendants from relevant departments at the headquarter of the Company and from Shanghai LNG.

Ensuring Health of Employees

In 2020, we implemented the Health Action Plan for Onshore and Offshore Employees under the principle of all-round protection of employees' health. This was another step towards a modern enterprise with humane care.

- Physical health
- Mental health
- Dietary health
- Environmental health
- Sports health
- Health training

Special actions in six areas

Overall goal

By 2023, we will achieve a company-wide health and fitness landscape that fully attends to our employees' health with stronger health awareness, well-recognized healthy lifestyles, better health-related servicing abilities, better health supporting systems and improved healthy working environment, so as to match the Company's pace of development.

Specific Targets

By 2023

- Health records will be adopted both onshore and offshore, with 90% of health indicators tracked
- Overweight and obesity rates among onshore employees will decrease by 3% annually
- No severe psychological behavior will occur among crew members
- No less than 90% of onshore employees will participate in health and fitness activities
- No less than 90% of crew members will do workouts on ships
- No less than 90% of political commissars on ships will receive training in psychological counseling
- Health training will be provided for 90% of onshore and offshore employees
- No high-risk defects will be identified in MLC inspections



Autumn outing

Advocating work-life balance, we enrich our employees' life and help them reduce work stress through diverse cultural and sports activities, such as table tennis competitions. Our care and support for employees also include providing them with assistance and visits, and addressing their concerns to the best of our abilities.

Established **10** sports and cultural associations to suit the needs of different groups of employees

Visited more than **1,000** employee/crew members with serious illnesses and difficulties

Helped **42** needy employees

Issued RMB **19,000** as student subsidies



The Second Employee Table Tennis Game

Caring for the Crew Members

We have upgraded the action plan of "caring for the crew for safety of the ship" to the 2020 version. We aim to improve the performance of ship safety management while genuinely caring for crew members in every aspect of their work and life.

Team building

We implement the "100 Crew Program" and "Empowerment Program" to strengthen on-board training, safety education and professional training for crew members to improve their work skills.

Safety management

We analyze and forecast tasks on each voyage and carry out ship equipment maintenance according to work safety rules and procedures

Cultural development

We underscore physical and mental health of crew members, organizing diverse recreational activities such as table tennis games and safety skills competitions to enrich their life.

Daily care

We improve the "family care support system" by arranging family visits to ships, setting up contact stations for seafarers' wives, and ensuring easier access of seafarers' family members to medical treatment

Open communication

We listen to crew members' voices by means of meetings, complaint mailbox and the Crew Reception Day

In 2020

We completed **107** shore-based training sessions, covering **3,552** crew members, for ship-owners in Shanghai, Dalian and Guangzhou, **2,647** of whom were trained online.

We also established and tested the onboard training system in our navigation mark platform, enabling the entire fleet to receive normal system training.

We paid over **80** visits to the ships and issued RMB **972,600** of subsidies. About RMB **11** million of overtime bonus was given to **1,200** crew members.

“

The 2020 Action Plan really makes us feel the care and concern the Company has for us. We are very honored and proud to be part of COSCO SHIPPING Energy.

the crew of COSGREAT LAKE

”



05 Build Happy Communities >>>

We take it as our responsibility to give back to the community, which provides strong support for the sound development of the Company. We pay attention to its needs and do all we can for the happiness and safety of community members. We have formulated the *Measures for Management of External Donations* to better regulate matters concerning external donation and eventually enhance the well-being of the community.

Our Actions



We support local business development and boost consumption of local products and services to empower rural areas and help them out of poverty.



Relying on the strength of our fleet, we conduct unimpeded and timely rescue at sea, and ensure overall maritime safety.



We improve the educational standards of the target villages and allow more children to have equal access to quality educational resources by upgrading schools' hardware facilities, offering grants to students and supporting volunteer teachers.

Targeted Poverty Alleviation

We believe that contribution to the prosperity and beauty of rural areas has been the aspiration for our communities. We are committed to cultivating new momentum for rural development, promoting regional socio-economic development and improving people's living standards while paying respect to local contexts.

In 2020

The Company invested a total of

RMB **8,489,600**
in targeted poverty alleviation

implementing **5** poverty alleviation projects
benefiting **7,190** people

From 2017 to 2020

The Company donated a total of RMB **23** million to the projects of Yuanling in Hunan Province, Leiwuqi in Tibet Autonomous Region and Yishui Village in Yunnan Province

helped these poverty-stricken areas sell more than
RMB **1.37** million of products



Green Agricultural Garden built by COSCO SHIPPING Energy

Rescues at Sea

Lives should be saved regardless of time or nationalities. With the concept of "life is the supreme" in mind, we actively assume the responsibility of humanitarian rescues at sea, building a maritime safety network to deliver energy to the world.

Case Supporting the rescue of a foreign ship



On January 8, 2020, duty officers of the vessel Lian Gui Hu received a distress call from a foreign container ship. Since there were no other ships nearby and the weather was cold, the crew in distress did not dare to abandon the ship and were in critical condition. Lian Gui Hu immediately communicated with the container ship, enquired and reported to Dalian Maritime Search and Rescue Center and the Company's Ship Control Center. Under the instruction of the Center, the crew of Lian Gui Hu got in touch with a rescue ship named Yin Yuan to coordinate the rescue work, monitor the rescue site and assist the search and rescue ship and helicopter in arriving at the scene. Finally, all of the nine crew members in distress were rescued; Lian Gui Hu completed the rescue coordination task.

Case Rescue of Indonesian fishermen



On August 19, 2020, when the vessel Yuan Hui Hu was sailing in the waters of Java Sea, Indonesia, the pilot on duty found on the radar a fishing vessel in distress due to strong winds. Yuan Hui Hu reported to the Company immediately and came to the rescue of the ten Indonesian fishermen on the fishing vessel. The rescue, highly praised by Indonesia's National Search and Rescue Agency, showed how we put human lives first.

Our Commitment

Innovation

We pursue innovation as the driven power of business success.

We will focus on comprehensive innovation in five areas: operation, technology, value, management and organization. We will step up efforts to explore more applications of digital technologies and develop the "Second Development Curve", LNG shipping business, so that we can win in the new era. We will take both efficiency and effectiveness into account, respond flexibly to changes and crises, develop new business models that will lead to win-win results, create value for our clients and industry partners, and promote high-quality development of the oil and gas transportation industry.

Safety

We exercise vigilance for safety issues to build a strong defense against safety hazards.

We will continue to improve our "Three-in-One" safety management model, so as to enhance the capability of safety management of ships and the company. We will strengthen safety marketing and promote "integration of ship management and operation". We will also adhere to the problem-oriented approach and continue to implement full-coverage safety inspections to minimize safety hazards.

Environment

We work to safeguard the blue sky and a new picture of beautiful ecology.

We will give full play to our expertise and resources and play an active part in global climate governance. We will continue to improve our competitive edge through innovations and seek for the green and intelligent transformation. We will strengthen environmental management throughout the navigation process and the lifecycle of ships, pay close attention to the impact of shipping on marine biodiversity and make positive contribution to the protection of marine ecosystems.

Employee

We put people, the largest source of high-quality development, as our top priority.

We will improve the human resource system and establish a mechanism that is in line with the market and full of vitality. We will optimize the development path of employees and build an international, professional and young team. We will continue to implement the action plan of "Caring for the crew for the safety of the ship" to gather the strong energy of onshore and offshore employees. We will help all employees achieve work-life balance by diversifying our cultural activities.

Community

With deep gratitude, we remain committed to giving back to the community.

We will continue to focus on what the community needs and contribute to rural vitalization. We will organize diversified public welfare activities to bring warmth to more people. We will spare no effort in rescue operations at sea to show our benevolence and moral responsibility.

HKEX ESG Indices Guidance

Environmental				
Aspect	Index number	Indicator	Page	Explain
A1:Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P40	
	A1.1	The types of emissions and respective emissions data.	P5-6	
	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).	P5	
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P5	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P5	
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	P42-43	
	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.	P46	
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P40	
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kW·h in '000s) and intensity (e.g. per unit of production volume, per facility).	P6	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P6	
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	P41	
	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.	P6	
A3: The Environment and Natural Resources	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		Not applicable
	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	P40	
A4: Climate Change	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P43-46	
	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Plan to be disclosed in the future
A4: Climate Change	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.	P41-43	

Social				
Aspect	Index number	Indicator	Page	Explain
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.	P51	
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	P52	
	B1.2	Employee turnover rate by gender, age group and geographical region.	P52	
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.	P31	
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P33	
	B2.2	Lost days due to work injury.	P33	
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P31-36 P49-50 P56-57	
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P53-55	
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P54	
	B3.2	The average training hours completed per employee by gender and employee category.	P54	
B4:Labour Standards	General Disclosure	Information on: (a)the policies; and (b)compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P51	
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	P51	
	B4.2	Description of steps taken to eliminate such practices when discovered.		No child or forced labour

Social				
Aspect	Index number	Indicator	Page	Explain
B5:Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	P18	
	B5.1	Number of suppliers by geographical region.	P5	
	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.	P18	
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		Plan to be disclosed in the future
B6:Product Responsibility	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P18	
	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.	P26	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		Not applicable
	B6.2	Number of products and service related complaints received and how they are dealt with.	P26	
	B6.3	Description of practices relating to observing and protecting intellectual property rights.		Plan to be disclosed in the future
	B6.4	Description of quality assurance process and recall procedures.		Not applicable
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P26	
B7: Anti-corruption	General Disclosure	Information on: (a)the policies; and (b)compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P12&P17	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P17	
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P17	
	B7.3	Description of anti-corruption training provided to directors and staff.	P18	
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.	P59	
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P60-61	
	B8.2	Resources contributed (e.g. money or time) to the focus area.	P61	

Reader Feedback

Dear Readers:

Thanks for reading the *Corporate Social Responsibility Report 2020 of COSCO SHIPPING Energy*. Flaws and omissions are hard to avoid in the compilation of this report. We are looking forward to your valuable suggestions. Please give feedback to us for our further improvement.

Single Choice Questions (Please tick ✓ in the corresponding box)

1. Your general evaluation on this report:

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

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

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

3. What do you think of our work on economic responsibility?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

4. What do you think of our work on client service?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

5. What do you think of our work on environmental responsibility?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

6. What do you think of our work in safety management?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

7. What do you think of our work on employee responsibilities?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

8. What do you think of our work on community responsibilities?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

9. Are the information, index and data disclosed in this report clear, accurate and complete?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

10. Are the content and format design of this report readable?

☐ Yes ☐ No

Open Questions

1. What do you think is the most satisfying aspect in this report?

2. What's your advice for our future social responsibility reports?