



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

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

Stock Code: 1308



**2021**

**Environmental, Social and  
Governance Report**

# 2021 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT OF SITC

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# About This Report

SITC International Holdings Company Limited has released the “Social Responsibility Disclosure Report” each year since 2014, which has been changed to the “Environmental, Social and Governance Report” (the “ESG Report”) since 2016, which subsequently has been published separately from its annual report since 2019.

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

## Scope and Reporting Cycle of the Report

This report covers the period from 1 January 2021 to 31 December 2021. To be more systematic, this report is partially retrospective to previous years, and the reporting boundary has no significant change as compared to that for the financial year ended 31 December 2020.

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

Last reporting period: May 2020

Reporting cycle: once a year

## Basis for Preparation

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

This report is prepared also in accordance with the ‘core’ scheme of the Global Reporting Initiative Standard (GRI).

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

## Independent Verification

The information disclosed in this report has been verified by Hong Kong Quality Assurance Agency, an independent third party, to ensure its accuracy and reliability. The report verification statement is set out on page 50 of this report.

## Commitment of this Report

The board of directors of the Company (the “Board”) warrants that the report approved by the Board is free from any false records and misleading statements.

## Explanations on Abbreviated Names

For the sake of convenience in expression and reading, “SITC International Holdings Company Limited” is referred to as “SITC” or the “Company” or “we” or “our” or “us” and, together with its subsidiaries, collectively referred to as the “Group” in this report.

## Access to This Report and Contact Information

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

Should you have any question about this report, please feel free to contact us:

SITC International Holdings Company Limited

Address: 21/F, World Trade Centre,  
280 Gloucester Road,  
Causeway Bay, Hong Kong

Telephone: 852-28500302

Email: [lhwx@sitc.com](mailto:lhwx@sitc.com)

# About SITC

## DIRECTORS

### Executive Directors

YANG Shaopeng (*Chairman*)

YANG Xianxiang

(*Vice-Chairman and Chief Executive Officer*)

LIU Kecheng

XUE Mingyuan

LAI Zhiyong

### Non-Executive Director

YANG Xin

### Independent Non-Executive Directors

LIU Ka Ying, Rebecca

TSE Siu Ngan

HU Mantian (Mandy)

## BOARD COMMITTEES

### Audit Committee

LIU Ka Ying, Rebecca (*Chairman*)

TSE Siu Ngan

HU Mantian (Mandy)

YANG Xin

### Remuneration Committee

TSE Siu Ngan (*Chairman*)

YANG Xianxiang

LIU Ka Ying, Rebecca

### Nomination Committee

YANG Shaopeng (*Chairman*)

TSE Siu Ngan

HU Mantian (Mandy)

### Disclosure Committee

YANG Xianxiang (*Chairman*)

LIU Kecheng

XUE Mingyuan

LAI Zhiyong

### Sustainable Development Committee

YANG Xianxiang (*Chairman*)

LIU Kecheng

XUE Mingyuan

LAI Zhiyong

### Risk Management Committee

TSE Siu Ngan (*Chairman*)

YANG Xianxiang

LIU Ka Ying, Rebecca

HU Mantian (Mandy)

## CORPORATE HEADQUARTER

21/F, World Trade Centre

280 Gloucester Road

Causeway Bay

Hong Kong

## AUTHORIZED REPRESENTATIVES

LIU Kecheng

XUE Peng

## COMPANY SECRETARY

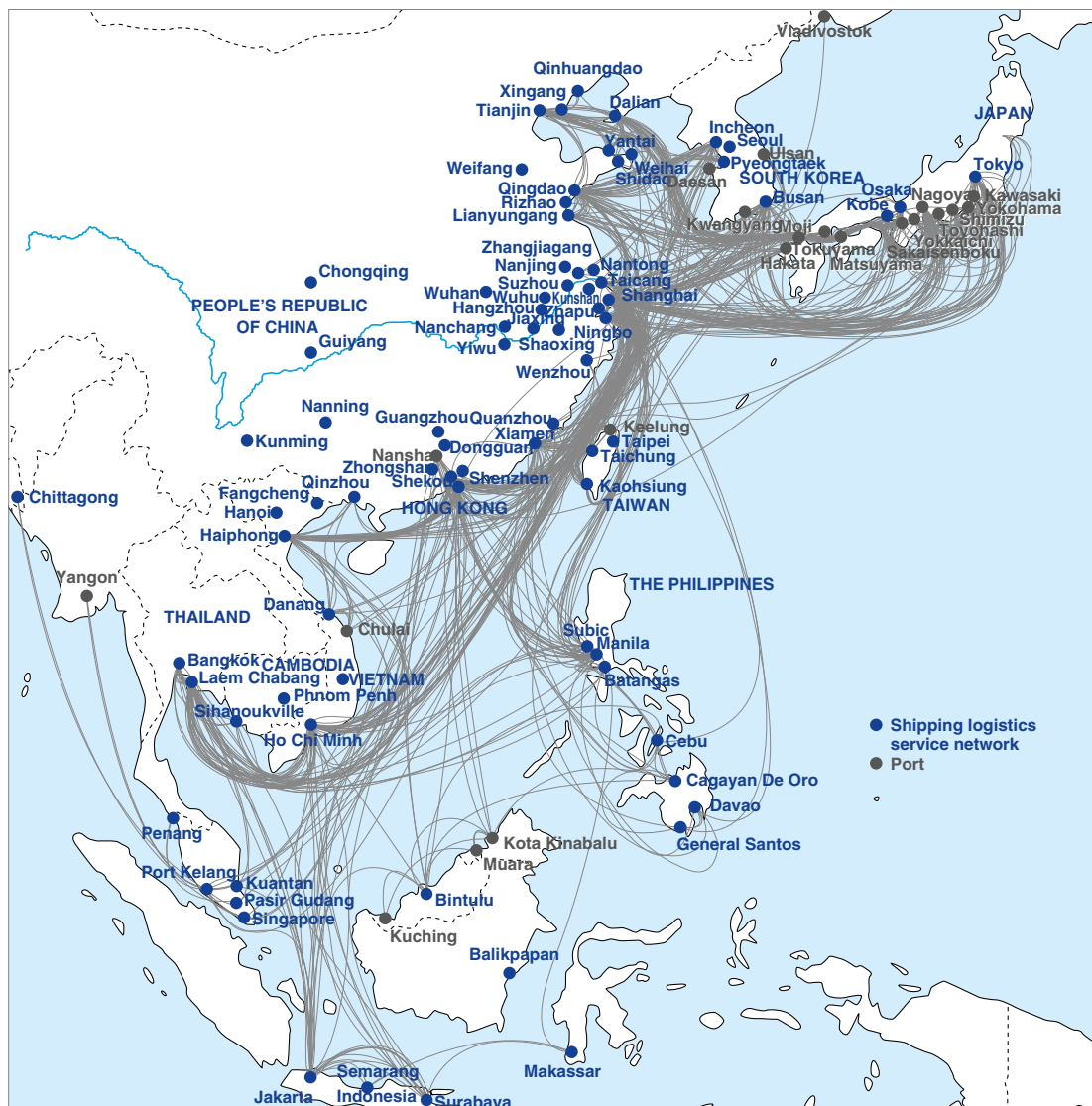
XUE Peng (*FCG, HKFCG*)

## About SITC

SITC is an Asia's leading shipping logistics company that provides integrated transportation and logistics solutions. As at 31 December 2021, we ranked the 16th among international container shipping companies in terms of shipping capacity. We focus exclusively on servicing the Asia trade market, which is the largest in the world and one of the fastest growing market in terms of shipping volume, according to Drewry Maritime Services (Asia) Pte Ltd, an independent industry consultant.

As of 31 December 2021, the Group operated 74 trade lanes, including 12 trade lanes through joint services and 24 trade lanes through container slot exchange arrangements. These trade lanes and land-based integrated logistics business network covered 74 major ports and cities in the Mainland China, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia, Indonesia, Singapore, Malaysia, Brunei, Bengal, Myanmar and Russia. As of 31 December 2021, the Group operated a fleet of 96 vessels with a total capacity of 143,115 TEU, comprised of 68 self-owned (103,663 TEU) and 28 chartered vessels (39,452 TEU), with an average age of 11.7 years. In addition, the Group also operated (including through joint ventures) approximately 1,300,000 m<sup>2</sup> of depot and 133,000 m<sup>2</sup> of warehousing space.

The following map illustrates the Asia container shipping routes (including trade lanes operated through joint services and container slot exchange arrangements) and shipping logistics service network of the Group as of 31 December 2021:



## About SITC

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

|   |          | 2021             | 2020      | Change   |
|---|----------|------------------|-----------|----------|
| <b>Results</b>  |          |                  |           |          |
| Turnover  | US\$'000 | <b>3,012,447</b> | 1,685,167 | 78.8%    |
| Profit attributable to shareholders of the Company                      | US\$'000 | <b>1,162,714</b> | 351,624   | 230.7%   |
| Basic earnings per share  | US cents | <b>43.70</b>     | 13.22     | 230.6%   |
| Profit margin   | %        | <b>38.7</b>      | 21.0      | 17.7 pt. |
| Net cash flows from operating activities                                | US\$'000 | <b>1,335,209</b> | 501,386   | 166.3%   |
| <b>Financial Position</b>   |          |                  |           |          |
| Equity attributable to shareholders of the Company                      | US\$'000 | <b>1,501,687</b> | 1,184,487 | 26.8%    |
| Net current assets  | US\$'000 | <b>400,084</b>   | 305,245   | 31.1%    |
| Interest bearing bank borrowings  | US\$'000 | <b>327,271</b>   | 428,893   | (23.7)%  |
| <b>Financial Ratio</b>  |          |                  |           |          |
| Return on equity (note 1)   | %        | <b>86.1</b>      | 31.9      | 54.2 pt. |
| Return on assets (note 2)   | %        | <b>49.1</b>      | 18.7      | 30.4 pt. |
| Assets turnover ratio (note 3)  | times    | <b>1.27</b>      | 0.89      | 0.38     |
| Gearing ratio (note 4)  | %        | <b>0</b>         | 21        | (21) pt. |
| <b>Operating Statistics</b>   |          |                  |           |          |
| Number of container vessels operated as at year end                     | vessels  | <b>96</b>        | 90        | 6        |
| Container shipping volume - Container shipping and supporting logistics | TEU      | <b>3,142,118</b> | 2,614,203 | 527,915  |

Note 1

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

Note 2

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

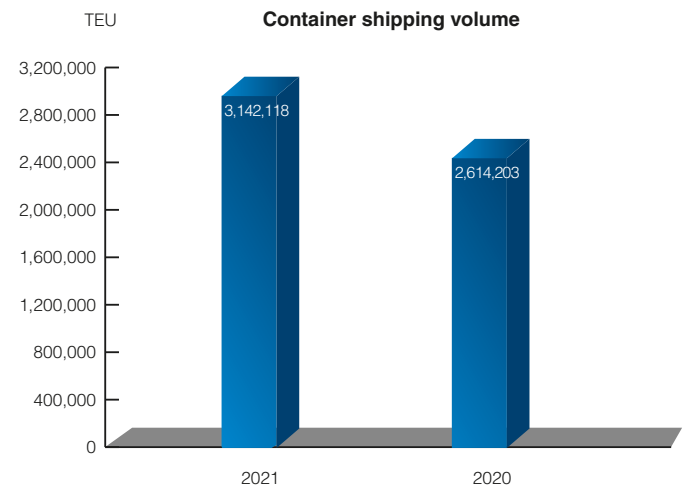
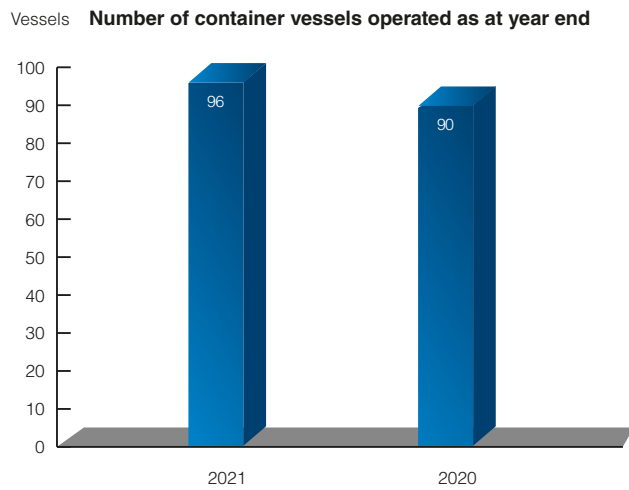
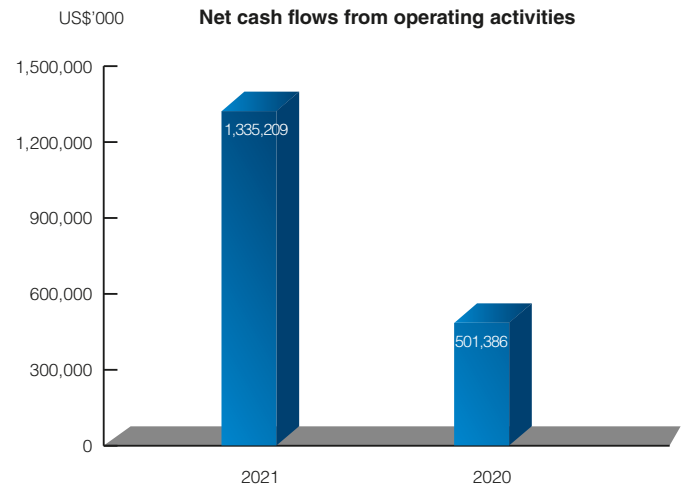
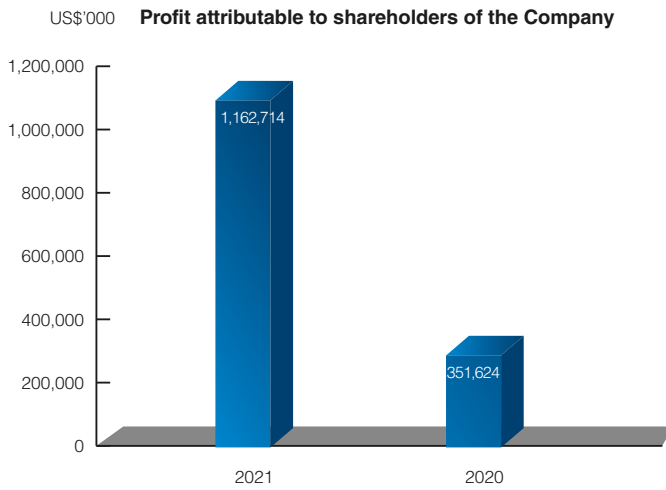
Note 3

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

Note 4

Gearing ratio is calculated by using net debt divided by the adjusted capital plus net debt. Net debt includes bank borrowings, lease liabilities, trade and other payables and accruals, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve.

## About SITC



■ Container shipping and supporting logistics

## About SITC

### HONORS AND AWARDS

SITC won the title of “Carbon Neutrality Practice Pioneer” for the “Environmentally Friendly and Intelligent Depot Project” at the “International Thirty-People Forum On Carbon Neutrality ” sponsored and hosted by China International Culture Exchange Center (CICEC).

SITC garnered six rankings in “2021 All-Asia Executive Team” by Institutional Investor, namely Best CEO (the 2nd place), Best CFO (the 2nd place), Best IR Program (the 2nd place), Best ESG (the 2nd place) and the second place in total scores in transportation sector.

SITC won the “2021 ‘Silk Road Maritime’ Named Routes – Superior Award of Shipping Service of the Year” organized by Fujian Port Group.

SITC won the award of “Listed Company With The Most Investment Value” in the selection of China Securities Golden Bauhinia Award.

SITC Customs Broker Co., Ltd. was awarded the title of “National Excellent Customs Broker” and our employee Liu Hongmei was awarded the title of “National Excellent Customs Declarer” at the “6th Commendation Conference of National Excellent Customs Brokers and Excellent Customs Declarers” organized by China Customs Brokers Association.

SITC won the title of “Customer Satisfied Container Liner”, “Customer Satisfied NVOCC” and “China’s Freight Forwarding Brand Top 50” at the 18th China Freight Service Quality Tracking Survey.

### ASSOCIATIONS THE COMPANY PARTICIPATES IN AND MEMBERSHIPS

| <b>Association name</b>  | <b>Way of participation</b> |
|--|-----------------------------|
| Shandong Crew Members Service Association                                | Member                      |
| Shipmaster Association   | Standing Director           |
| Marine Graduates Collaborative Group Meeting                             | Member                      |
| Shandong Institute of Navigation   | Vice President              |
| Shanghai International Shipping Center Development Promotion Association | Vice Chairman               |
| China Institute of Navigation  | Editorial Board Member      |
| China Shipowners’ Association  | Consultant, Vice President  |



## Chairman's Message

For the year ended 31 December 2021, the COVID-19 pandemic still impacted the global economy, consumer activities and supply chain. In 2020, the global economy experienced a cliff-like decline. The international shipping industry, which is closely related to international trade, inevitably faced unprecedented challenges. Restrictions posed by pandemic control measures worldwide resulted in low operation efficiency of terminals, difficult crew shift adjustments and the supply and insufficient supply and demand of containers, thus significantly affecting the operation of the supply chain. In 2021, with the full recovery of demand in various countries, the decrease in the efficiency of terminals and international logistics supporting facilities resulted in the serious shortage of effective shipping capacity, and the sharp increase in costs such as vessel and container leasing costs also led to new highs in freight rates on various lanes around the world. The Company optimized its lanes by flexibly deploying shipping capacity and closely monitoring port conditions, thereby providing customers with consistent services in accordance with established contracts in good faith.

Facing the current crisis, we deeply realize that all human beings live in but one community, and crisis can hardly be contained within one region, one country or one industry. We firmly believe that, with concerted efforts, we will be able to overcome all difficulties, so we have been actively devoted to anti-pandemic actions. In addition to cash donations, the Company has also arranged for free delivery of anti-pandemic supplies on many occasions to ensure the timely delivery of anti-pandemic supplies at "SITC speed". The Company has also taken various measures to ensure the life, health and safety of its employees, especially the crew, by distributing free anti-pandemic supplies to them and providing free isolation places.

Energy conservation, emission reduction and efficient use of natural resources are not only our internal requirements to improve efficiency and achieve sustainable development, but also a general trend to preserve the environment, protect the Earth and benefit our future generations. In 2021, the Marine Environment Protection Committee (MEPC), an International Maritime Organization (IMO), passed the amendments to Annex VI to the IMO International Convention for the Prevention of Pollution from Ships (MARPOL), pursuant to which mandatory technical and operational measures based on short-term goals, namely EEXI and CII, will come into effect after Annex VI to the MARPOL becomes effective on 1 November 2022, and will bind applicable ships from 1 January 2023. The new regulation poses higher requirements for shipping companies in respect of emission reduction, which brings a challenge as well as an opportunity.

Between 2022 and 2023, we will launch 34 low-cost and high-efficiency new vessels, which will greatly improve energy efficiency while enhancing the Company's fleet capacity. In addition, the Company has also actively invested in the trial and development of new energy-powered vessels. At the beginning of the new year of 2022, the Company leased in the first LNG-powered container vessel "MV TIGER LONGKOU", taking the first step in the exploration of new energy vessels.

Looking ahead, the International Monetary Fund predicts that the global GDP will grow by 4.4% in 2022, while Drewry forecasts that the global port throughput will increase by 4.6% in 2022, and the growth of container fleet capacity is expected to be lower than demand growth. The upcoming annual assessment of the Carbon Intensity Indicator (CII) by the International Maritime Organization (IMO) will result in the gradually scrapping of old vessels, which will suppress the growth of container shipping capacity. The above factors will maintain the supply and demand balance of container shipping logistics in Asia. The Group will pay close attention to the changes in the global economy, and will seize the opportunity to implement business expansion plan prudently. The Group will continue to optimize its unique operation model, expand its service network, increase the voyage frequency of its lanes, and extend the land-based value chain to meet customer's demand for supply chain management. At the same time, the Group will optimize its own fleet structure by capturing vessel price dynamics based on its insight into the relationship between supply and demand of vessels, to secure a long-term cost-competitive position and reduce hazardous gas emissions. Focusing on the improvement of operational efficiency, the Group will continue to improve its organization process and information technology systems, and strive for the goal in becoming a world-class integrated logistics service solutions provider.

# Corporate Governance

## STATEMENT OF THE BOARD ON ESG MATTERS:

The Board comprehensively supervises the strategies formulation on ESG matters, performance management and target progress. The Board has set up the sustainable development committee (the “Sustainable Development Committee” or the “Committee”) to put forward suggestions regarding the Company’s long-term development plan, sustainable development policies, and guide the stakeholder communication. The Committee also reviews the policies, management framework and day-to-day operations in respect of environmental and social responsibilities and sustainable development at least every half a year. In addition, the Committee puts forward suggestions to the Board on relevant work. The Board has set up the risk management committee (the “Risk Management Committee”) to review the major risk identification and response at least every half a year, so as to ensure that the related risks are promptly and effectively identified and properly managed. Based on the effective communication with stakeholders, combined with the actual situation of the Company and the opinion of the management, the Board determines the importance of various ESG indicators.

### 1.1 ESG MANAGEMENT PHILOSOPHY

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

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

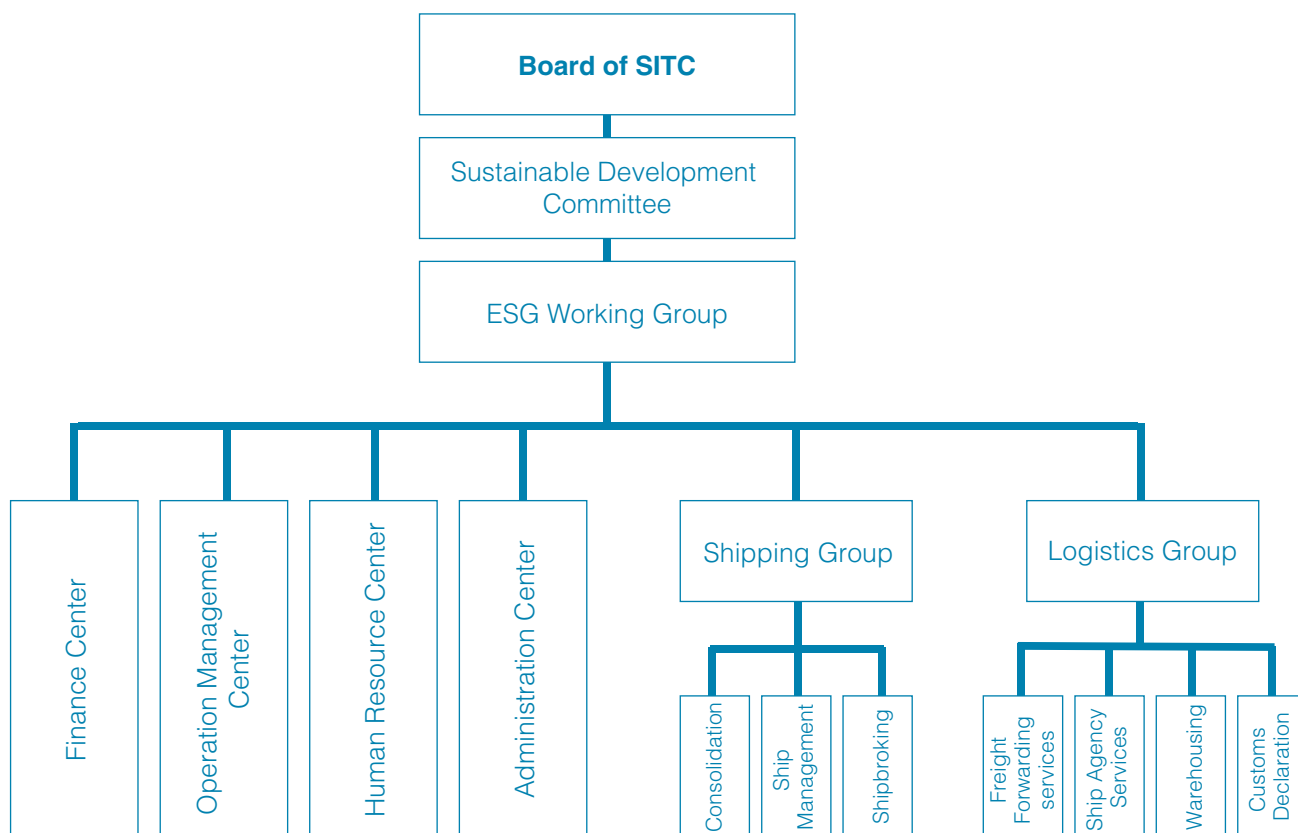
policy of “energy conservation and emission reduction, high efficiency and low consumption”.

Upholding the philosophy “Personnel is SITC’s greatest asset. Only by cultivating top-calibre employees can we provide first-class services to customers, create first-class value and achieve sustainable development” as its core value, the Company has continuously improved its employee selection, training, development and incentive systems, and taken the initiative to share corporate development and growth with employees to enhance their cohesion. Working with qualified suppliers, the Company has flexibly and rapidly met the increasingly individualized logistics needs of customers to ensure they respond to changes in supply chain efficiently and jointly resolve the supply chain problems in economically underdeveloped countries and regions, thereby striking a balance between commercial value and social value. The Company undertakes to follow relevant industry conventions and regulations as well as other laws and regulations regarding economics, human rights, personal privacy, competition, etc., and provide customers with quality services under the lawful framework.

The Company is committed to creating greater values for stakeholders to help achieve its sustainable development goals. In light of the Board diversification policy, the Company has actively given play to the role of independent non-executive directors, and respected their professional advice and independent opinions. In 2021, the Company continued to optimize its structure of the Board and increase the proportion of female Directors. As at the date of this report, the Board of the Company consists of 9 members, including 5 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, of which 3 are female Directors. The Audit Committee, the Remuneration Committee, the Nomination Committee, the Sustainable Development Committee, the Risk Management Committee and the Information Disclosure Committee have been established under the Board. The Company has been striving to establish a sound sustainable development structure, set up various key performance indicators (“KPIs”), improve internal management system, optimize IT systems and further improve corporate governance, thus striving to accomplish the corporate governance goal: to create a credit-oriented environment of high transparency and clear accountability so as to secure long-term investment, financial stability and business integrity, thereby supporting more robust growth and a more inclusive society.

## 1.2 ESG MANAGEMENT STRUCTURE

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



- The Board shall review the progress of the Company’s ESG related objectives at least every half a year.
- The Board has established the Sustainable Development Committee, which comprises four executive directors of the Company. Mr. YANG Xianxiang, an executive director and Chief Executive Officer, serves as the chairman of the Committee and the company secretary acts as the secretary of the Committee. The Sustainable Development Committee shall submit the Sustainable Development Report of the Company to the Board every half a year, report the progress of various ESG matters during the reporting period of the Company in detail, and make recommendations to the Board.
- The ESG Working Group coordinates each center and business group on a monthly basis, and reports environmental, social and governance related matters to the Sustainable Development Committee, and evaluates the relevant KPI indicators of senior executives.

In 2021, the Sustainable Development Committee of the Company summarized and analyzed the 2020 ESG matters, and investigated and summarized the completion progress of various KPIs for the first half of 2021. It reviewed and inspected all aspects of the Company’s ESG management, and proposed a series of improvement measures and steps to the Board. The Board is generally satisfied with the Company’s performance on 2021 ESG matters.

## Corporate Governance

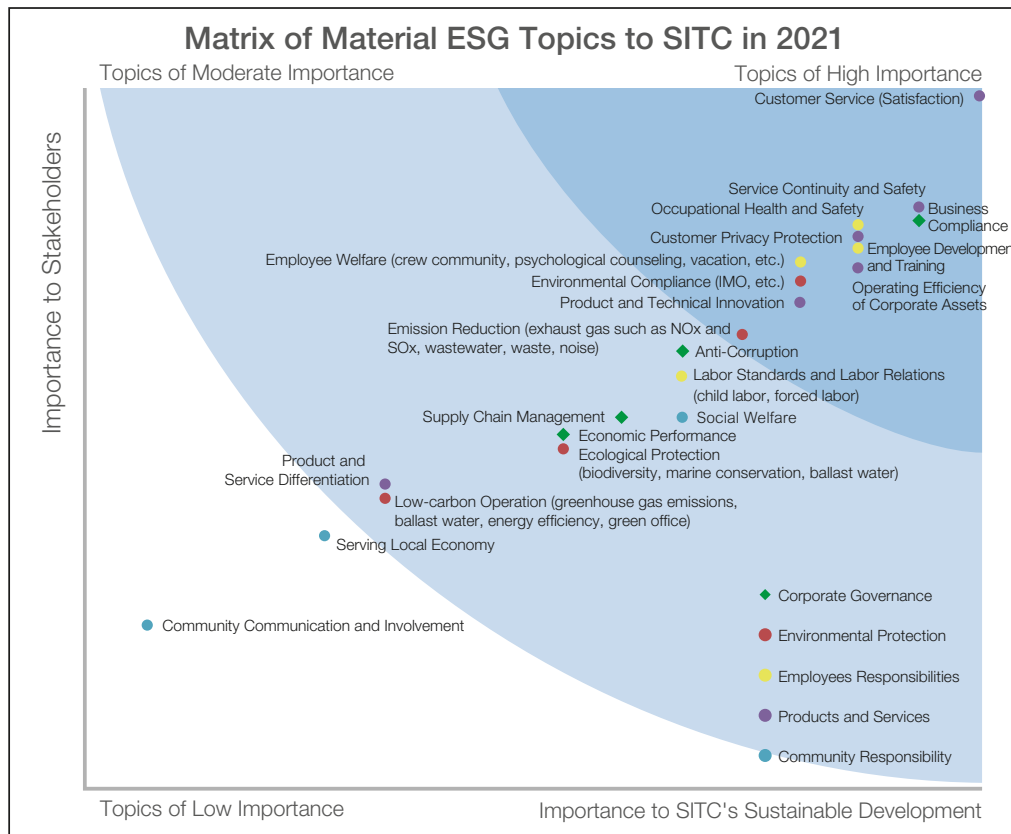
### 1.3 MATERIALITY ANALYSIS

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

| Stakeholders                   | Issues concerned                       | Means and frequency of communication                   | Responsible department  |
|--------------------------------|--|--|---|
| Employees                      | Staff development and training         | Questionnaire survey (scheduled)                       | Human resources department/administrative department of the headquarters and companies        |
|                                | Occupational health and safety         | Team building (scheduled)                              |   |
|                                | Remuneration and benefits              | Symposium (unscheduled)                                |   |
| Customers                      | Customer satisfaction                  | Staff training (scheduled)                             | Marketing department of the headquarters and customer service department of companies         |
|                                | Service continuity and safety          | Complaint hotline (unscheduled)                        |   |
|                                | Customer privacy protection            | Annual meeting (scheduled)                             |   |
| Suppliers                      | Employee benefits and rights           | Satisfaction survey (scheduled)                        | Marketing department, operation department, investment department, internal audit department  |
|                                | Anti-corruption                        | New product launch (unscheduled)                       |   |
|                                | Emission reduction                     | Regular visit (scheduled)                              |   |
| Shareholders and investors     | Operation efficiency of company assets | Regular exchange visits (scheduled)                    | Investor relations department, securities department, finance department                      |
|                                | Product technology innovation          | Training (unscheduled)                                 |   |
|                                | Occupational health and safety         | Strategic cooperation (unscheduled)                    |   |
| Financial institutions (banks) | Asset operation efficiency             | Cooperation and anti-corruption interviews (scheduled) | Treasury department, finance department   |
|                                | Customer service                       | Participation in bidding (unscheduled)                 |   |
|                                | Environmental compliance               | Annual general meeting (scheduled)                     |   |
| Media                          | Commercial compliance                  | Results conference (scheduled)                         | Investor relations  |
|                                | Emission reduction                     | Investor meeting (unscheduled)                         |   |
|                                | Product technology innovation          | Roadshow and reverse roadshow (unscheduled)            |   |
| Regulatory authorities         | Emission reduction                     | Announcement (unscheduled)                             | Shipping management department, crew management department, route management department, etc. |
|                                | Employee benefits and rights           | Green financing project (unscheduled)                  |   |
|                                | Contribution to local economy          | Thematic meeting (unscheduled)                         |   |
|                                |  | Regular visit (scheduled)                              |   |
|                                |  | Interview (unscheduled)                                |   |
|                                |  | Telephone communication (unscheduled)                  |   |
|                                |  | Telephone consultation (unscheduled)                   |   |
|                                |  | Visit (unscheduled)                                    |   |
|                                |  | Publication of various regulations (unscheduled)       |   |

# Corporate Governance

As at the end of 2021, the Company invited all the employees, major customers, suppliers, financial institutions, shareholders, government regulators, media and other stakeholders to assess the importance of 21 topics in four categories concerning SITC through a combination of online and offline questionnaire-based survey. More than 750 questionnaires were collected. The following key matrix of materiality issues were formulated from the valid questionnaires collected, combined with the actual situation of the Company and the opinions of the management:



## Corporate Governance

Based on the ranking of the matrix above and taking into account the Company's industry characteristics, the Company has determined the following 8 items as the its major issues in 2021:

| Major issues                           | Materiality | Main policy   | Corresponding Chapter    |
|--|-------------|---|--------------------------|
| Customer Service (Satisfaction)        | ★★★★★       | SITC's business model: To focus on the Asian region, to provide customers with efficient and high-quality logistics services, and to become their preferred provider  | Responsible Operation    |
| Service continuity and safety          | ★★★★★       |   |                          |
| Occupational Health and Safety         | ★★★★★       | "Employees are SITC's greatest assets" is the Company's core value. The Company has always put the protection of employees' life, health and safety in the first place, and aims to eliminate fatality and minimize time lost due to work-related injuries.               | Harmonious Development   |
| Commercial Compliance                  | ★★★★        | The Company ensures that its business activities comply with environmental regulations and economic regulations by establishing various internal control and review processes.  | Responsible Operation    |
| Staff Training and Development         | ★★★★        | SITC's values: Employees are SITC's greatest assets; only top-calibre employees can provide first-class services; and only creating first-class value can a company achieve long-term development.  | Harmonious Development   |
| Customer Privacy Protection            | ★★★★        | Without prior consent, no one shall disclose any customer information to any unrelated company, department or person in any form on any occasion.   | Responsible Operation    |
| Operation Efficiency of Company Assets | ★★★★        | SITC's development mode: focusing on self-operated and asset-light models, establishing logistics channels and facilities integrating sea and land, continuously improving the high-density and high-frequency sea liner network, to offer customized logistics services. | Responsible Operation    |
| Environmental Compliance (IMO)         | ★★★★        | The Company complies with various environmental protection conventions and regulations.   | Environmental Protection |

# Responsible Operations

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

## 2.1 ECONOMIC PERFORMANCE

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

In terms of operations, the Company has been focusing on Asia during its development, and has been committed to providing efficient and quality logistics services to customers and becoming their preferred provider. Based on the operating models of self-operated and light assets, the Company has established ocean and land integrated logistics channels and facilities to offer customized logistics services. For the year ended 31 December 2021, the COVID-19 pandemic still impacted the global economy, consumer activities and supply chain. With the full recovery of demand in various countries, the decrease in the efficiency of terminals and international logistics supporting facilities resulted in the serious shortage of effective shipping capacity, and the sharp increase in costs such as vessel and container leasing costs also led to new highs in freight rates on various lanes around the world. The Company optimized its lanes by flexibly deploying shipping capacity and closely monitoring port conditions, thereby providing customers with consistent services in accordance with established contracts in good faith. Through the strategy of expanding amidst the unfavorable trend, the Company continued to maintain a stable growth of its performance and increased new vessel orders as appropriate, laying a solid foundation for future development.

The Company has established a unique business model based on customers' needs to obtain the trust of high-quality customers. Meanwhile, the Company utilized the industry cycle to establish a cost-leading advantage, coupled with the continuous improvement of operating efficiency, and maintained a higher return on net assets and total assets for a long term.

| Year                   | 2019  | 2020  | 2021  |
|------------------------|-------|-------|-------|
| Return on net assets   | 21.5% | 31.9% | 86.1% |
| Return on total assets | 13.4% | 18.7% | 49.1% |

In respect of shareholder return, the Company has continued to distribute dividends to its shareholders since its listing. A scientific, continuous and stable dividend mechanism has been established to ensure that investors have steady investment return expectations. Over the years, the Company has maintained a stable dividend of 70% of the annual net profit, and paid special dividends according to the cash flow situation, so as to give back to the support and trust of our shareholders.

| Year                             | 2019 | 2020  | 2021  |
|----------------------------------|------|-------|-------|
| Earnings per share<br>(US Cents) | 8.29 | 13.22 | 43.70 |
| Dividend per share<br>(HK Cents) | 75   | 82    | 320   |
| Dividend payout ratio            | 117% | 81%   | 94%   |

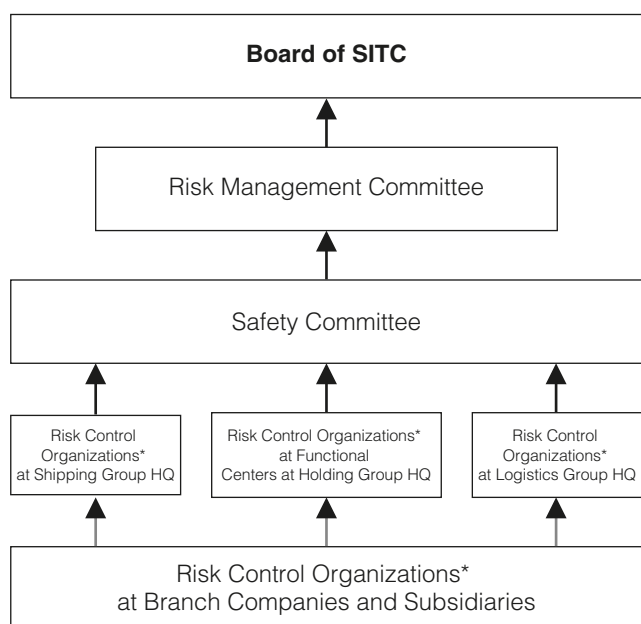
In respect of interest-bearing debts, as the Company continued to adopt a stable strategy, the debt ratio remained at a low level, thus providing maximum protection to creditors' interests.

| Year   | 2019       | 2020       | 2021     |
|--|------------|------------|----------|
| Ratio of total liabilities<br>to shareholders'<br>equity | 60%        | 71%        | 79%      |
| Interest coverage ratio                                  | 37.9 times | 67.8 times | 85 times |

## Responsible Operations

### 2.2 RISK MANAGEMENT

In view of the high-standard integrity and business ethics as the operating principle, the Company has detailed all risk points in business activities and internal measures and control processes for these risk exposures, and further established a scientific and systematic internal control system. The risk management committee has been established under the Board, consisting of one executive director and three independent non-executive directors, of which Mr. TSE Siu Ngan, an independent non-executive director, serves as the chairman of the committee, aiming to establish a sound and integrated risk management organization.



Remarks:

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

The Company follows COSO's guidance on enterprise risk management. Coupled with the formulation and execution of strategies, the Company carried out culture building, competence development and practice in respect of risk while creating, maintaining and realizing value. The Company has formulated the "Risk Assessment and Prevention" system, which specifies the responsibilities of organizations at all levels in the risk management structure: the heads of SITC's subsidiaries and departments (centers) are the first line of defense for risk management; the audit department of the operation management center together with the Risk Management Committee and the safety committee under the Board serve the second line of defense for risk management; and the Board is the third line of defense for risk management. In addition, the internal control post authorization, reporting, approval, responsibility, auditing, assessment systems, the major risk early warning system and the emergency response mechanism have been established to clarify risk early warning standards. The Risk Description and Control Summary Sheet categorizes a total of 187 risks faced by the Company into strategic risk, operational risk, financial risk and compliance risk, and specifies the preventive measures and responsible persons for each risk.

Every half year, the Risk Management Committee reviews and revises the Risk Description and Control Summary Sheet. The Risk Management Committee held two meetings in August 2021 and March 2022, respectively, to summarize the risk management work in the mid-term and full-year of 2021. The Company conducts risk control assessments and questionnaire surveys for employees at different positions and levels, formulates risk control measures against incremental risks, gives lectures on hot topics, and adjusts and supplements related systems and organizations. Based on the results of the questionnaire survey, the top ten risks currently faced by the Company have been identified.



## Responsible Operations

| Risk   | Risk Areas       | Overall Ranking |
|--|------------------|-----------------|
| IT system paralysis risk   | Operational risk | 1               |
| Pandemic risk  | Operational risk | 2               |
| Ship navigation risk   | Operational risk | 3               |
| War risk   | Operational risk | 4               |
| Closure of terminal due to major accidents, strikes, etc.  | Operational risk | 5               |
| Dangerous goods transport risk   | Operational risk | 6               |
| Supply chain change risk   | Strategic risk   | 7               |
| Risk of change in industry anti-monopoly laws and regulations  | Compliance risk  | 8               |
| Risk of resignation of personnel in important positions, and leakage of business secrets and core technologies | Operational risk | 9               |
| Natural disasters such as typhoons, earthquakes and floods   | Operational risk | 10              |

Among all major risks, the top three minor items are as follows:

| Risk   | Risk Areas       | Overall Ranking |
|--|------------------|-----------------|
| IT system paralysis risk   | Operational risk | 1               |
| Pandemic risk  |                  | 2               |
| Ship navigation risk   |                  | 3               |
| Supply chain change risk   | Strategic risk   | 7               |
| The lag risk of digital applications such as blockchain and artificial intelligence                                      |                  | 15              |
| Risks from signing of RCEP   |                  | 28              |
| Taxation risk  | Financial risk   | 11              |
| Risk of accounts receivable recovery   |                  | 19              |
| Exchange rate risk   |                  | 22              |
| Risk of change in industry anti-monopoly laws and regulations  | Compliance risk  | 8               |
| Risks of change in environmental policy of the industry  |                  | 14              |
| Occurrence of unapproved related-party transactions, or the amount of related-party transactions exceeding approved caps |                  | 29              |

## Responsible Operations

Compared with 2020, the rankings of war risk, closure of terminal due to major accidents, strikes, etc., dangerous goods transport risk, and risk of change in industry anti-monopoly laws and regulations have risen significantly in the rankings, which have attracted the attention of the Group's management. Accordingly, the following measures have been taken to prevent relevant risks.

1. Held special sessions to analyze new risks, and formulated preventive measures in a timely manner.
2. Actively organized activities for pandemic prevention. During the entire period of the Covid-19 pandemic, shift changes of the crew were made in a regular basis and the vessels were operating normally. All port companies ensured normal operations by working from home and working outdoors.
3. Revised the related party transaction management system, clarifying that each company should submit the related party transaction approval through the office automation (OA) system.
4. It is clarified that if there is an automatic renewal clause in the contract, the contract needs to be re-evaluated before the contract expires, and the business personnel directly related to the performance of the contract should participate in the evaluation.
5. Investigated and issued a list of blacklisted customers to prevent accounts receivable risks.

In the coming years, the Company will continue to refine the risk management work:

1. To organize risk control investigations, revise the Risk Description and Control Summary Sheet, investigate major risk prevention and control deficiencies, and improve risk prevention and control plans.
2. To keep updated with changes in external environment such as politics, society, economy and environmental protection, as well as the development of SITC's new businesses, promptly investigate new risks and organize relevant response plans. To continue to organize the general manager, financial director and above to prioritize the Company's major risk projects and clarify the Company's risk prevention and control priorities.

## 2.3 ANTI-CORRUPTION

While attaching great importance to clean management, the Company is determined to put an end to bribery, extortion, fraud and money laundering of any form. The Company strictly complies with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

1. The Company has formulated the Anti-Bribery Policy and the Code of Conduct for Employees, and announced the Group's anti-corruption policy throughout the Group, emphasizing that "the Company prohibits any form of corruption and bribery, and the system applies to all directors and employees", and setting out the principles and boundaries that are required to be followed in giving and receiving gifts, discounts and commissions, as well as the supervisory responsibilities of each rank. The Company has also promulgated the Anti-Fraud, Reporting and Complaint System to establish a sound and transparent anti-fraud, reporting and complaint mechanism. A reporting hotline and e-mail have been set up to receive real or anonymous reports from employees and external third parties.
2. The Company has strengthened capital management and control. The Fund Management System clearly stipulates that "all capital receipts and payments shall be made based on a true and legal business background. Any form of illegal acts such as bribery, extortion, fraud, and money laundering, or fund receipts and payments that violate company policies are prohibited. "
3. The Company has strengthened its publicity and training of anti-corruption policies for its employees. The Company has regularly organized training for its employees, and published the Corruption Prevention Tips, the Practical Guidelines for the Corruption Prevention System of Listed Companies and the Corruption Prevention Training Materials of SITC on the Company's internal website for its employees to consult and study at any time. Questionnaire surveys were carried out to investigate the anti-corruption status of the Company. A questionnaire survey on 841 interviewees was completed in 2021, of which, 61.6% of the staff believe that there are no corruption issues in the Company, 38.2% of the staff are uncertain or doubtful, and only 2 employees believe that corporate corruption is common.

## Responsible Operations

4. The Company has formulated the Internal Audit System to organize internal and external audits on a regular basis, and implement the rotation system, thus effectively preventing corruptions. In 2021, the Company implemented a total of 34 audits, and carried out routine audits on 33 subsidiaries and branches, and a special audit on Changjiang Zhixian Company (長江直線公司). In addition, the Company has strictly implemented its job rotation system. During the reporting period, 10 persons in charge of finance and 20 persons in charge of independent operations were rotated.

There was no bribery, extortion, fraud and money-laundering related case in the Company during the reporting period.

### 2.4 CUSTOMER SERVICE

“Customer always comes first” is one of the core values upheld by SITC, and a key strategy for SITC to develop and maintain competitive strengths.

Adhering to its service strategy of “professionalism, expertise, specialization and innovation”, and despite the substantial increase in freight rates for European and American routes in 2021, the Company stayed focusing on the operation of routes in the Asian region, and was committed to providing customers with refined, unique and innovative services to earn the long-term trust of customers.

Customers by geography as a percentage of revenue are as follows:

|                |     |
|----------------|-----|
| Greater China* | 47% |
| Southeast Asia | 30% |
| Japan          | 19% |
| Others         | 4%  |

\* Greater China includes Mainland China, Hong Kong and Taiwan.

Through WeChat Official Account and public mailbox, the Company has been providing customers with real-time port closure and typhoon information, new policy interpretation and new services for promotion to further improve customer experiences.

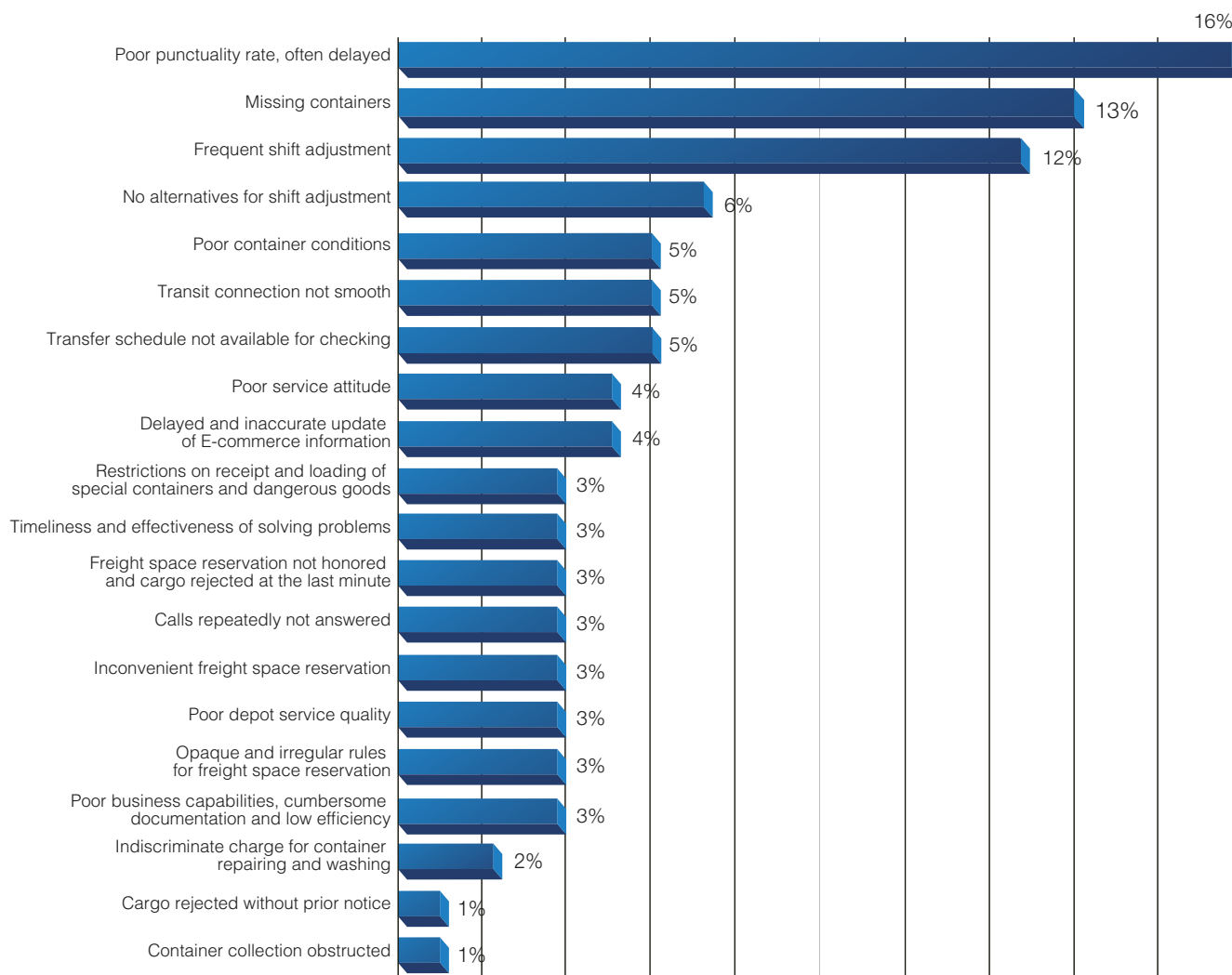
As affected by the Covid-19 pandemic, the shipping market generally faced difficult situations of port congestion and the decline in the turnover rate of vessels and containers. The Company maintained high-frequency and high-density services by flexibly allocating capacity and adjusting routes. The Company increased its services to Chittagong in Bangladesh, Yangon in Myanmar, and Vladivostok in Russia, expanded the rail-sea transportation business, and extended its the logistics network and value chain. In addition, the Company has newly established storage yards in Xiamen, Surabaya (Indonesia) and Semarang (Indonesia) to expand its warehouse storage area.

Through such diversified channels as regular meetings, business visits and seminars every year, the Company has been reaching out customers for opinions and suggestions, making adjustments and innovations in line with dynamic market demands to continuously improve and enhance its customer service level. The Company also conducted customer satisfaction survey to understand customer needs and improve service quality.

The following are the results of the customer satisfaction survey conducted by the Company in 2021, and the customer’s opinions were solicited on the satisfaction of container shipping services and logistics services.

## Responsible Operations

The degree of satisfaction of 20 minor items under the **container transportation service** ranking from low to high is as follows: of which, punctuality rate and shifts are still service contents that customers concerned about. The degree of satisfaction of service attitude has increased.



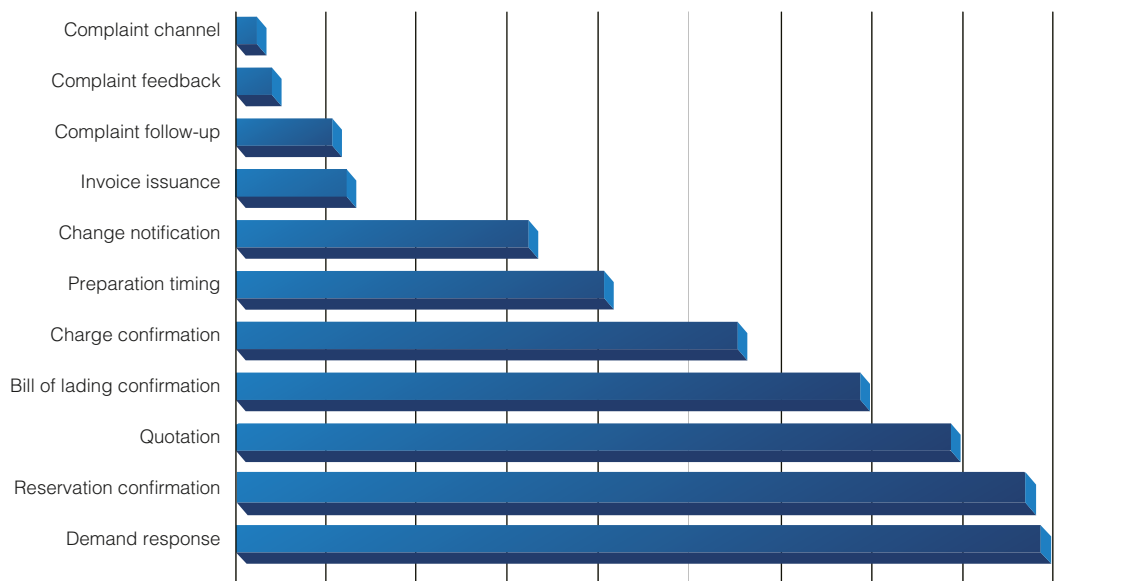
## Responsible Operations

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

- 1) New vessels were launched successively to increase shipping capacity, and some of them were used as overtime vessels in areas and routes with severe towing; at the same time, the towing situation was improved by increasing the speed of vessels in a reasonable manner;
- 2) The Company has leased 45,000 TEU new containers to alleviate the gap. In 2022, the Company will increase the container configuration according to the actual situation of the business, and continued to increase the turnover efficiency of empty containers to ensure customers' needs for containers are met;
- 3) The operation centers and port shipping agencies of the Company will update the dynamic information of the partner's vessels in time; dynamic information of the containers is imported at ports and the yards on a timely basis to ensure the integrity and timeliness of the dynamic business information.

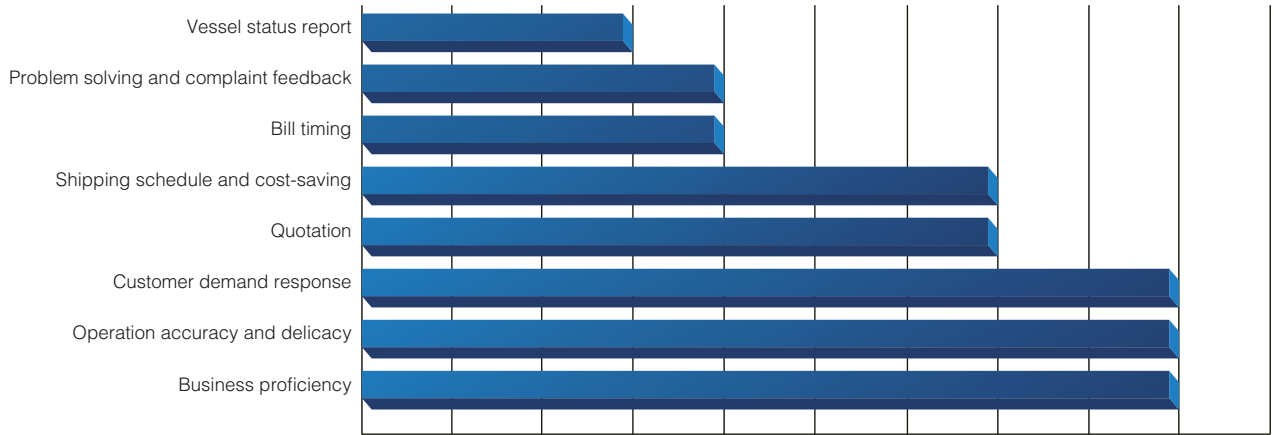
The customer dissatisfaction survey of logistics services is categorised by four business types, with satisfaction from low to high:

- Freight forwarding business

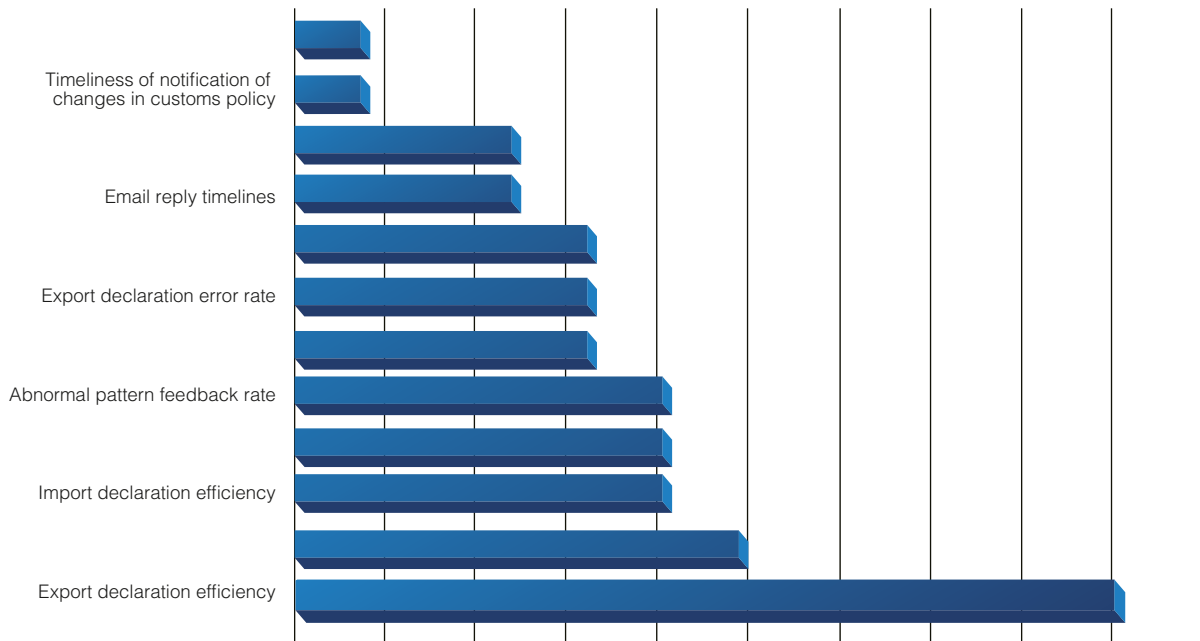


## Responsible Operations

- Shipping agency business

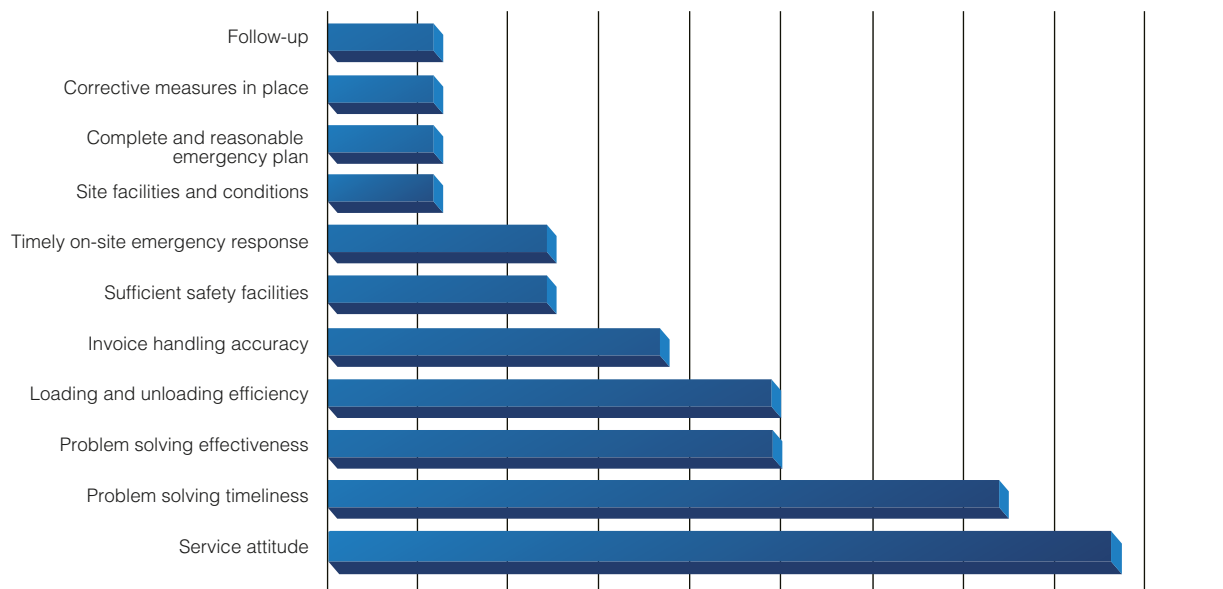


- Customs declaration and inspection business



## Responsible Operations

- Depot business



In view of the above items that customers are not satisfied with, the Company has taken measures to improve services such as enhancing the quotation advantages of overseas agents, placing smart orders, improving service channels, focusing on near-ocean routes while developing markets for ocean routes.

In strict compliance with laws and regulations regarding chemical and hazardous substance transportation and storage as well as SOLAS Convention, the Company has been providing customers with safe and reliable logistics services. Within the reporting period, the Company has not been subject to fines or non-economic penalties arising from violation of product and service laws and regulations. The Company cannot report recalls of products it ships for safety and health reasons because the Company does not arrange for recalls.

Moreover, the Company has established a complete customer complaint and dispute resolution mechanism, and set up customer complaint departments in the business companies and Headquarters to handle complaints and disputes in an efficient and proper manner. The Company has further purchased protection and indemnity insurance or tenant liability insurance for all cargo it carries to ensure proper indemnity for the cargo owners in case of damages to cargoes. Timely and effective settlement of customer claims have minimized the losses of customers and enhanced their satisfaction. In 2021, the Company handled an average of 19 claims monthly and only made a compensation of USD180,000 for damage of cargoes for the whole year.

The Company attaches great importance to the maintenance and protection of intellectual property rights, especially the management and maintenance of trademarks of the Company, so as to provide customers with clear trademark guidelines with the Company's characteristics. The Company has registered "SITC" and "海豐" trademarks in more than 20 countries and regions in accordance with relevant local regulations, and has used trademarks in our container vessels, containers and offices in a regulated manner. In 2021, the Company had no intellectual property disputes.

Under the principle of being responsible to customers, the Company has been committed to protecting the safety and privacy of customer information. In strict compliance with related laws and regulations, the Company has improved information safety management mechanism, strictly protected and rationally used customer information. Highly valuing the development of employees' information safety awareness, the Company has stipulated in the corporate regulations and Employee Manual that without prior consent, no one shall disclose any customer information to any unrelated company, department or person in any form on any occasion. Within the reporting period, the Company has found no case occurred in relation to customer information leakage.

There is no quality inspection and product return procedure because the Company's business does not involve the production and manufacture of products.

## Responsible Operations

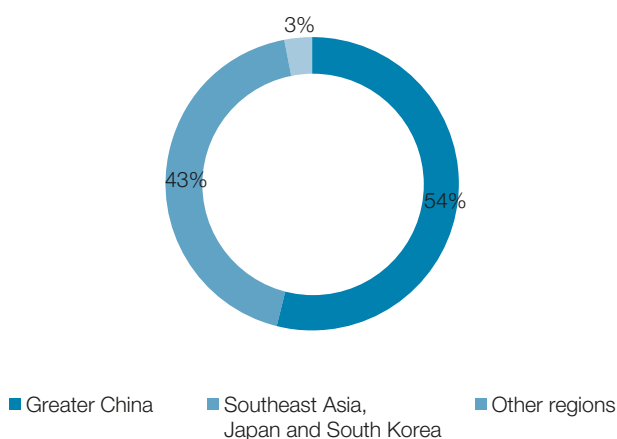
### 2.5 SUPPLIER MANAGEMENT

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

#### 1. Supplier Overview

As of 31 December 2021, the Company had approximately 7,000 active suppliers from 45 countries and regions, including China, Korea, Japan, Vietnam, Thailand, and Malaysia.

**Supplier Number by Geographical Area**



Key supplier categories based on proportion of supplier purchase amount

| Supplier category           | Service rendered   | Proportion of purchase amount |
|-----------------------------|--|-------------------------------|
| Terminal                    | Loading and unloading services, use of terminal facilities, cold box plug-in, etc. | 35.93%                        |
| Fuel                        | Purchase of fuel   | 17.67%                        |
| Shipyard                    | Manufacture of container vessels   | 9.23%                         |
| Vessel owners               | Leasing of container vessels   | 6.28%                         |
| Container leasing companies | Leasing of containers  | 6.16%                         |

The Group's non-current assets are primarily dominated by its vessels. The directors of the Company consider that the nature of the Group's business and the way in which costs are allocated preclude a meaningful allocation of vessels, their operating profits and related capital expenditure to specific geographical areas as defined under HKFRS 8 Operating Segments issued by the HKICPA. These vessels are primarily utilised across the geographical markets for shipment of cargoes throughout Asia.



## Responsible Operations

### 2. Selection of suppliers

In respect of supplier selection, the Company strictly followed the Supplier Review and Maintenance Management Process. Under the principles of fairness, openness and justice, the service level, safety awareness, ethical standards, industry qualifications, social responsibilities and other indicators of suppliers have been comprehensively assessed through the supplier review system. Quantity and quality are attached with equal importance, and price is not taken as a priority. Furthermore, the conditions of SITC's suppliers are subject to annual evaluation. In case of non-conformities, the Company will suspend the cooperation and request them to be rectified.

The Company has different requirements for the performance capabilities of different types of suppliers. It requires certain qualified suppliers to conduct the "social responsibility assessment", requesting them to provide relevant information and data on social responsibility and sustainable development. The selection of key suppliers follows a more comprehensive and rigorous evaluation process. The Company will perform evaluation on commercial and technical conditions: in terms of commercial, it mainly evaluates the experience, performance, management level, credit status, capital status, delivery date, payment terms, organization, talent team, cost, etc.; in terms of technical, it mainly considers the industry evaluation of suppliers, hardware facilities, asset operation indicators and customer feedback, production design capacity and continuous optimization capacity, qualified Maker list evaluation, past performance, environmental regulations, etc.

Meanwhile, the Company identifies the environmental protection risks of the supply chain and formulates countermeasures. In the process of vessels fuel oil supply, the Company requires that the fuel oil purchased must comply with ISO8217:2005 and above, and the fuel oil supplier must have a sound environmental protection awareness concept and environmental protection management system. Suppliers failing of which will not be used; in the process of purchase, construction and leasing of vessels, the Company requires that the vessels must comply with the emission requirements of IMO, and the shipyard shall issue the Asbestos-free certificate of vessel construction with the International Oil Pollution Prevention Certificate – IOPP, International Air Pollution Prevention Certificate – IAPP, International Domestic Sewage Pollution Prevention Certificate – ISPP and IHM (Inventory of Hazardous Materials); Environmental protection certificates such as IECC (International Energy Efficiency certificate); in terms of the selection of the container factory, the Company requires the container factory to possess environmental protection qualifications such as the Environmental Management System Certification, the approval document of the local environmental protection department where the container factory is located, and the sewage discharge permit.

### 3. Commitment to sustainable development

In 2021, the Company newly issued the Sustainability Commitment Letter to all suppliers, suggesting that all suppliers, especially our key suppliers, are required to agree to follow the sustainable development initiatives issued by the Company while providing services. The commitment includes: to protect the environment by reducing harmful and greenhouse gas emissions; to preserve natural resources by using green energy and environmentally friendly raw materials where possible; to formulate fair and reasonable employment policies to protect the legitimate rights and interests of employees; to prohibit the employment of child labour and forced labour; to adopt environmentally friendly supply chain; to resolutely oppose bribery, extortion, fraud and money laundering activities; and to actively participate in social welfare undertakings.

## Responsible Operations

### 4. Cooperation with suppliers

Devoted to the improvement of supply chain management efficiency, the Company has further established close relationships with suppliers and enhanced cooperation quality through communication channels such as negotiation, training, visit and symposium in order to strengthen core competitiveness and drive industry development. The Company has also been active in expanding broader and more profound cooperation models with excellent and iconic suppliers within the industry, and establishing long-term partnerships for mutual benefits and common developments with upstream and downstream supply chain partners, so as to promote industrial co-prosperity. The high-frequency and high-density maritime logistics operating model of SITC is dependent on the active support of terminal operators. In order to achieve win-win cooperation, in addition to maintaining strategic cooperative relations with Shanghai Port, Qingdao Port, Dalian Port, Tianjin Port, Guangzhou Port and many other port companies, in 2021, SITC and Xiamen Port Holding Group entered into a three-year strategic cooperation agreement, and established a joint venture with Xiamen Container Terminal Group Co., Ltd., thus laying a foundation for provision of safe, timely and fast quality logistics service. The Company has maintained long-term stable partnerships with major suppliers such as vessel owners, container companies and fuel suppliers. Over 50% of its suppliers have partnered with the Company for over 10 years. In strict compliance with contractual terms, the Company has settled the payments with suppliers in a timely manner, with an average settlement period of approximately 37 days.

In 2022, the Company will continue to uphold the tenet of balancing business development with corporate social responsibility. Based on compliant operations, the Company will strengthen the management and maintenance of customer and supplier relations, thus develop a multi-win cooperation model featuring steady operations, customer satisfaction and supplier trust. The Company will continue to improve our annual customer dissatisfaction survey, focus on improving the client-side network development, and strengthen communication with customers through the Company's official website, corporate public account, artificial intelligence customer service system and other channels so as to improve customer experience. Supply chain management will be further strengthened to reduce the violation risk and an anti-corruption supply chain system will be jointly established; network construction and business expansion of the Company will be boosted; the scope of sustainability commitments will further be promoted among suppliers; active efforts will be made to test block chain in international trade, logistics and supply chain finance; attempts have been made to identify the practices of environmental and social risks in each link of the supply chain and to establish relevant implementation and monitoring measures.

# Energy Conservation and Environmental Protection

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

## 3.1 EMISSION REDUCTION

The Company has established a sound environmental management system which provides effective measures for different types of pollutants and ensures pollutant emission is following international and local laws and regulations and environmental pollution incidents are eradicated. The Company has used low-sulfur fuel oils to lower the emission of gaseous pollutants, and enhance vessel energy efficiency and reduce the use of fuel oils, which can lower emissions of gaseous pollutants and greenhouse gases from the source. In respect of wastewater generated during vessel operation, the Company has taken measures and monitored data to prevent damage to marine organisms. The Company recycle and reuse non-hazardous wastes on land and at sea as practicable to reduce the amount of wastes generated; non-hazardous and hazardous wastes that cannot be reused are properly disposed of by municipal companies or third-party institutions. In 2021, there were no penalties occurred for environmental pollution or emission violations during our operation.

### 1. Environmental Management System

Continuous efforts have been made to improve the environmental management system. In accordance with the Maritime Environmental Protection Law of the People’s Republic of China, the Regulations on the Administration of Preventing and Controlling Maritime Environment Pollution from Ships, and the IMO International Convention for the Prevention of Pollution from Ships (MARPOL), the Company has formulated internal regulations such as the Garbage Management Plan and the Oil Pollution Emergency Plan. Management methods for various pollutants, greenhouse gas control measures and incident emergency responses have been specified to practically guarantee the strict compliance with international and local laws and regulations in pollutant emission so as to reduce the damage caused to the environment.

### 2. Management of Gaseous Pollutants

Gaseous pollutants generated by the Company primarily consists of nitrogen oxides, sulfur dioxide and particles generated in fuel oil combustion in container vessels operations and vehicles operations. The Company has managed and controlled gaseous pollutants in strict compliance with international conventions and local requirements of respective ports. All operating vessels have been equipped with pollution prevention devices required by international conventions, and awarded with ISPP and IOPP certificates. Furthermore, the pollutant disposal devices and emission management measures have been continuously improved in line with the latest IMO requirements and local laws and regulations. Due to the impact of the Covid-19 pandemic, the operating efficiency of vessels in 2020 was relatively low, and the average fuel consumption and emissions per vessel declined. In 2021, vessel navigation resumed normal, resulting in a slightly increase in the average fuel consumption and emissions per vessel, but far below the efficiency indicators for 2019.

**Emission Data of Container Vessels in Operation**

| Type of Emission       | 2019      | 2020      | 2021      | Change |
|------------------------|-----------|-----------|-----------|--------|
| Nitrogen oxides (ton)  | 36,597.96 | 36,557.19 | 41,743.42 | 14.19% |
| Nitrogen oxides/vessel | 463.27    | 440.45    | 444.08    | 0.82%  |
| Sulfur dioxide (ton)   | 22,134.3  | 4,529.6   | 5,233.5   | 15.54% |
| Sulfur dioxide/vessel  | 280.18    | 54.57     | 55.68     | 2.02%  |

**Emission Data of Self-owned Vehicles**

| Type of Emission      | 2019   | 2020   | 2021   | Change  |
|-----------------------|--------|--------|--------|---------|
| Nitrogen oxides (ton) | 10.571 | 12.251 | 10.276 | -16.12% |
| Sulfur dioxide (ton)  | 0.033  | 0.039  | 0.030  | -23.94% |
| Particles (ton)       | 0.992  | 1.149  | 0.967  | -15.86% |

Notes:

1. Emission of container vessels includes emission data of heavy fuel oils and light fuel oils consumed by container vessels operation;
2. Emission of self-owned vehicles includes emission data of gasoline and diesel consumed by operating vehicles and office vehicles;
3. The emission factor of heavy fuel oil and light fuel oil emissions consumed by container vessels refers to the emission coefficients in MEPC.1/Cir 684 released by IMO;
4. The emission factor for the calculation of emissions from self-owned vehicles is extracted from the Reporting Guidance on Environmental KPI released by the Hong Kong Stock Exchange.

## Energy Conservation and Environmental Protection

### Greenhouse Gas Emissions

| Year  |                          | 2019      | 2020      | 2021      | Year-on-year change |
|---|--------------------------|-----------|-----------|-----------|---------------------|
| Direct greenhouse gas emissions (Scope 1)   | tCO <sub>2</sub> e (ton) | 1,520,130 | 1,505,664 | 1,708,807 | 13.49%              |
| Indirect greenhouse gas emissions (Scope 2) | tCO <sub>2</sub> e (ton) | 2,310     | 2,476     | 2,939     | 18.69%              |
| Total greenhouse gases                      | tCO <sub>2</sub> e (ton) | 1,522,440 | 1,508,140 | 1,711,746 | 13.50%              |
| Total emission density of greenhouse gases  | Ton/USD10,000            | 9.80      | 8.95      | 5.68      | -36.51%             |

- The greenhouse gas emission data scope is the emission data of self-owned vehicles and container vessels operation of the Company and its subsidiaries;
- The emission factor for the calculation of emissions from gasoline and diesel is extracted from the Reporting Guidance on Environmental KPI released by the Hong Kong Stock Exchange; the emission factor of heavy fuel oil and light fuel oil emissions consumed by container vessels refers to the emission coefficients in MEPC.1/Cir 684 released by IMO; and the emission factor for the purchased electricity refers to the emission coefficients published by various regional power grids in China in 2019.;

### 3. Emission Reduction Goal

The Company has set goals in emission reduction which meets the requirements of IMO:

**Short-term objective:** From 2023 onwards, all existing vessels will meet the latest IMO requirements for Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII)

**Medium-term objective:** By 2030, to reduce carbon dioxide emissions intensity by 40% as compared with 2008

**Long-term objective:** By 2050, to reduce carbon dioxide emissions intensity by 70% as compared with 2008, reduce total carbon dioxide emissions by 50%, and will gradually move towards the zero carbon goal.

In order to achieve the above goals, the Company intended to continuously monitor the following indicators.

|                     | 2019              | 2020              | 2021              |
|---------------------|-------------------|-------------------|-------------------|
| CO <sub>2</sub> (g) | 1,452,530,000,000 | 1,461,645,000,000 | 1,661,437,262,000 |
| KPI1 (g/TEU km)     | 101.00            | 94.52             | 86.39             |
|                     | 2019              | 2020              | 2021              |
| NO <sub>2</sub> (g) | 36,597,963,850    | 36,557,193,700    | 41,743,418,900    |
| KPI2 (g/TEU km)     | 2.54              | 2.36              | 2.17              |
|                     | 2019              | 2020              | 2021              |
| SO <sub>2</sub> (g) | 22,134,288,075    | 4,529,600,000     | 5,233,460,000     |
| TEU km              | 14,381,226,340    | 15,463,647,559    | 19,231,933,566    |
| KPI3 (g/TEU km)     | 1.54              | 0.29              | 0.27              |

## Energy Conservation and Environmental Protection

### Reducing fuel oil consumption

- Monitor fuel oil use through the Vessel Energy Efficiency Management Plan, and improve shipping energy efficiency;
- Upgrade on-board fuel oil equipment, phase out old vessels and ensure sufficient and rational use of fuel oil;
- Use fuel additives to improve combustion conditions, enhance combustion efficiency, and reduce fuel consumption and carbon dioxide emissions.

### Using low-sulfur fuel oils

- Strictly follow the stipulation that the sulfur content of marine fuels shall not exceed 0.5% m/m since 2020 as set forth in the IMO MARPOL Appendix. In 2021, the Company completed the renovation of fuel oil devices such as main engine and oil pipeline of all old vessels, and provided guidance to remind the risks and preventive measures of using new types of fuel oil;
- Strictly comply with the stipulation that the marine fuels of vessels in China entering inner river control areas shall not exceed 0.1% m/m since 2020;
- Strictly comply with the stipulation that some countries (Korea) prohibit the use of marine fuels greater than 0.1% m/m during docking.

### Transform existing vessels

- Upgrade vessels;
- Engine power limitation (EPL);
- More measures on energy conservation equipment/route optimization and weather navigation;
- Hull optimization/bow optimization/propeller optimization/ducted propeller/guide fin/rudder ball/double tail fin/guide blade/hull coating/air lubrication/wind power/waste heat recovery power/safe, energy-efficient and environmental friendly smart monitoring. The 1800TEU and 2600TEU newly built vessels were equipped with seawater frequency conversion system, and the 2600TEU vessel was also equipped with energy-saving conduits to further reduce fuel consumption;
- The Company's current newly built/to be delivered vessels have already met the emission reduction goal for 2023.

## Energy Conservation and Environmental Protection

### 4. Wastewater Treatment

Wastewater that needs to be disposed of and discharged during business operation of the Company mainly comes from crew's domestic sewage, oily wastewater and ballast water of vessels. The domestic sewage can be generated in a short period of time and thus poses a great pressure on discharge and treatment; the oily wastewater of vessels can easily form an oil film on the water surface and thus hinder the growth of aquatic plants and animals. To prevent damage to the marine environment caused by vessel wastewater,

the Company has attached great importance to the treatment and discharge of various types of wastewater, and resolutely ensures compliant discharge. All vessels have been installed with wastewater treatment devices and discharge indicators have been specified in the system documents to show its continuous commitment to the protection of marine ecological environment. In 2021, the domestic wastewater produced from self-owned vessels of the Company amounted to 2,129 tons, representing 22.65 tons per vessel. The wastewater produced from operations amounted to 5,465 tons, representing 58.14 tons per vessel.

#### Domestic Sewage of Crew

- The domestic sewage is uniformly collected in the collection tanks and treated with chemical reagents, or sterilized with UV-rays
- All domestic sewage can be discharged only after being treated in the treatment facilities approved by classification society, and the treated sewage meets the international discharge standard

#### Oily Wastewater of Vessels

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

### 5. Waste Disposal

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

**Emission reduction target: By 2030, the intensity of wastes of the Company will reduce by 20% from that in 2020.**

#### Total Hazardous and Non-hazardous Wastes Generated

##### Onshore Wastes Generated

| (Ton)                    | 2019   | 2020   | 2021   |
|--------------------------|--------|--------|--------|
| Office paper consumption | 58     | 64     | 78     |
| Recycled waste batteries | 0.0073 | 0.0039 | 0.0043 |
| Oily Wastewater          | 2.5    | 2.2    | 2      |

##### Offshore Wastes Generated

###### (Ton)

|  |       |       |       |
|--|-------|-------|-------|
| Domestic waste                             | 339   | 346   | 345   |
| Kitchen waste                              | 347   | 313   | 418   |
| Waste oil, oil residue and oily wastewater | 7,679 | 8,447 | 8,139 |

##### Total Hazardous and

###### Non-hazardous Wastes (Ton)

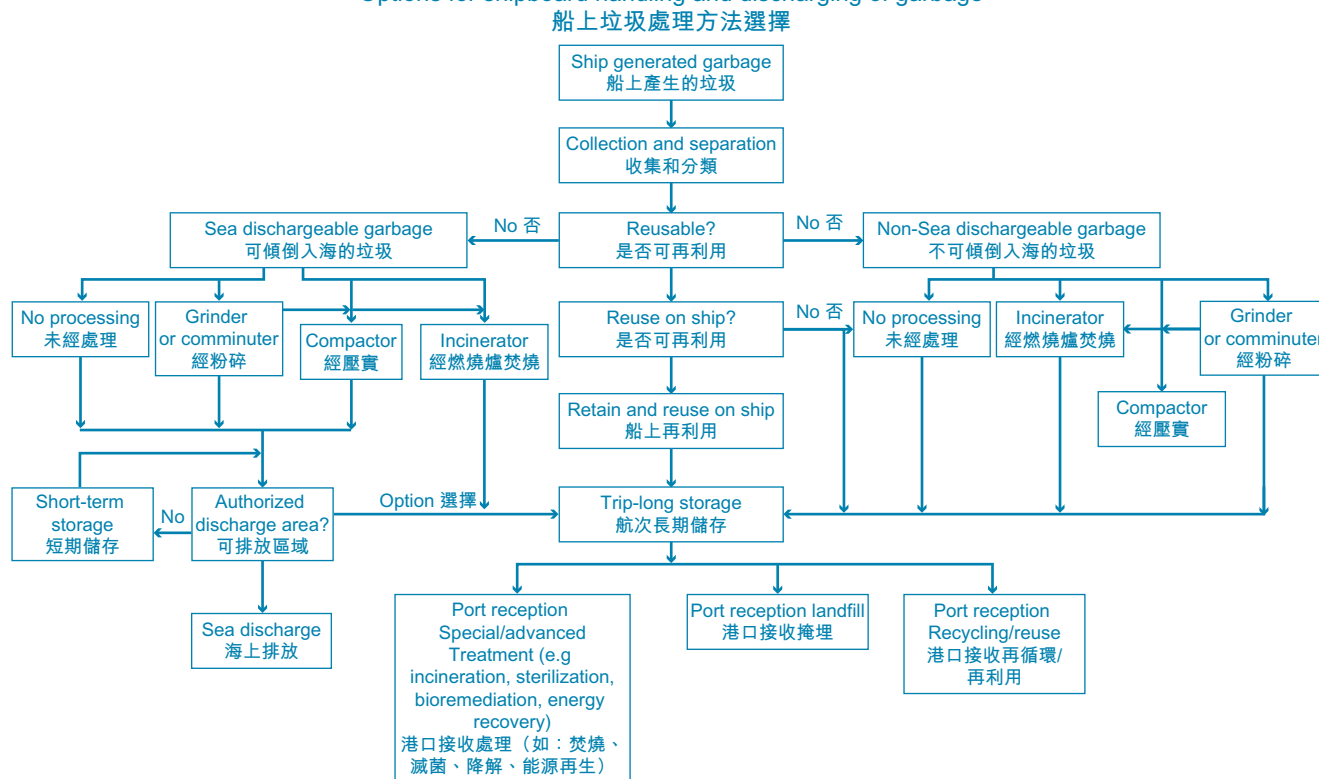
|   |          |          |          |
|---|----------|----------|----------|
| Total hazardous wastes                          | 7,680.51 | 8,448.60 | 8,141.31 |
| Intensity of hazardous wastes/<br>USD10,000     | 0.05     | 0.05     | 0.03     |
| Total non-hazardous wastes                      | 744.38   | 789.04   | 841      |
| Intensity of non-hazardous wastes/<br>USD10,000 | 0.005    | 0.005    | 0.003    |

## Energy Conservation and Environmental Protection

The Company imposes rigorous control on the discharge of offshore wastes, bans arbitrary dumping of offshore wastes and over-standard discharges. Each vessel is furnished with classified waste recycling devices, and training on correct waste classification methods has been provided to crew members. The classified offshore wastes will be uniformly unloaded by agents or port authorities after approaching the shore and disposed of onshore. In addition, to minimize the

impact of oil spill incidents to the environment, the Company has formulated the Oil Spill Incident Emergency Measures, in which the job responsibilities of respective crew members have been specified in case of an oil spill incident and targeted measures and rescue implementation plans have been provided to prevent fires and explosions to promptly prevent further spreading of adverse impact. In 2021, the Company had no oil leakage and oil spill accident.

### Options for shipboard handling and discharging of garbage



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

Given the type of business operation, the Company does not produce a large amount of onshore wastes. The wastes generated are primarily domestic waste, office waste and kitchen waste. In the daily work and life of employees, the Company requires maximum recycling,

emission reduction, waste classification and proper recycling. The Company has been promoting the concept of green office, implemented the OA and video-conferencing system to reduce office paper consumption; waste battery recycling devices have been placed on each floor of the office building to properly dispose of waste batteries which contain heavy metals; classified recycling bins have been set up in subsidiaries with a canteen to separate kitchen waste from other domestic waste. The Company vigorously advocated the waste classification system, for which each branch has established a waste disposal system according to the local environmental requirements, appointed responsible person, and was equipped with waste classification containers. Any perishable or harmful waste generated will be transported to the treatment facilities for uniform disposal. During transporting garbage, airtight waste transportation has been adopted.

## Energy Conservation and Environmental Protection

### 3.2 RESOURCE USE OPTIMIZATION

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

#### Conservation of Energy Resources

Consistently attaching importance to energy conservation and emission reduction, the Company has been committed to low-carbon economy and green operation to build a resource-saving enterprise. Onshore energy used is mainly gasoline consumption by administrative vehicles and diesel consumption by operating vehicles. The offshore energy consumption is mainly represented by heavy fuel oil and light fuel oil. The extensive use of low-sulfur oil for vessels resulted in significant reduction in the consumption of light fuel oil.

#### Energy Consumption in 2021

| Year                                     |               | 2019            | 2020            | 2021            |
|--|---------------|-----------------|-----------------|-----------------|
| <b>Direct Energy Consumption</b>         |               |                 |                 |                 |
| Gasoline                                 | Ton           | 217             | 226             | 273             |
| Intensity of gasoline consumption        | Ton/USD10,000 | 0.0014          | 0.0013          | 0.0009          |
| Fuel oils                                | Ton           | Heavy fuel oils | Heavy fuel oils | Heavy fuel oils |
|  |               | 446,193         | 450,916         | 520,802         |
|  |               | Light fuel oils | Light fuel oils | Light fuel oils |
|  |               | 19,964          | 12,729          | 6,360           |
| Intensity of fuel oil consumption        | Ton/USD10,000 | 3.00            | 2.75            | 1.75            |
| Diesel (Onshore)                         | Ton           | 1,847           | 2,226           | 1,601           |
| Intensity of diesel consumption          | Ton/USD10,000 | 0.0119          | 0.0132          | 0.0053          |
| <b>Indirect Energy Consumption</b>       |               |                 |                 |                 |
| Purchased electricity                    | kWh           | 2,927,368       | 3,138,022       | 4,658,236       |
|  | kWh           | 1,305,830       |                 |                 |
| Intensity of indirect energy consumption | kWh/USD10,000 | 18.84           | 18.62           | 15.46           |

Notes:

1. The scope of direct energy refers to the energy consumed by the self-owned vehicles and operating container vessels of the Company and its subsidiaries;
2. The scope of indirect energy covers the measurable office electricity and operation electricity of subsidiaries.

#### Formulation of KPI indicators

Since 2020, as approved by the Board, the KPI assessment indicators were formulated for offshore and onshore main energy consumption.

For the fuel consumption of offshore container vessels, the indicator of “fuel consumption per 10,000 sea miles per unit capacity” is set to link the Company’s vessel fuel consumption with the overall capacity and mileage, so as to improve the vessel operation efficiency.

Fuel consumption per 10,000 sea miles per unit capacity indicator: to decrease by 15% in 2030 when compared with 2020.

|   | 2019  | 2020   | 2021   | Year-on-year change |
|---|-------|--------|--------|---------------------|
| Fuel consumption per 10,000 sea miles per unit capacity (tons/10,000 sea miles/TEU) | 0.007 | 0.0063 | 0.0054 | -13.57%             |

From 2017 to 2021, the fuel consumption per 10,000 sea miles per unit capacity of the Company maintained a downward trend for four consecutive years, with a decrease of more than 5%. In 2021, there was a decrease of 13.57% when compared with 2020, exceeding the energy consumption reduction target for this year.

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



## Energy Conservation and Environmental Protection

### Measures for Efficiency Improvement of International Shipping

#### Management Measures

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

#### Operating Measures

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

#### Technical Measures

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

## Energy Conservation and Environmental Protection

The “fuel consumption per container handled” indicator has been formulated for diesel fuel oil consumption at onshore depots to link fuel consumption with business volume, so as to enhance the operating efficiency of depot business.

Fuel consumption per container handled: to decrease by 15% in 2030 when compared with 2020.

|   | 2019 | 2020 | 2021 |
|---|------|------|------|
| Fuel consumption per container (tons/TEU) | 0.78 | 0.74 | 0.58 |

In 2021, the KPI dropped by 22% as compared with 2020, achieving the preset emission reduction target. In the future, the Company will consider adjusting the emission reduction target to move towards a higher target.

### Intelligent Automated Logistics Base Project

In order to reduce the fuel consumption of depots, the Company plans to promote the automated depot project. It is expected that the Company will invest USD32 million in China Pilot Free Trade Zone (Qingdao) in 2022 to build SITC Shipping Intelligent Warehousing and Logistics Base. The machinery and equipment in the base will be all powered by electricity, the roof will be covered with solar panels and equipped with energy recovery and smart energy dispatching devices which can recover the energy generated by the operation of the equipment while generating electricity. Fully automatic unmanned container loading and unloading equipment will be adopted to carry out container transfer through remote control technology and intelligent system solutions. The project design has been demonstrated and approved by terminal automation experts, and the operating efficiency will be much higher than that of traditional loading and unloading equipment. At the first “International Carbon Neutrality 30-Person Forum” initiated and hosted by the China International Cultural Exchange Center (CICEC) in July 2021, SITC was awarded the title of “Pioneer in Practicing Carbon Neutrality” for its “Environmental and Intelligent Depot Project”.

### Green Financial Project

In 2021, the Company entered into a three-year circular financing agreement for sustainable development indicators with ANZ Bank, to provide loans totaling USD71.9 million for four container vessels. Preferential interest rates will be applied to reduce the Company’s interest expenses subject to realization of the three preset emission reduction targets.

### Water Resource Conservation

As an advocate of multiple use and recycling of water, the Company has actively enhanced the water resource utilization and reduced water waste. In consideration that onshore water use is mainly from domestic and office water use of employees, the Company has reduced water use through promotion of water conservation culture and adoption of water conservation measures. Sea water desalination technology has been used to obtain main offshore water source, and excessive desalinated sea water has been stored in specialized water tanks to increase fresh water reserve. The Company obtained 34,113 cubic meters of fresh water by sea water desalination in 2021, representing an increase of 8,213 tons when comparing to 2020. Furthermore, rainwater has been collected to wash the dust off cabins and cabin mats and clean the oil stains on the cabin mats, effectively reducing the use of water resources.

**Water saving target: By 2030, the intensity of water consumption will reduce by 20% from that in 2020.**

### Fresh Water Resource Consumption in 2021

| Year                           |                           | 2019    | 2020    | 2021    |
|--------------------------------|---------------------------|---------|---------|---------|
| Total water consumption        | m <sup>3</sup>            | 147,875 | 133,582 | 146,092 |
| Intensity of water consumption | m <sup>3</sup> /USD10,000 | 0.95    | 0.79    | 0.48    |

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

## Energy Conservation and Environmental Protection

### Green Office Promotion

Advocating green office and green life, the Company has enhanced the employees' energy conservation and consumption reduction awareness. Hence, employees have been encouraged to save water, electricity and paper, engage in low-carbon and eco-friendly behaviors, and collect waste batteries to prevent hazardous pollution to the environment. The Company has strengthened the management of office supplies, and regulated the use standards, to extend the service life of office supplies. Advocating and promoting paperless office, the Company has reduced paper usage and waste paper, and office documents could be modified and transmitted by email. The Company has promoted video conferencing and teleconferencing systems to reduce unnecessary travel. Employees were required to turn off office appliances in time upon getting off work, such as computers, printers, fax machines, etc., to reduce electricity consumption. In addition, the lamps in the corridors, passages and other places with low lighting requirements in the office area can be replaced with those with automatic control switches, so as to avoid them being on for a long time and save electricity. The Company has regulated the water use standards, and promoted the use of water-saving appliances in the Company. Employees were required to turn off the tap in time after using the water source, to prevent long-running water and avoid wasting water. Saving irrigation water is also required for the landscapes and green spaces within office area.

### 3.3 ENVIRONMENTAL AND BIODIVERSITY PROTECTION

Marine vessels have the potential of directly or indirectly introducing toxic and hazardous substances to the ocean during manufacturing, operation, maintenance and dismantling, which may cause severe damage to the marine ecological environment. Therefore, the Company has attached great importance to the impact of each shipping link to the marine environment, and adopted active response measures to reduce the impact of shipping industry on the marine environment. In 2021, the Company is not aware of any event that indicated the Company has exerted a significant impact on organisms and natural resources.

### Hull and Container Coatings

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

### Hazardous Substances from Vessels

- The Company requires that newly-built vessels should be furnished with the Inventory of Hazardous Materials (IHM). Hazardous and potentially hazardous substances on the vessels should be identified to ensure the compliance with related requirements of the content of hazardous substances.
- The Company has formulated the Regulations on the Ban of Use of Asbestos-containing Materials on Vessels, which specify parts easily using asbestos-containing materials, designate personnel to ensure the compliance purchased materials with corporate regulations, and require related suppliers to issue an asbestos-free statement.

### Ballast Water Management

The ballast water of vessels contains various types of microorganisms, animals and plants, easily resulting in risk of alien invasion after discharge into the ocean.

- The Company has formulated the Regulations on Ballast Water Management in strict compliance with the IMO Ballast Water Management Convention, which specifies that the ballast water replacement areas shall at least have a distance of 200 sea miles from the nearest land and its water depth shall be of at least 200 meters.
- The ballast water discharge strictly follows the IMO 2004 International Convention for the Control and Management of Vessels' Ballast Water and Sediments and local laws and regulations to reduce the risks to the marine environment brought by sediments and pests in the ballast water.

## Energy Conservation and Environmental Protection

- All new vessels built by the Company since 2012 are equipped with ballast water management device and upgraded to meet the requirements of IMO's new G8 and USCG to meet the D-2 discharge standard. Meanwhile, the Company is progressively installing ballast water treatment devices that meet the D-2 discharge standard on existing vessels in accordance with the dock repair programme. The Company has specified the management and operating requirements for the discharging, replacement and inspection of vessels' ballast water to maximally reduce the harm brought by ballast water discharge.

As at 31 December 2021, 59 of the 68 self-owned vessels of the Company have been equipped with ballast water management devices. It is expected that all self-owned container vessels will be equipped with ballast water management devices by the end of 2024. The chartered vessels will also be equipped with ballast water systems in IOPP certificate renewal inspection.

### 3.4 CLIMATE CHANGE

The Company continued to focus on the shipping related rules and identify the impact of major climate-related matters on the Company's business in active response to national initiatives and international conventions in relation to climate change adaptation. The following extreme weather conditions affected the Company's business in 2021:

| Extreme weather<br>(types)       | Number of occurrences |      | Voyages affected |           | Countermeasures       |
|----------------------------------|-----------------------|------|------------------|-----------|-----------------------|
|                                  | 2021                  | 2020 | 2021             | 2020      |                       |
| Typhoon                          | 12                    | 22   | 95 times         | 68 times  | Shelter and deviation |
| Strong cold and high<br>pressure | 9                     | 1    | 50 times         | 24 times  | Shelter and deviation |
| Severe tropical cyclone          | 2                     | 1    | 10 times         | 10 times  | Shelter and deviation |
| Total                            | 23                    | 24   | 155 times        | 102 times |                       |

In 2021, the number of times that the Company's lanes were affected by extreme weather increased as compared with that in 2020. Accordingly, the Company's vessel management department further improved the emergency plan: for typhoons, the policy of "prevention first" was adopted, whereby crew members were forbidden from disembarking in order to actively prepare for typhoon prevention in adherence to the principle of "would rather make prevention even though no typhoon will come than make no preparation in case a typhoon strikes", when typhoon was expected to affect a port. In addition, other significant weather that may have an impact on the Company's principal activities include: heavy fog, heavy weather, voyage in ice area, etc.. We have established a relevant regulation for dealing with extreme weather in the Operating Instructions for Maritime Management.

In 2022, the Company will introduce the analysis method recommended by Task Force on Climate-related Financial Disclosures (TCFD) to analyze and report on the risks brought by the environment and major climate issues.

The Company does not consume a lot of packaging materials because its main business does not involve the packaging of finished products.

# Harmonious Development

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

## Future targets:

**Labour and employment:** the proportion of female onshore employees will increase to 50%;

**Development and training:** the proportion of employees trained will reach 100%;

**Health and safety:** the employee physical examination rate will reach 100%;

to reduce the lost working hours due to work-related injuries, and to ultimately eliminate fatalities;

**Welfare and incentives:** the limit of awarded shares in 2022 will be increased to 5% of the Company's net profit

## 4.1 LABOR AND EMPLOYMENT

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

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

In respect of labor employment, child labor is strictly prohibited in accordance with the local laws and regulations in the Company. The human resources department has established detailed employee recruitment policies and review procedures to prevent the employment of child labor under the age of 16 due to faults in recruitment work. The minimum age for new hires in 2021 was 19 years old. The Company holds large-scale campus recruitment and social recruitment on a regular basis every year. In addition, the Company worked with the Shanghai Maritime University to offer directional training courses. Suitable talents selected from interviews will take public administration courses and SITC international internal training courses. Recruiting qualified talents from colleges and universities has effectively avoided us from hiring underage applicants incidentally.

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

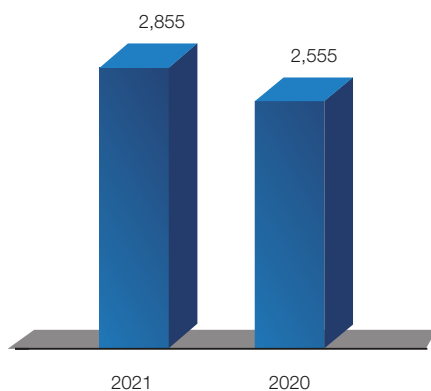
Employees are the core force of corporate development. Hence, respecting human rights of employees is the precondition for sound corporate development. As a responsible enterprise, SITC strictly follows international conventions and recruitment regulations and upholds the principle of non-discrimination. Respecting each employee, the Company resolutely prohibits child labor and forced labor, and independently safeguards and protects human rights of employees. During the reporting period, the Company had no violation of employment and labor related laws and regulations. The Company encourages the establishment of labor unions and other private organizations by its affiliated companies. There are 17 labor union organizations established by branches of the Company. In 2021, three labor unions of affiliated companies of the Company organized employees to conduct team building and hold meetings, thereby communicating with the Company on problems encountered by employees.

## Harmonious Development

Striving to safeguard equal and diversified job opportunities, the Company has been fully attracting, gathering, incentivizing and utilizing international high-caliber talents, and actively promoting regional and global operation and development. In strict compliance with the internal recruitment regulations and procedures of SITC, the Company complied with the principle of open and equal recruitment.

In 2021, the total number of employees of the Company was 2,855 (including crew members), all of them were full-time employees. The number of employees in 2021 increased by 12% from that in 2020.

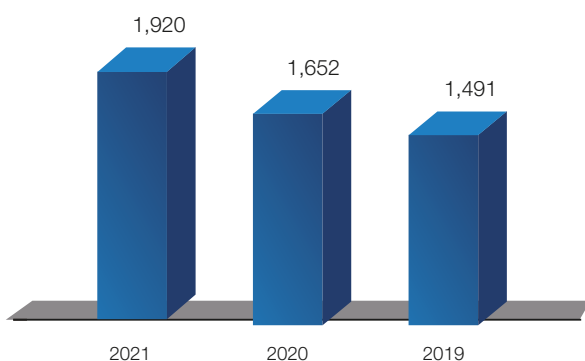
**Total Number of Employees**



### Onshore Employees

In 2021, the number of onshore employees increased by 268 or 16% as compared with that in 2020.

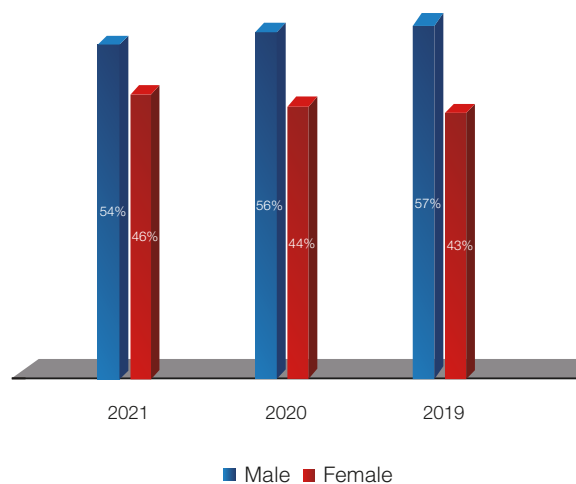
**Total Number of Onshore Employees**



■ The number in 2021 increased by 245 or 16% as compared with that in 2020

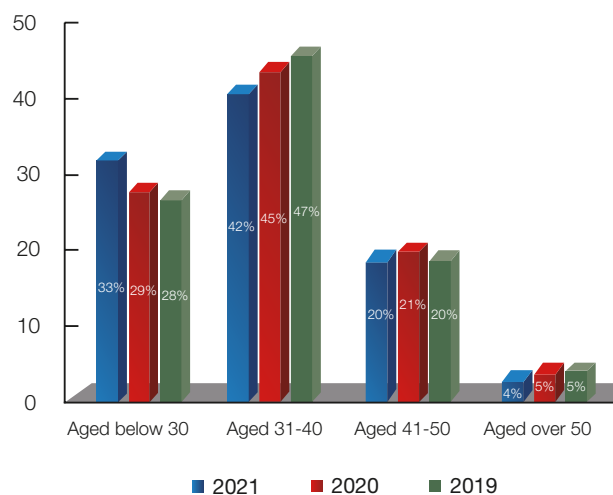
In terms of gender, there were 1,041 or 54% male employees and 879 or 46% female employees. There was an increase of 3% in the number of female employees.

**Employee Proportion by Gender**



In terms of age group, there were 639 or 33% employees aged 30 or below, 813 or 42% employees aged 31 to 40, 383 or 20% employees aged 41 to 50 and 85 or 4% employees over the age of 50.

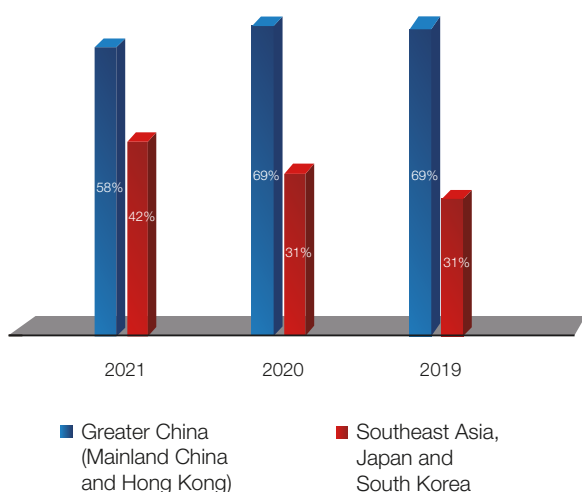
**Employee Proportion by Age Group**



## Harmonious Development

In terms of geographical region, 1,114 or 58% employees were from Greater China, and 806 or 42% employees from Southeast Asia, Japan and South Korea. The continuously rising proportion of employees from Southeast Asia, Japan and South Korea reflects that more local employees are employed and the Company is growing in an increasingly international manner.

**Employee Proportion by Geographical Region**



In 2021, the turnover rate of all categories of employees in SITC decreased to 7.1% as compared with the turnover rate of 10.29% and 6.67% in 2019 and 2020, respectively, indicating that the Company did not lay off employees due to the impact of the COVID-19 pandemic. Among which the turnover rate of employees in Southeast Asia, Japan and South Korea dropped to less than 5%, while the turnover rate of female employees decreased below that of male employees. The Company fully respects the personal choices of employees, and goes through resignation procedures according to laws for those who decide to resign.

**Turnover Rate of Employees by Gender**

| Year             | 2021  | 2020  | 2019   |
|------------------|-------|-------|--------|
| Male employees   | 8.20% | 6.87% | 12.43% |
| Female employees | 5.89% | 7.49% | 10.19% |

**Turnover Rate of Employees by Age Group**

| Year          | 2021  | 2020   | 2019   |
|---------------|-------|--------|--------|
| Aged below 30 | 8.97% | 13.13% | 18.88% |
| Aged 31-40    | 5.90% | 5.23%  | 8.79%  |
| Aged 41-50    | 6.13% | 2.86%  | 6.92%  |
| Aged over 50  | 9.57% | 7.89%  | 12.84% |

**Turnover Rate of Employees by Geographical Region**

| Year                                  | 2021  | 2020  | 2019   |
|---------------------------------------|-------|-------|--------|
| Greater China                         | 8.99% | 8.77% | 12.77% |
| Southeast Asia, Japan and South Korea | 4.50% | 4.23% | 8.53%  |

Note: For the calculation of the turnover rate of employees, please refer to the Reporting Guidance on Social KPIs on the HKEX website ([www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/app3\\_socialkpis\\_c.pdf?la=zh-HK](http://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/app3_socialkpis_c.pdf?la=zh-HK))

## Harmonious Development

### Offshore Employees

As at 31 December 2021, the Company had a total of 935 crew members. In 2021, SITC recruited female crew members for the first time. All four female crew members graduated from Shanghai Maritime University and were outstanding graduates in 2021. The Company adheres to the principle of gender equality in the industry to provide employment opportunities for outstanding shipping professionals. With the development of modern ship technology and the application of automation systems, the position of crew members will no longer be the exclusive occupation of male employees. The addition of fresh members makes our fleet composition more dynamic, richer and more diverse.

|   | 2020 | 2021 |
|---|------|------|
| Number of crew members                        | 903  | 935  |
| Number of crew members by gender              |      |      |
| Male  | 903  | 931  |
| Female  | 0    | 4    |
| Number of crew members by age group           |      |      |
| Aged 20-30                                    | 425  | 336  |
| Aged 31-40                                    | 326  | 431  |
| Aged 41-50                                    | 126  | 146  |
| Aged 51-60                                    | 26   | 22   |
| Number of crew members by employment category |      |      |
| Management crew member                        | 365  | 384  |
| Supporting crew member                        | 115  | 292  |
| Operation crew member                         | 423  | 259  |
| Number of crew members by geographical region |      |      |
| Mainland China                                | 903  | 935  |
| Others  | 0    | 0    |

### Turnover Rate of Crew Members

|                        | 2020   | 2021  |
|------------------------|--------|-------|
|                        | 7.64%  | 5.17% |
| Male crew members      | 7.64%  | 5.19% |
| Female crew members    | 0.00%  | 0.00% |
| Aged 20-30             | 8.00%  | 6.93% |
| Aged 31-40             | 8.90%  | 3.58% |
| Aged 41-50             | 3.97%  | 5.81% |
| Aged 51-60             | 3.85%  | 4.35% |
| Management crew member | 4.93%  | 3.76% |
| Supporting crew member | 19.13% | 6.71% |
| Operation crew member  | 6.86%  | 5.47% |
| Mainland China         | 7.64%  | 5.17% |
| Others                 | 0.00%  | 0.00% |

## 4.2 DEVELOPMENT AND TRAINING

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

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



## Harmonious Development

In 2021, the Group offered 95 positions through competition in various countries and regions which a total of 145 people participated in, and 240 people were promoted (including rank promotion and position promotion), thus creating opportunities for personal development and growth.

### Onshore Employees

The Company has worked out training plans for the Group and branch companies based on job requirements and employees' appeal. Through diversified vocational training forms such as field training, online tutorial and professional technical workshops, the Company helped employees to master essential professional knowledge and application skills to meet their personal development demands. In 2021, the Company's self-developed online training system was put into use, which can provide a more convenient way for employee training. The online training system includes eight modules: new employee training, key employee training, supervisor training, manager training, backup general manager training, general manager training, general crew member training and senior crew member training, and the training contents include corporate culture, management system, customer service, basic knowledge and skills, post knowledge and skills, anti-corruption training, etc., which can meet the needs of employees at all ranks and positions.

In 2021, the Company organized an offline training course of "Zhenghe Island Digital Training" in Shanghai area in Zhangjiang Office Building. This training, through the knowledge explanation of "management cognition, organizational cognition, digital cognition, knowledge management, time management", carried out knowledge empowerment and turned knowledge into skills to follow the Company's strategic pace, and brought digital management into the Company's operation and management and respective positions.

In 2021, the Company has provided a total of 3,798 hours of training for 1,622 employees.

|                                   | <b>Number of employees trained</b> | <b>Percentage of employees trained</b> | <b>Average trained hours per employee</b> |
|-----------------------------------|------------------------------------|--|---|
| Total number of employees trained | 1,622                              | 84%                                    | 7.25                                      |
| Male employee                     | 929                                | 89%                                    | 7.59                                      |
| Female employee                   | 693                                | 79%                                    | 6.86                                      |
| Management                        | 808                                | 100%                                   | 12.91                                     |
| General employee                  | 1,112                              | 86%                                    | 4.54                                      |

### Offshore Employees

In 2021, the Company has provided 22,277 hours of training for crew members. Training for crew members mainly includes onshore training and onboard training. During the period of crew disembarkation, the Company organizes crew members to receive training in respect of certificates, electronic chart, system documents and various operating instructions for maritime management and mechanical maintenance, safety incident analysis, mental health and other aspects. The captain will organize onboard training according to the annual training plan of the vessel on a monthly basis, including but not limited to the vessel training manual, the latest information and instructions provided by the onshore base (notices/announcements/circulars, document modifications, conventions and rules modifications, etc.), vessel safety incident analysis and prevention, anti-pollution awareness, emergency response, etc.; and new crew members shall complete the training concerning life-saving, fire-fighting equipment, and emergency system within two weeks after embarking.

|                                | <b>Number of employees trained</b> | <b>Percentage of employees trained</b> | <b>Average trained hours per employee</b> |
|--------------------------------|------------------------------------|--|---|
| Number of crew members trained | 935                                | 100%                                   | 24  |
| Male crew member               | 931                                | 100%                                   | 24  |
| Female crew member             | 4                                  | 100%                                   | 14  |
| Management crew member         | 384                                | 100%                                   | 17  |
| Supporting crew member         | 259                                | 100%                                   | 21  |
| Operation crew member          | 292                                | 100%                                   | 35  |

## Harmonious Development

### 4.3 HEALTH AND SAFETY

Upholding the philosophy “Personnel is SITC’s greatest asset” as its core value, the Company always prioritizes the protection of the life, health and safety of its employees, and aims to eliminate work-related fatalities and minimize the lost hours due to work-related injuries. To further enhance the risk prevention awareness, risk response and hazard response capacity of crew members, popularize safety knowledge and spread safety culture, the Company has formulated the Safety Management Manual SMS as well as strictly executed the requirements of SOLAS, STCW and MLC 2006 conventions. The

Safety Management Manual is executed onshore and offshore, and has detailed SOPs and safety response measures.

The Company provided all its employees with free annual physical examination, provided the five social insurances and one housing fund – endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance and housing fund to employees resided in Mainland China, and developed a security system for overseas employees in line with local regulations. In 2021, it paid social insurance and housing fund of US\$10.15 million in total for its employees.

Taking Shanghai, China as an example, “five insurances and one housing fund” are paid according to the following ratios

| Endowment insurance |            | Basic medical insurance |            | Unemployment insurance |            | Employment injury insurance |            | Maternity insurance |            | Housing fund          | Supplementary housing fund |
|---------------------|------------|-------------------------|------------|------------------------|------------|-----------------------------|------------|---------------------|------------|-----------------------|----------------------------|
| Entity              | Individual | Entity                  | Individual | Entity                 | Individual | Entity                      | Individual | Entity              | Individual | Entity/<br>Individual | Entity/<br>Individual      |
| 16%                 | 8%         | 10%                     | 2%         | 0.5%                   | 0.5%       | 0.2%-1.9%                   | 0%         | 0%                  | 0%         | 7%, 7%                | 3%, 3%                     |

Note: There may be slight differences in contribution ratios in different places due to different policies and company conditions.

In 2021, one employee died and two employees were injured on duty in the Company. All the employees involved were crew members, and no casualties occurred among onshore employees. The number of work-related fatalities and injuries of the Company in the past three years is as follows:

| Year                              | 2019  | 2020 | 2021  |
|-----------------------------------|-------|------|-------|
| Number of work-related fatalities | 0     | 0    | 1     |
| Number of work-related injuries   | 2     | 3    | 2     |
| Lost hours                        | 1,967 | 688  | 1,136 |

- On 12 June 2021, a crew member of the vessel “SITC Tianjin” was found missing in the waters of Tuzuo Bay, Japan. The captain immediately reported to the Company and Japan Coast Guard. After checking the vessel’s monitoring system and making analysis, it was suspected that the crew member accidentally fell into the water and disappeared. The vessel returned to the area where the crew member was suspected to have fallen for search, and Japan Coast Guard also dispatched its TOSA to search and rescue in the waters. Subsequently, at the request of Japan Coast Guard, our vessel resumed sailing, and it carried out the search and rescue by itself. On 16 June 2021, after the vessel berthed at Tianjin Port, the No. 2 Road Police Station of Tianjin Port Public Security Sub-bureau issued a certificate that “little possibility of survival from falling into the water” after investigation and evidence collection. On 12 November 2021, the court declared death of the missing crew member on the application of his parents, and the judgment was final.

## Harmonious Development

- On 16 July 2021, a crew member of the vessel “SITC Hong Kong” was injured in the left eye by a flying wire while overhauling the auxiliary engine. Due to the poor medical conditions on board, the Company immediately contacted the local agent and arranged for him to go ashore for medical treatment, and the crew member has now recovered to health.
  - On 24 July 2021, when a crew member of the vessel “SITC Incheon” checked the lashings before sailing, a turnbuckle screw fell off the pull rod, causing crush injury to the first knuckle of the left ring finger. After the crew member got injured, the vessel immediately initiated emergency measures for critical injuries and illnesses of crew members according to the Company’s regulations, and conducted simple disinfection, hemostasis and bandaging of the injured finger. In order to ensure the safety of the crew member, the captain reported to the Company as soon as possible, and immediately contacted the agent in Manila, who urgently arranged for the crew member to disembark for medical treatment. At present, the injured crew member has recovered to health after returning to the place of his residence and being treated in the local hospital.
- 3) For the construction involving debris splashing such as grinding and shoveling on board, the construction personnel shall wear goggles and relevant protective devices, while irrelevant personnel shall keep a safe distance of more than 5 meters. If it is necessary to pass through the construction area, the construction shall be suspended until no one is working in the area. If conditions permit, use safety rope to circle the construction area;
  - 4) To instruct the crew members on board to strictly implement the regulations on deck operations according to the requirements of the Company’s systems, and reserve sufficient time to check the lashing and securing operations of the cargo before sailing;
  - 5) To conduct on-board assessment after an incident, if unable to handle, immediately report to the Company for help to avoid delays in the treatment of injury and causing serious consequences.

Immediately after the safety incidents, the Company organized a special meeting attended by the general manager, captain, maintenance manager, marine manager, crew supervisor and other personnel to retrospect the process of each incident, drawn lessons from solutions, risk assessments, emergency plans and cause analysis, formulated the following corrective and preventive measures, and send the same to the entire crew.

- 1) To guide the crew members on board to strictly implement the rules and regulations for vessel safety and security system according to the requirements of the Company’s systems;
- 2) To strengthen the training of the crew’s on-board personal safety awareness, and crew members shall not go out of the living area alone at night to engage in things unrelated to work;

### Offshore Employees

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

## Harmonious Development

The Company has strictly followed the requirements of the Maritime Labor Convention on the working hours of crew members on vessels and has arranged regular disembarking leaves to ensure their rest time. Under COVID-19 pandemic from 2020 to 2021, relevant departments have implemented strict management and control measures for the crew to get off. With the approval of the relevant departments as far as circumstances allow, the Company has proactively communicated with each department and contacted isolation hotels to ensure that crew members can get off and take rest.

### Safety Operating Instructions

Operating Instructions for Mechanical Maintenance

The Regulations on the Ban of Using Asbestos-containing Materials on Vessels, the Lubricating Oil Management, Filling Notes and Fuel Oil Quality Control on Vessels, and the Notes for Preparation of Oil Transfer Plan on Vessels

Operating Instructions for Maritime Management

The Vessel Fire Safety Regulations, the Anti-typhoon Safety Regulations on Vessels, the Operating Instructions for Vessel Handling in Heavy Weather, the Provisions on the Administration of Container Transport, and the Heavy Cargo Shipping Notes

Operating Instructions for Emergency Response

The Emergency Measures for Fires (Explosions) on Vessels, the Oil Spill Incident Emergency Measures, and the Cargo Incident Emergency Measures

Operating Instructions for Crew Members

The Personal Safety Precautions for Crew Members

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

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

### Onshore Employees

During the reporting period, the Company continuously implemented the established onshore work safety plan, strengthened the employee safety awareness, organized safety practices and training sessions on a regular basis, and provided employees with safe and comfortable workplaces.

## Harmonious Development

Fire drills have been conducted on a regular basis. Professional firefighters from the fire control center have been invited to give site instructions, develop employees' response ability in face of fires at the initial stages in the terminals and other workplaces, and help them master knowledge about types of fire extinguishers and skills to use fire extinguishers. Valuing vehicle use safety, the Company has specified the safety rules in the Drivers' Job Responsibilities compiled by the fleet, and provided safety training for all drivers on a regular basis. The Safety Regulations on Incoming and Outgoing Vehicles, and the Regulations on the Safety Management of Separation of Pedestrians and Vehicles formulated by the logistics group have standardized vehicle and personnel safety measures. In 2021, the Company unfolded various occupational safety and health training activities to help employees familiarize themselves with our safety regulations and work procedures, master the latest safety measures and technologies, enhance their work health and safety awareness, and advance safety and health philosophy development.

In 2021, no major safety incidents happened to onshore employees.

### 4.4 EMPLOYEE BENEFITS AND INCENTIVES

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

The Company has established a well-designed employee remuneration system. In addition to basic salary, there are monthly performance, project bonus, equity, year-end bonus and subsidy. Employees are entitled to benefits such as transportation subsidy, special subsidy, full attendance reward, dispatching subsidy and children's educational subsidy. The Company conducts monthly or quarterly performance appraisals for more than 95% of onshore employees, and conducts performance appraisals for crew members on a regular basis according to the time of embarkation and disembarkation. Save for individual employees with exceptional circumstances, a general adjustment to salaries of basically all staff will be completed every year. In 2021, the payroll of USD184 million (including equity incentives) increased by 58% from that of 2020.

The Company has adopted flexible vacation regulation for employees as per the place of operation. Working hours and statutory holidays are established based on the laws and regulations of different countries or regions. It also implemented paid leaves, maternity leaves and family leaves to relieve the pressure from intense work, promote harmonious family ties, enhance the unity of employees and cohesiveness of the enterprise. In 2021, a total of 8,975 onshore employees were entitled to paid leave for a total of 18,876 days.

## Harmonious Development

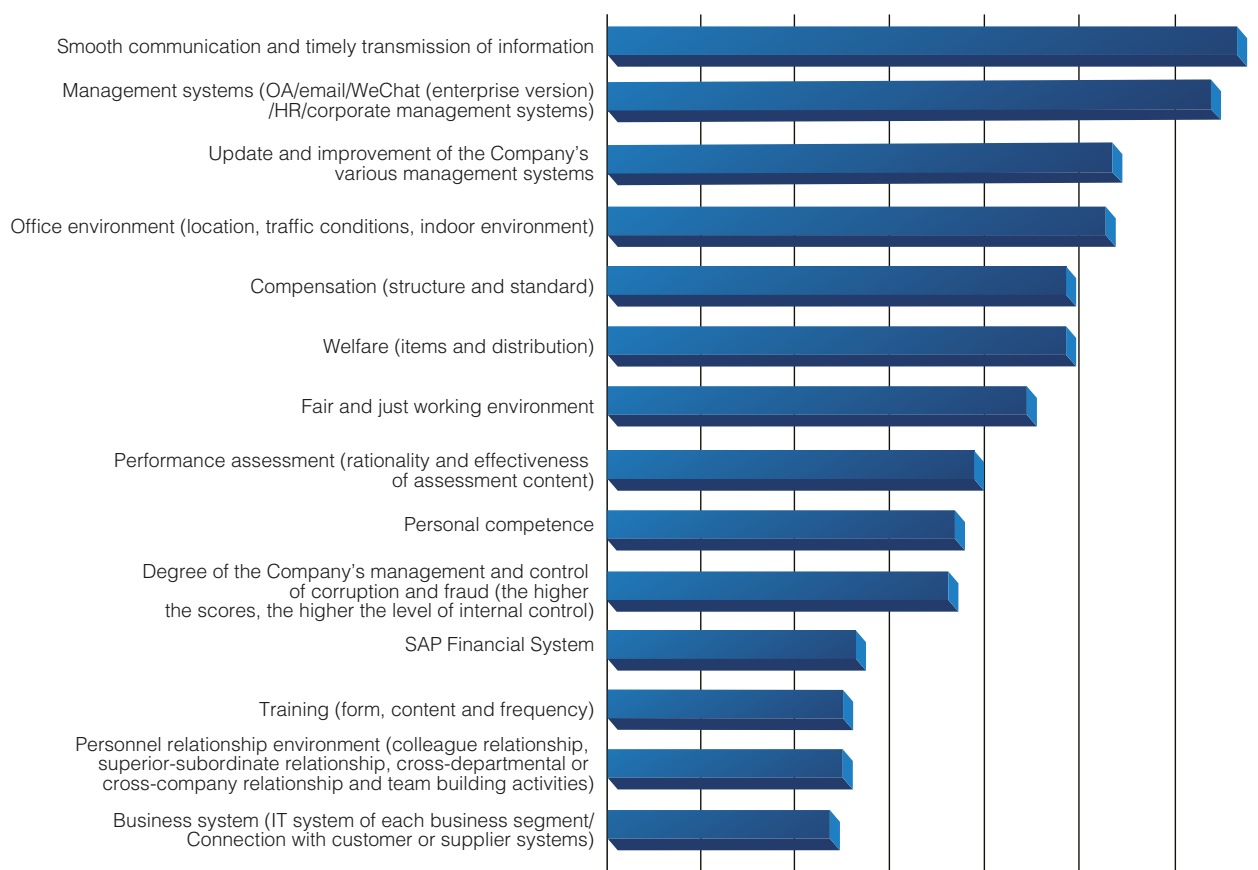
The Company attaches great importance to the promotion of parental leave, and encourages employees to apply for parental leave according to the regulations of various countries and regions

|  | 2019    |         | 2020    |         | 2021    |        |
|--|---------|---------|---------|---------|---------|--------|
|  | Male    | Female  | Male    | Female  | Male    | Female |
| Actual number of applicants for the year   | 0       | 10      | 0       | 15      | 1       | 12     |
| Estimated number of employees returning to work for the year   | 2       | 10      | 3       | 14      | 3       | 14     |
| Actual number of employees returning to work for the year  | 2       | 8       | 3       | 10      | 2       | 10     |
| Actual number of employees returning to work in the prior year   | 1       | 4       | 2       | 5       | 3       | 10     |
| Total number of employees who returned to work after parental leave in the prior year and are still employed after 12 months | 1       | 4       | 1       | 5       | 3       | 9      |
| Actual number of employees who should have returned to work but applied for extension for the year                           | 0       | 2       | 0       | 2       | 0       | 2      |
| Return rate of employees on parental leave   | 100.00% | 80.00%  | 100.00% | 71.43%  | 66.67%  | 71.43% |
| Retention rate of employees taking parental leave  | 100.00% | 100.00% | 50.00%  | 100.00% | 100.00% | 90.00% |

## Harmonious Development

Apart from optimised salary, leave regulations and good benefit packages, the Company values employees' practical benefits and well-being and has further developed an efficient employee communication mechanism. Such approaches as corporate policy Q&A on the official website and OA questionnaire-based survey have been adopted to hear from the employees and resolve their problems.

In 2021, the Company conducted an employee satisfaction survey questionnaire with over 1,000 participants, which surveyed 14 items concerned by employees, such as salary, benefits, business system and performance assessment. According to the survey results, the following matrix has been formulated to present satisfaction level from high to low.



Compared with 2020, the overall scoring of employee satisfaction in 2021 was improved, and the satisfaction with the financial SAP system was greatly improved. For matters with low employee satisfaction, the Company took the following improvement measures:

- Upgrading the Company's email system to improve the work efficiency of employees;
- Developing an information system suitable for the local needs of each country as soon as possible;

- Paying attention to the wage packages of employees of logistics companies;
- Improving the working conditions of the staff working at sites.

The Company emphasises the equity incentive regulation to motivate employees who recognize the Company's corporate culture, abide by its corporate regulations and have made long-term contributions to the Company at important positions, enhance their sense of belonging and achieve common sustainable development between the Company and employees. The Company's equity incentives include original shares, employee options and an active restricted share plan:

## Harmonious Development

As at 31 December 2021, the shareholding of the employees and management represents approximately 64% of the Company's total issued shares;

Options granted represent 9.69% of the Company's total issued shares, and the number of shares subject to options outstanding is 833,700 shares.

The active restricted share plan is as follows:

| Year  | Amount granted (HKD) | Total incentive shares granted | Number of employees granted | Dividend payout amount |
|-------|----------------------|--------------------------------|-----------------------------|------------------------|
|       |                      |                                |                             |                        |
| 2017  | 28,566,460           | 3,890,033                      | 518                         | 1750,514               |
| 2018  | 44,583,840           | 6,570,360                      | 542                         | 2,299,626              |
| 2019  | 44,577,990           | 6,348,743                      | 552                         | 2,793,446              |
| 2020  | 49,107,690           | 6,769,105                      | 604                         | 3,858,389              |
| 2021  | 73,643,307           | 4,887,657                      | 630                         | 3,519,113              |
| Total | 240,479,287          | 28,456,898                     |                             | 14,221,088             |

The Company will continue to explore ways and intensities on equity incentives to leverage the role of incentives.

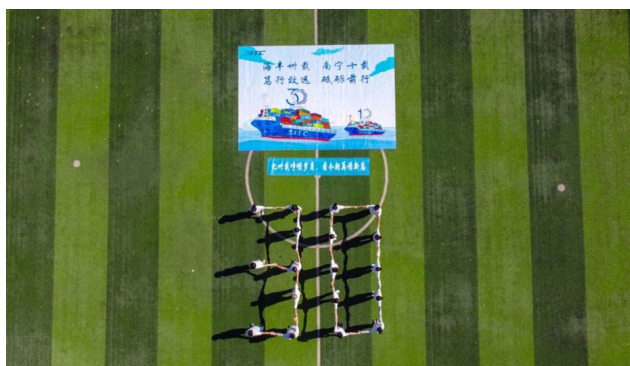
Moreover, the Company organized various staff activities to enrich their lives. In 2021, to embrace the 30th anniversary of SITC, each member company organized various team building activities to promote corporate culture and enhance team cohesion.



All employees of SITC Container Lines Dalian, SITC Logistics Northeast and Dalian Hantong jointly participated in the group building activities with the theme of "enjoy a bright future in the prime of life"



Colleagues from SITC Container Lines Cambodia and SITC Logistics Cambodia got together to successfully finish the last digital era management training course, and celebrated the 30th anniversary of SITC by improving their own capabilities.



SITC Container Lines Nanning, together with SITC Logistics Nanning, carried out an activity themed by "recalling the 30 eventful years, looking at the present and writing a new chapter" in the original hometown settlement



## Harmonious Development

### 4.5 COMMUNITY SUPPORT

The Company has been actively involving in and making contributions to the local community through welfare programs to achieve sustainable development between the Company and the community of the place of operation. The Company strengthens communication with the communities where it operates to understand the concerns and needs of the communities and determine the focus areas of the Company's contributions based on its own business advantages and characteristics. In 2021, the Company made contributions to poverty alleviation through education, training of shipping talents, and prevention of the Covid-19 pandemic by investing a total of HK\$3.2 million in public welfare.

Case: On 21 January 2021, the launching ceremony for the Longfen Primary School Comprehensive Teaching Building project, a poverty alleviation project of Shanghai General Station of Immigration Inspection under National Immigration Administration assisted by SITC, was held at Longfen Primary School in Fulu Town, Sanjiang County, Liuzhou City, Guangxi. Regarding the project, the original old wooden buildings will be demolished to build a comprehensive teaching building with 4 floors above ground and 1 basement, which will be 15 meters high and occupy a construction area of 674 square meters.



### Case: The 4th SITC Mini-MBA Shipping Management Orientation Training Course

On 3 November 2021, the opening ceremony for the 4th SITC Mini-MBA Shipping Management Orientation Training Course was successfully held at the SITC Academic Exchange Center in Shanghai Maritime University.



### Case: On 8 May 2021, the Opening Ceremony for the Academic Exchange Center funded by SITC was successfully held at Shanghai Maritime University.



## Harmonious Development

**Case: SITC Thailand donated THB150,000 to The Thai Red Cross Society to support Thailand to fight COVID-19 pandemic.**



**Case: SITC Vietnam donated VND500 million to Saigon Newport Head Office to help the local ports and logistics supply chains return to normal as soon as possible and make a modest contribution to the early and comprehensive restart of the economy in South Vietnam.**



In addition, SITC's trade lanes and land-based integrated logistics business network covered 74 major ports and cities in 15 countries and regions, set up nearly 40 joint ventures in nine countries including China, Thailand, Indonesia, Vietnam, Malaysia, Myanmar, South Africa, South Korea and the Philippines, and maintained a good relationship with local investors and government departments. In 2021, SITC and its subsidiaries paid various taxes of approximately US\$13.84 million, making use of their own capital and business advantages to contribute to the local economic development. There were 806 foreign employees from Southeast Asia, Japan and South Korea, accounting for 42% of the total number of onshore employees, which showed an increasing trend year by year, contributing to local employment.

# Outlook

Looking into 2022, the Board of the Company will set “legal compliance, steady development; being alert to dangers in times of calm, choosing opportunities to develop; cultivating talents, striving for sustainability; common prosperity and joint development” as their work objects, improve operational efficiency and strengthen company management. In the context of the turbulent international situation, the Company will continue to adhere to its development towards “professionalism, expertise, specialization and innovation” and constantly seek development opportunities.

In terms of environment:

- To identify climate risks that may have significant impact on the Company, such as typhoons, floods, extremely hot weather, etc., and formulate relevant response plans;
- To assess IMO 2023 EEXI and CII policies and develop a response plan;
- To track the implementation and monitoring of various environmental indicators;
- To continue to promote green finance projects;
- To promote the application of new energy vessels.

In terms of society:

- To improve the efficiency of asset turnover, and meet customers' needs for shipping space and reasonably pricing;
- To assess supplier sustainability matters and promote the scope of application of sustainability commitment letter;
- To identify the risks of supply chain changes and develop countermeasures;
- To strengthen talent recruitment and training;
- To communicate with stakeholders such as customers, suppliers, employees, and communities.

In terms of governance:

- To continue to participate in Carbon Disclosure Project (CDP) and Standard & Poor's (S&P) scoring to improve ratings;
- To pay attention to the enquiry and latest guidance of investors and the Stock Exchange on ESG reports;
- To engage an external professional agency (HKQAA) to provide training for management and certify ESG reports;
- To research and consider applying the analytical methods recommended by TCFD.

In response to actions taken by the Russian Federation in Ukraine in late February 2022, United States, European Union and other countries have imposed sanctions against Russia and certain Russian individuals, banks and corporations. The extent and duration of military action, sanctions and resulting market disruptions are impossible at this stage to predict and may adversely affect the Group's operation of the trade lane to Russia. The Company will continuously monitor the development and evaluate any sanction risks that may adversely affect the Company's operations, and appropriate measures shall be taken should there be any significant adverse impact to the Company's operations after assessment.

Looking ahead, the International Monetary Fund predicts that the global GDP will grow by 4.4% in 2022, while Drewry forecasts that the global port throughput will increase by 4.6% in 2022, and the growth of container fleet capacity is expected to be lower than demand growth. The upcoming annual assessment of the Carbon Intensity Indicator (CII) by the International Maritime Organization (IMO) will result in the gradually scrapping of old vessels, which will suppress the growth of container shipping capacity. The above factors will maintain the supply and demand balance of container shipping logistics in Asia. The Group will pay close attention to the changes in the global economy, and will seize the opportunity to implement business expansion plan prudently.

# Appendix I: Independent Verification Statement



## VERIFICATION STATEMENT

### Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by SITC International Holdings Co., Ltd., (hereinafter referred to as “SITC”) to undertake an independent verification for its Environmental, Social and Governance Report 2021 (hereinafter referred to as “the Report”). The scope of this verification covers the sustainability performance data and information of SITC’s business operations in Mainland China, Hong Kong, Japan, Korea and countries in Southeast Asia during 1 January 2021 to 31 December 2021, as defined in the Report.

The aim of this verification is to provide a reasonable assurance of the reliability of the contents. The Report has been prepared in accordance with the Core Option of the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”), and the Environmental, Social and Governance Reporting Guide (“ESG Guide”) of The Stock Exchange of Hong Kong Limited (“SEHK”).

### Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the criteria set in the Core Option of GRI Standards, and the ESG Guide of SEHK.

The verification process included verifying the systems and processes implemented for collecting, collating and reporting the sustainability performance data; reviewing relevant documentation; interviewing responsible personnel with accountability for preparing the reporting contents and verifying selected representative samples of data and information. Raw data and supporting evidence of the selected samples were thoroughly examined during the verification process according to the sampling plan.

### Independence

SITC is responsible for the collection and presentation of the information presented. HKQAA is not involved in calculating, compiling, or developing the Report. Our verification activities are independent from SITC.

### Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is of the opinion that:

- The Report has been prepared in accordance with the Core Option of the GRI Standards and the ESG Guide of SEHK;
- The Report illustrates the sustainability performance of SITC, covering all material aspects, in a balanced, comparable, clear and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

Nothing has come to HKQAA’s attention indicating that the selected sustainability performance information and data contained in the Report has not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria. In conclusion, the Report provides clear information with regards to the sustainability performance of SITC in a factual, responsive, consistent, fair and truthful manner.

### Signed on behalf of Hong Kong Quality Assurance Agency

Teresa Leung  
Senior General Manager, Finance Business  
April 2022

## Appendix II: HKEX ESG Reporting Guide Index

|                    | <b>Areas, Aspects and KPIs</b>  | <b>Section/Reference Guideline</b>               | <b>Page</b> |
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| 1.5                | Emissions target(s) set and steps taken to achieve them   | Energy Conservation and Environmental Protection | 26          |
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| A2                 | Use of Resources  |  |             |
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| A4                 | Climate Change  |  |             |
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## Appendix II: HKEX ESG Reporting Guide Index

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| B2                 | Health and Safety  |                                    |             |
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| 2.3                | Description of occupational health and safety measures adopted, and how they are implemented and monitored         | Harmonious Development             | 41-43       |
| B3                 | Development and Training   |                                    |             |
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| 3.2                | The average training hours completed per employee by gender and employee category                                  | Harmonious Development             | 39          |
| B4                 | Labour Standards   |                                    |             |
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| 4.2                | Description of steps taken to eliminate such practices when discovered   | Harmonious Development             | 35          |
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| 6.3                | Description of practices relating to observing and protecting intellectual property rights   | Responsible Operation              | 21          |
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| 102-5 Ownership and legal form   | Please refer to 2021 annual report of the Company  |           |
| 102-6 Markets served   | About SITC   | 3         |
| 102-7 Scale of the organization  | Please refer to 2021 annual report of the Company  |           |
| 102-8 Information on employees and other workers                                     | Harmonious Development   | 35        |
| 102-9 Supply chain   | Responsible Operation  | 22        |
| 102-10 Significant changes to the organization and its supply chain                  | No significant changes   |           |
| 102-11 Precautionary principle or approach   | Responsible Operation  | 14        |
| 102-12 External initiatives  | About SITC   | 6         |
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| 102-26 Role of highest governance body in setting purpose, values, and strategy      | Corporate Governance   | 9         |
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| Reporting Practices   |   |      |
| 102-45 Entities included in the consolidated financial statements | Please refer to 2021 annual report of the Company |      |
| 102-46 Defining report content and topic boundaries               | Corporate Governance                              | 9    |
| 102-47 List of material topics                                    | Corporate Governance                              | 11   |
| 102-48 Restatements of information                                | No restatements of significant information        |      |
| 102-49 Changes in reporting                                       | No significant changes                            |      |
| 102-50 Reporting period   | About This Report                                 | 1    |
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| 404-1 Average hours of training per year per employee   | Harmonious Development                       | 39    |
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| 405-1 Diversity of governance bodies and employees  | Corporate Governance, Harmonious Development | 8, 36 |
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