

CHAPTER 10

WIN-WIN COOPERATION





COSCO SHIPPING Ports actively enhances its operational level and competitiveness in order to achieve corporate sustainable development. The Group constantly explores partnership with the industry chain and jointly facilitate the development of a sustainable “global shipping ecosphere” by improving the quality and efficiency of industrial development. With an objective to create a sustainable and responsible supply chain, we proactively adopt efficient management measures to drive and maintain a responsible procurement practice.

The Group’s focus areas in Win-Win Cooperation:

Responsible procurement	Adopt a stringent procurement and tendering mechanism; evaluate new suppliers in the areas of compliance, environment, social, health and safety; and review the performance of existing suppliers on a regular basis
Cooperation with contractors	Proactively maintain close communication with contractors regarding safety issues and the identification of potential hazards; enhance safe operations and prevent outsourcing risks through safety trainings and safety inspections
Strengthening cooperation along the industry chain	Strengthen cooperation with upstream and downstream players of the shipping industry chain, and develop strategic relationships which offer mutual benefits

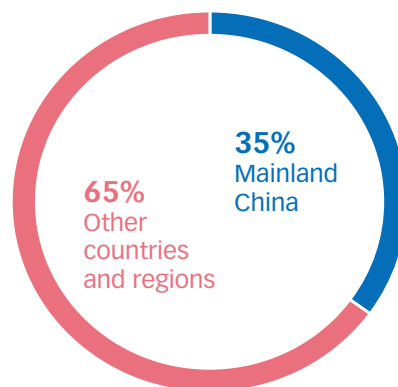
PERFORMANCE HIGHLIGHTS IN 2021¹²

The Company and the terminal companies worked with 6,491 suppliers, of which 3,518 are based in Mainland China and 2,973 are based in countries and regions outside Mainland China.

Procurement Expenditure by Type



Procurement Expenditure by Geographical Location



During the year, 3,661 existing suppliers were evaluated. The result is as follows:



¹² Excluding COSCO-PSA Terminal and Piraeus Terminal as relevant supply chain information of these terminals are not available.

MANAGEMENT APPROACH

The Group is committed to enhancing its supply chain management strategy to increase the overall competitiveness and efficiency of its supply chain. During the year, the Group reviewed and improved management regulations including centralised procurement, and regulated procurement procedures and the process of supplier selection. The Group regularly reviews all procurement-related management measures to ensure efficient supply chain management. In addition, we ensure suppliers' compliance with the Group's stringent standards by reviewing their performance in the aspects of compliance, operations and products. In order to improve operational efficiency and reduce business risks in the long run, the Group proactively maintains long-term partnership with outstanding suppliers to achieve mutual benefits.

The supply chain management of COSCO SHIPPING Ports covers four basic principles:

Central management	The Group adopts central management on relevant supplier management policies, work processes, qualified supplier database and information system to enhance the flexibility of internal communication
Classification and gradual unification	The Group is gradually unifying the management of both Class-2 and Class-3 suppliers and allows the headquarters to do central management
Dynamic evaluation	Conduct regular quantitative review of suppliers' overall performance to facilitate their continuous improvement
Structural improvement	Establish a supplier evaluation mechanism with rewards and punishments to consistently optimise supplier management and structure

The Subsidiaries of the Company, such as Xiamen Ocean Gate Terminal, Guangzhou South China Oceangate Terminal, Jinjiang Pacific Terminal and CSP Wuhan Terminal, among others, have also established their own supplier management measures. In terms of the tender exercises, CSP Abu Dhabi Terminal requires suppliers to sign a confirmation of compliance after bidding for them to commit to complying with the United Arab Emirates Federation labour laws. The Group attaches great importance to supplier management and endeavours to explore more cooperation opportunities with suppliers to establish stable and long-term business partnerships, thereby expanding our business.

RESPONSIBLE PROCUREMENT

In order to build a shipping ecosystem that offers mutual benefits, the Group manages its supply chain in the three aspects below in accordance with the principle of sustainable development:

STRINGENT POLICIES

To develop a sustainable and responsible supply chain, the Group has developed stringent requirements on suppliers and set up a number of selection criteria. All suppliers who intend to participate in tender exercises are required to complete the Supplier Self-evaluation on the Compliance with Social Regulations for our assessment. Not only does it allow us to understand the suppliers' compliance with relevant laws and regulations in the regions where they operate in, but also to consider their financial conditions, business reputation, corporate governance, safety and environmental performance, and social contribution, so as to select outstanding and all-rounded suppliers.

CANDIDATE EVALUATION AND SELECTION

Eligibility of new suppliers are strictly reviewed to ensure their compliance. Our comprehensive eligibility review covers suppliers' commitments and performance in the areas of laws and regulations, health and safety, environment, prohibition of child labour and forced labour, remuneration and working hours, anti-discrimination, employees' rights and their requirements on upper-tier suppliers. We will also visit external suppliers with larger procurement scale to better understand their production, operations and capacity on-site.

REGULAR ASSESSMENT

In order to ensure that the suppliers meet our requirements, the Group conducts an annual qualification review on the existing suppliers listed in the database in December every year to evaluate their basic qualifications, cost competitiveness, supply performance, quality control, customer service, business innovation and safety and environmental performance. Based on the scores of the evaluation, suppliers are divided into four categories. Suppliers in grade D will be removed and prohibited from re-entering the database for three years.

We have established four sets of scoring standards for each of the purchasing categories covering consultancy services, engineering, equipment and materials to ensure the scoring indicators are in line with the nature of and our requirements for various businesses.

Grade A (with a score of 85-100)	Grade B (with a score of 70-84)	Grade C (with a score of 60-69)	Grade D (with a score of 0-59)
Excellent suppliers	Good suppliers	Suppliers who require improvement	Suppliers who should be removed
Priority will be given for partnership under the same contractual conditions	Standard business partnerships will be maintained	Focused inspections on specific areas will be conducted to facilitate improvement in underperforming areas; procurement from such suppliers will be generally suspended before rectifications are completed	Suppliers will be removed and prohibited from re-entering the database for three years

The Group also proactively drives its terminals to ensure green procurement. During the year, Xiamen Ocean Gate Terminal and Quan Zhou Pacific Terminal entered into agreements in respect of the purchase of LED lighting in accordance with the requirements set out in the Centralized Procurement Management Regulations of COSCO SHIPPING Ports Limited to promote the purchase of LED lighting with high energy efficiency, and conducted regular quality check on the lighting to ensure that the products meet our environmental requirements. In addition, when we purchase electronic products, priority will be given to products with Grade 1 energy label or certified with international ENERGY STAR to meet the need for higher energy efficiency. For instance, the air purifiers, refrigerators and other electrical appliances purchased in 2021 had these energy labels.

COOPERATION WITH CONTRACTORS

COSCO SHIPPING Ports is committed to integrating the concept of environmental protection and social interests into supply chain management. In the contractor selection process, the Group will only consider and choose contractors who comply with the requirements set out in environmental impact assessment reports and international standards (such as ISO 14001 and ISO 45001, among others) to ensure that they do not cause significant and negative impact on the environment and the society in the course of operations. In addition, we endeavour to improve the safety management of business outsourcing as we developed the Subcontract Regulations, and identified and assessed outsourcing risks for our terminal companies with the aim of adopting effective risk prevention measures. The Group has also implemented relevant safety management regulations and appointed designated supervisors to provide safety trainings and conduct safety inspections on a regular basis to enhance staff's awareness of occupational safety and health. Supervisors also maintain close communication with contractors and subcontractors on hidden safety hazards, to encourage and assist them in implementing and maintaining safety and risk management measures. For instance, the responsible personnel at Guangzhou Nansha Stevedoring Terminal will brief new drivers employed by the contractors on the contingency plans in relation to fire accidents and the use of fire extinguishing devices, thereby strengthening their emergency response capabilities.

To ensure the health and safety of terminal staff, the Company has developed the Operational Safety Regulations. If the work environment falls short of the basic requirements on occupational health, terminal staff has the right to refuse to work until the situation is fixed and resumed to the standard level. In the meantime, the terminal companies have developed various management measures in relation to the safety of business outsourcing, including:

- Guangzhou South China Oceangate Terminal and Guangzhou Nansha Stevedoring Terminal offer occupational health check-up for new employees of their contractors and arrange annual occupational health check-up for all employees in order to create an archive for and be fully aware of the health conditions of their employees. This can also help identify potential risks in the workplace and implement effective preventive measures to mitigate impacts on business operations.
- CSP Zeebrugge Terminal requires its contractors to discuss operational risks and safety issues with the terminal's project owners and conduct risk assessment prior to the commencement of construction projects. It is also mandatory for the contractors to present valid business licenses for the terminals' project owners to issue work permits. Project owners will only assign qualified workers to start working after confirming that the contractors have completed the risk assessment.
- COSCO-HIT Terminal has set up a contractor management team to monitor the operational performance of its suppliers and check their operating licenses and safety certifications in the industry. Moreover, its safety and security department is responsible for managing the occupational safety and health performance of suppliers to ensure their compliance with the terminals' requirements.

STRENGTHENING COOPERATION ALONG THE INDUSTRY CHAIN

COSCO SHIPPING Ports strives to expand our global terminal network to increase the overall transportation efficiency. The Group also continues to strengthen cooperation with all parties along the shipping industry chain with the aim of optimising our performance in the value chain and creating higher value for our customers.

ENHANCING STRATEGIC COOPERATION

With the objective to constantly optimise the quality and efficiency of development in the industry, the Company has proactively extended our terminals' supply chain to logistics services and introduced a new logistics model at the terminals. During the year, Lianyungang New Oriental Terminal cooperated with ship owners and cargo owners and developed the business of reloading grains from open-top containers to ocean freight containers for exports. Leveraging on this new logistics model, the cargos in railway containers are directly transported to Lianyungang New Oriental Terminal for reloading and shipping, not only reducing the rate of breaking and damaging, as well as the impact on the environment, but also saving transit time and logistics costs. Meanwhile, Xiamen Ocean Gate Terminal established a close partnership with COSCO SHIPPING Lines (Xiamen) Co., Ltd. to guarantee the loading and unloading efficiency of the "Xiamen-Shanghai" service. This service also forms a sea-railway intermodal transportation network with the special railway line being set up by Xiamen Ocean Gate Terminal, offering a new logistics service to the domestic trade market in Xiamen.



Lianyungang New Oriental Terminal's first ever operation of reloading grains from open-top containers to ocean freight containers for exports on 21 March 2021.

The Group encourages its Subsidiaries to deepen cooperation with all parties along the industry chain to improve the shipping business environment. Jinjiang Pacific Terminal commenced the project of transshipment of wind turbine blades in Shenhu Port Area in August 2021. In order to ensure efficient and smooth completion of the loading and unloading operations, Jinjiang Pacific Terminal discussed and formulated a proposal for the shifting of cargo with the cargo owner and the crew in the course of loading and unloading the wind turbine blades at the port. The terminal developed the Guidelines for Loading and Unloading of Wind Turbine Blades and proposed specific measures such as assigning special trucks for two-way transit, using special slings for operation and connecting lifting points with shackles, among others, to ensure the efficiency and safety of the loading and unloading process.



With the aim of building a sustainable shipping industry, COSCO-PSA Terminal entered into a memorandum of understanding with Ocean Network Express on the development of a maritime and shipping industry that is environmentally responsible. The cooperation agreement, covering the enhancement of operational flow and terminal services to reduce carbon emissions, is committed to the sustainable development of the shipping industry, which will facilitate the discussion and implementation of emissions reduction plans by all parties along the industry chain.

PAVING THE WAY FOR 5G SMART PORTS

In recent years, the Company has been committed to the development of smart ports by constantly partnering with communication technology companies and technology suppliers. We actively apply new technologies to optimise logistics solutions of the supply chain. During the year, COSCO SHIPPING Ports entered into a letter of intent for cooperation with Dongfeng Commercial Vehicle Co., Ltd. and China Mobile (Shanghai) Information Communication Technology Co., Ltd., which represented another in-depth cooperation following the joint launch of the first 5G full-scenario application smart port in 2020, with the aim of advancing the construction of "5G+ Smart Port". As an effort to enhance the automation and operational efficiency of terminals, the Company will continue to drive the technology application of smart ports, and strengthen the capability of supply chain coordination and resource allocation in our business operations.

