





Dear Reader:

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Sustainability Report 2021 COSCO SHIPPING Development Co., Ltd.

About This Report

Overview:

This report is our sixth sustainability report for stakeholders. It discloses the opportunities and challenges of sustainable development faced by the Company as well as our efforts toward the creation of more comprehensive economic, social and environmental value for stakeholders by integrating social responsibility management into corporate management.

Reporting Period:

The time frame for the activities mentioned in this report is from January 1 to December 31, 2021, though some content may extend beyond the stated period when necessary.

Reporting Scope:

Based on the consolidated scope of our annual financial report, we have comprehensively considered the impact of our businesses on the environment, society and governance of COSCO SHIPPING Development to select the disclosure scope of this report. The reporting content covers the business activities of COSCO SHIPPING Development and its directly-affiliated units. In some instances, the content may cover information related to the China COSCO Shipping Corporation Limited. COSCO Shipping Leasing Co., Ltd is not within the reporting scope of this sustainability report.

Reporting Cycle:

This report is published annually.

Compilation Conformance:

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (HK-ESG, or ESG Reporting Guide) of the Stock Exchange of Hong Kong Ltd., the *Guidelines No. 1 for Self-Regulation of Listed Companies— Standardized Operation of Listed Companies* released by the Shanghai Stock Exchange, the *GRI Sustainability Reporting Standards* (GRI Standards) of the Global Sustainability Standards Board (GSSB) and the SDG Compass by the United Nations.

Reporting principles:

The reporting preparation strictly follows the basic principles as listed: Materiality: The report discloses the process that we identify and evaluate material topics by using materiality analysis tools, and respond to the important factors of sustainable development concerned by stakeholders. Quantitative: In accordance with the requirements of the *ESG Reporting Guide* and with reference to the *GRI Standards*, the report discloses the environmental and social performance data and explains the calculation method in the report, so that the key performance indicators are comparable, assessable and verifiable.

Consistency: The disclosure method and statistical calculation method in this report are consistent with that in 2020 as a whole, and some changes are explained in the report.

Data Resource:

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

References:

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

Reliability Assurance:

The Company guarantees that the report is free of any false records, misleading statements, or major omissions.

Preparation Process:



Access to This Report:

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

http://development.coscoshipping.com/

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Message from the Chairman

In 2021, as COVID-19 control became a routine, the world showed unprecedented determination to address climate change. At the same time, the global economy was seeking a new balance. Thanks to the good momentum of the new economy and continuous growth of high-tech industries, more room was created for the shipping finance ecosystem to grow. Faced with both opportunities and challenges, COSCO SHIPPING Development kept in mind the idea of "fueling the development of the real economy through finance and creating value through development," bided its time and braced its heart. We made every effort to support foreign trade transportation and logistics, the new pattern of development, and global economic recovery. We identified and built up new competitive edges to continuously drive high-quality and sustainable development.

We firmly believe that sustainability is the compass for global development, and thus incorporate it into our core strategies, management models, corporate culture and business operations. We uphold science-based decision-making, compliance, high-quality development, and fair competition. With better, safer, greener, and more sustainable products and services, we promote business growth, industry prosperity, ecological progress and social harmony, striving to contribute to several UN Sustainable Development Goals.

The Year 2021 was the start of the 14th Five-Year Plan period. We made full use of our scale advantage, the synergy of the shipping industry chain and the industry plus technology mindset to strengthen industry-finance integration and foster the development of the shipping industry. We continuously improved corporate governance of the headquarters and subsidiaries, and strengthened anti-corruption and risk control measures, contributing to a responsible shipping industry chain. We embraced the era of big data, and served upstream and downstream enterprises in the shipping industry chain with digital means of fintech. We incorporated green development into all aspects of our production and operation. By carrying out researches on fields like electric boats and shore power, and investing in green industries such as new energy, we helped address climate change. Always "people-centered," we cared about the needs of internal and external stakeholders, expanded the career development path for employees, ensured their occupational health and safety and created a happy and harmonious workplace. We actively engaged in rural vitalization and public welfare undertakings. Giving full play to our expertise, we developed a new type of intelligent and mobile toilet containers which were energy-saving and environmentally friendly to help achieve the sanitation target of UN SDGs. We are committed to creating value with employees to benefit the community.

We shall remain mindful of potential risks in good times to ensure sound development in the long run, and take the lead in advancing further development. Facing the new situation and changes in global trade, we will further act on the new development philosophy, move faster to construct a new development pattern, and give full play to the synergy of the shipping industry chain. We will set sail to create value and make breakthroughs in shipping finance. We will continuously work with stakeholders for mutual benefits, and fulfill our responsibility in shaping a sustainable future.

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



Message from the Chairman

About Us

COSCO SHIPPING Development Company Limited is a financial arm established by China COSCO SHIPPING Corporation Limited in 1997 for industrial chain finance. Formerly known as China Shipping Container Lines Co., Ltd., the Company is headquartered in Shanghai and is listed both in Hong Kong and Shanghai, with registered capital of RMB 13.586 billion.

Focusing on developing the integrated logistics industry, COSCO SHIPPING Development deepens industry-finance integration, striving to establish a one-stop shipping finance platform. With the recovery of global trade and shipping market, the Company has been continuously improving its management and competitiveness, developing and innovating in its shipping finance business, and consolidating advantageous resources in the industry chain to further boost synergies and foster high-quality development across business lines.



In the pursuit of excellence, pragmatism and efficacy, COSCO SHIPPING Development established a corporate culture centering on "excellence" in 2018. In order to further promote the "excellence" culture and deepen employees' awareness, understanding and recognition of it, extensive cultural activities were organized in 2021, which provide strong cultural guidance and value support for the Company's development and management, and unite employees to promote faster and better corporate development.



Market

Customer-oriented Brand built on professionalism

Services Quick response Smart and considerate

Talent cultivation

Pool talents together Give full play to talents

Team building

Collaboration and mutual trust Mutual learning and common progress

Organizational Structure

Honors and Awards



the award of "Model Listed Company in Capital Operation" in the 15th China Listed Company Value Evaluation hosted by Securities Times and co-organized by

December 2021

- The Company was listed on the "2021 Top 100 Listed Companies in China" for the third consecutive year
- The Company won the honor of "Most Valuable Company in Investor Relations of the Year" of Jinglun Awards of China's Listed
- The Company ranked 165th





In 2021, as the COVID-19 pandemic heightened the vulnerability of global supply chains, countries showed unprecedented determination and ambition to deal with climate change and recover the world economy as soon as possible. COSCO SHIPPING Development continued responsible business activities, and made use of its professional know-how, talents and resources to promote a more sustainable global recovery, and help improve the ecological environment and the common well-being of humanity.

O Responsible Actions in Sustainability Management

Sustainability Philosophy and Management

The shipping industry is capital-intensive and its development is underpinned by a sound financial service system. With the vision of "creating a world-class integrated logistics supply chain service ecosystem," COSCO SHIPPING Development has been proactively responding to uncertainties brought about by complicated international relations and market prospects. In our pursuit of sustainable development, we have given full play to our experience and strengths in shipping and financial business, and boosted the synergy between shipping and finance to serve the higher-quality development of the shipping industry and society.

Sustainability background

In 2021, as the world started to recover from COVID-19 and especially the Chinese economy registered steady growth, the shipping demand soared. In face of routine COVID-19 control measures and frequent policy changes in major economies, global trade was looking for a new equilibrium. Currently, the strong ongoing momentum of the new economy and high-tech industries has created opportunities for the shipping finance ecosystem.

On the other hand, the shipping industry must change as the clock is ticking for it to meet its and national decarbonization goals. As the government policies are becoming increasingly stringent on emissions reduction, the mainstream in the shipping and ship equipment manufacturing industries in the future is for upstream and downstream partners to jointly address climate change and advance the low-carbon, energy-efficient and eco-friendly transition.

As Shanghai is vigorously promoting high-quality development of transport, it has raised higher requirements for the sustainability of transport enterprises. According to the Plan of Integrated Transport Development in Shanghai During the 14th Five-Year Plan Period issued in 2021, during 2021-2025, Shanghai, while building its transport network, should meet the requirements for building China into a world leader in transport, promoting higher-quality integrated development of the Yangtze River Delta, modernizing social governance, building a people-centered city, accelerating ecological progress, peaking carbon emissions and achieving carbon neutrality, and building a digital city, to accelerate the building of Shanghai to be a modern socialist international metropolis.





Our strategies

COSCO SHIPPING Development watches closely the development of shipping finance industry, and has continuously optimized the industrial layout and resource allocation based on its main business of integrated logistics. While focusing on container manufacturing, container leasing and shipping leasing, the Company also expands financial services and investments to promote the integrated development of industry, finance, and investment. We use our advantages in the container logistics industry chain to develop container-based fintech, and remove all impediments to the flow of goods, capital, and information. This helps empower the shipping logistics ecology, enhance the cohesiveness of the industry chain, and create value for customers. With the market-oriented mechanism, industry expertise, and a global vision, we are growing into an excellent industry financial service operator with our own characteristics. Meanwhile, we have improved our capabilities in financing management, risk control, talent management and digitization to further expand and consolidate the bridge between the real economy and the capital market.

In 2021, we seized market opportunities, made progress in the breadth and depth of all business lines, and saw our profit continue to grow. Committed to "industry-finance integration," our ship leasing and container leasing teams provided customers with one-stop solutions by strengthening the combination of leasing-based manufacturing, trade and transport, developed new businesses and optimized the container asset portfolio to create value. As for container manufacturing, we practiced green manufacturing to maintain the industry's good development pattern. We gave play to the effect of scale and synergy to improve capacity utilization. While achieving good investment returns, we went all out to ensure work safety and a smooth supply chain, fulfilling our CSR with concrete actions and sound performance. We also developed investment and related services. Based on our experience in the shipping industry and resources of financial services, we promoted the integration of industry and finance and optimized our business model, aiming to achieve coordinated development of shipping finance, and use technology to accelerate the process.

Indicator

Revenue

Profit/(loss) before tax from continuing operatio

Sustainability philosophy and management

and corporate values.

	Unit	2021	2020 (Restated)	2019 (Restated)
	RMB'000	34,914,585	12,853,145	7,668,504
ons	RMB'000	7,830,582	1,202,789	(8,171)

Note: The data in the table is for H shares. The data for 2019 and 2020 are restated.

For a long time, we have been committed to integrating the sustainability philosophy into the Company's overall strategy, values and business plan, so that sustainable development can be an important principle to shape corporate decisions and employee behaviors, and we can pursue long-term sustainable development in the unity of social

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

Sustainability organizational structure

We have established sustainability management organizations to strengthen the overall leadership, coordination and promotion of sustainable development, and improve our sustainability management. The Investment Strategy Committee of the Board of Directors is the highest authority over sustainability governance. It analyzes and studies global political, social and environmental risks and opportunities that might affect the Company; supervises and manages sustainability strategies, relevant policies and ESG performance, and makes decisions on major matters concerning sustainable development. The said responsibilities have been written into the Working Rules of the Investment Strategy Committee of the Board of Directors and approved by the Board.

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

In March 2021, the Investment Strategy Committee of the Board of Directors reviewed and approved the Company's Sustainability Report 2020, which was officially released to the market on the evening of March 30 after being reviewed and approved by the Company's Board of Directors. In October 2021, the Investment Strategy Committee and the Board of Directors successively reviewed and approved the Company's development plan set for the 14th Five-Year Plan period (2021-2025).



Sustainability Organizational Structure



Sustainability philosophy system



way we work, uphold fair competition and compliance, and develop safer, greener and more sustainable products

Our goal

SDGs

economy through finance and create value through development." We will give full play to our expertise of shipping finance to inject new vitality to the

We will spare no effort to relieve the burden on the environment. We will continue to identify the environmental impacts of industrial chain, and lead upstream and downstream partners to boost the harmonious coexistence between enterprises and nature by promoting sustainable procurement,

We will address the fundamental needs of national, urban and social development, and make unremitting efforts to achieve higher development and human well-being. We will actively participate in building sustainable cities and communities, and solve social problems in education, health care, environmental protection and infrastructure with our resources

mind, we will carefully study the development trend of the industry, make strategic decisions conducive to long-term development, and share experience with business partners to promote the sustainable development of the shipping finance industry.



Stakeholder Communication

Committed to tracking and responding to the concerns and expectations of all stakeholders and individuals, we constantly enrich the communication channels and methods to enhance communication with stakeholders, striving to create value for them and obtain the recognition and support of all parties.

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

Identification and Analysis of Material Topics

Since releasing our first sustainability report in 2016, we have conducted two stakeholder surveys in 2016 and 2020 respectively to analyze the most important material topics for the Company and stakeholders. In 2021, we reviewed the material topics and reassessed, analyzed and adjusted the material topics in combination with the macro policy and trend of global sustainable development, the important strategic directions of the Company and the demands of stakeholders, so as to have a better response.









COSCO SHIPPING Development continuously improves the corporate governance systems and governance level of the headquarters and subsidiaries. We have built a transparent and effective communication platform and integrated anti-corruption and risk control into all business lines and links. We also exert our influence to rally stakeholders to jointly build a responsible business environment and a compliant shipping industry chain.

02 Together for a Compliant Industry Chain

ss ethics is the red line that must not be crossed and the nt.

Corporate Governance

At COSCO SHIPPING Development, we have a sound governance structure with clearly defined powers and responsibilities under which the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the management perform their respective duties. There is also a transparent, comprehensive communication platform to manage investor relations and protect investors' right to know, especially that of minority shareholders. In July 2021, we organized a workshop on regulating the Board of Directors and the Board of Supervisors across subsidiaries, and properly guided and assessed their Board operation, which significantly improved their governance level.

Institutional improvement

In 2021, we refined internal policies including the *Administrative Measures for Information Disclosure* to regulate the management of investor relations.

Platform building

We enhanced communication with institutional investors and minority investors through various channels such as roadshows, onsite interviews, information disclosures on stock exchanges, Shareholders' General Meeting, emails and phone calls.

Transparent communication

In 2021, we held the press conference on annual performance of 2020 and the press conference on interim results of 2021 on the Shanghai Stock Exchange (SSE) E-interactive platform, conveying our strategic plans, business performance, and financial management to investors in a detailed and transparent way.

Improving the communication mechanism with investors

During the reporting period

The Company held 3 general meetings of shareholders with 25 proposals deliberated, 17 Board meetings, and 6
meetings of the Board of Supervisors. The Company issued 90 notices in the A-share market and 270 announcements (including overseas regulatory announcements) in the H-share market.
As minority shareholders became more eager to know the Company's business, we responded to nearly 150 questions from investors on the SSE E-interactive platform.
Under the Board of Directors, the Investment Strategy Committee convened 3 meetings; the Executive Committee, 4; the
Risk Control Committee, 2 ; the Audit Committee, 6 ; the Nomination Committee, 3 ; and the Remuneration Committee, 1 .
The Company was rated A by Shanghai Stock Exchange for its information disclosure for the 7th consecutive year.
No corruption or compliance litigation was filed against the Company.

Anti-corruption

We strictly abide by the Interim Provisions on Banning Commercial Bribery, the Rules on Integrity of Executives of State-owned Enterprises, the Regulations of the Communist Party of China on Punishment for Party Discipline Violations, and the Implementation Rules for the Oversight Law of the People's Republic of China as well as other regulations. By establishing the anti-corruption mechanism, carrying out anti-corruption audit and creating an anti-corruption culture, we incorporated anti-corruption into our corporate governance and business process, which laid a solid foundation for sustainable corporate development.

Anti-corruption management

We have established an anti-corruption management mechanism coordinated by the leadership, with the Supervision and Audit Department as the lead department. The Company continues to improve anti-corruption systems and carry out inspections. We also have anti-corruption conversations with newly-promoted officials, and demand employees of key positions to sign the *Letter of Anti-corruption Commitment* to prevent corrupt behavior.



We held an annual meeting on the Party conduct improvement and anti-corruption, planned the supervision, and broke the work down to a list of 35 key tasks in six aspects to effectively push ahead

We make the special anti-corruption requirements for financial enterprises an important part of our compliance and anti-corruption management and have formulated the *Opinions on Anti-Commercial Bribery* based on our own conditions to regulate behaviors. In 2021, we revised six policies including the *Regulations on Response to Whistleblowing Tips*, the *Administrative Measures for Handling Corruption Clues*, and the *Implementation Rules for Responding to Anti-corruption Opinions*. We keep an account of corruption clues, and have strengthened the accountability mechanism, and conducted special inspections on common problems to see to it that relevant measures are fully implemented.

The Headquarters works with subsidiaries in combating corruption. For example, it worked with Shanghai Universal in conducting regular inspections and special inspections on its two container factories. It also supported COSCO Shipping's building of an inspection information system and entered inspection data over the years into the system as early as possible.

In addition to the *Regulations on Response to Whistleblowing Tips*, we have built a mechanism of cooperation and check-and-balance, including visits & letters, supervision, investigation and case management. We have specified whistleblowing procedures, time limit and settlement requirements, and protect the privacy of whistleblowers in accordance with the law.

Anti-corruption conversations will be made with all the newly-promoted officials before they take up the post or are posted overseas, and they must sign the *Letter of Anti-corruption Commitment* with requirements that suit their specific posts.

We have stepped up efforts in the training of and communication between discipline inspection employees to improve their specific abilities. We have also organized various trainings for relevant employees to enhance their professional abilities, field-work skills, and anti-corruption management.

Anti-corruption audit

We have established a comprehensive and closed-loop internal audit and rectification mechanism to prevent corruption risks, and supervise the rectification of any problem identified. In strict accordance with the State-owned Assets Supervision and Administration Commission of the State Council's regulations on the engagement of final-accounts auditing institutions by central SOEs and relevant requirements of the Group, we replace the annual final-accounts auditors through competitive negotiations regularly, report the results to the Group for the record, and follow the approval procedures for listed companies. In 2021, we formulated the *Opinions on Conducting Inspection and Audit Based on Established Rules and Procedures*, to integrated corruption risk control into the inspection and business processes, helping realize whole-process risk prevention against corruption.

Anti-corruption culture

COSCO SHIPPING Development enhances employees' awareness of compliance and builds an anti-corruption culture by organizing employees to receive training and watch anti-corruption videos, and disseminating typical cases of violations of disciplines and laws.



On January 28 The executives, departments of the Headquarters and all subsidiaries studied and implemented the guiding principles of the fifth plenary session of the 19th CPC Central Commission for Discipline Inspection (CCDI). On February 22 The 2021 Party conduct improvement and anti-corruption meeting was held to introduce the anti-corruption requirements to all employees at middle management level and above. On June 3 The leaders and all Party members of our subsidiaries studied The Anti-corruption History of the Communist Party of China. On August 21 Our Party members watched "The Stories of Integrity in the Party History."

On January 27

Around Us."

The Company's Party members and officials watched the documentary titled "Anti-Corruption Stories

On December 10

The Company held the enlarged Party committee meeting and annual conference on law-based governance, and studied the *Implementation Rules for the Oversight Law of the People's Republic of China.*

Anti-corruption trainings and cultural activities in 2021

During the reporting period

The Company organized 15 anti-corruption lectures

with **2,082** participants.

Anti-corruption trainings covered all management and primary-level employees.

Anti-corruption trainings for all directors were included in the annual trainings of exchanges and China Association for Public Companies.

Risk Management

COSCO SHIPPING Development strictly complies with the laws, regulations and policies of the SASAC, the People's Bank of China (PBOC), Ministry of Commerce, Ministry of Finance and China Banking & Insurance Regulatory Commission (CBIRC), including the *Guidelines for Comprehensive Risk Management of Central SOEs*, the *Basic Standards for Enterprise Internal Control*, the *Guidelines for Compliance Management of Central SOEs* (*Trial*) and the *Interim Measures for Supervision and Administration of Financial Leasing Companies.* We have also studied, drawn on the experience of and applied the high-level risk management frameworks and the concept and methodology of guiding tools in the world, including the ISO31000 risk management standards, COSO's Enterprise Risk Management–Integrated Framework (2017), IRM and Basel II . We continue to improve our internal risk management systems and process and foster a risk management culture, to build a strong risk management safety net for stable and orderly business operations.

In 2021, based on our internal risk control practices in recent years, we continued to improve the basic systems and major-risk management indicators, and revised the *Administrative Measures for Internal Control* and the *Administrative Measures for Credit Risk*. We also optimized risk limits and monitoring indicators as well as risk control mechanisms, and enhanced the Company's risk management level.

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Improving risk management systems

The Company has continuously improved the basic risk management systems by clarifying risk limits and risk preferences, and establishing basic systems for managing major risks in credit, liquidity, compliance, and operations. We have formulated risk management systems or special regulations related to our major business in financial investment, sanctions compliance, contract management, case management, customer credit, etc. Besides, we have standardized the policies and procedures for key links in the risk management process.

Optimizing the risk management mechanism

The Risk Control Committee under the Board of Directors is responsible for coordinating and guiding the prevention of external risks and compliance of internal control. The legal compliance and risk management committee is tasked with risk identification, supervision and management, and conducts online management on its unit through the risk management information system that covers integrates risk control, internal control, legal affairs, and compliance.

Routine management of high-frequency risks

We implement a monthly reporting mechanism for enterprise risk management (ERM), and have established a series of routine management tools for high-frequency risks, including the ERM indicator system, early-warning customers and monthly monitoring of customer concentration. We dynamically monitor the risk limits and indicator performance of subsidiaries, and give early warning and respond in a timely manner.

Differentiated risk management

We have established diversified and differentiated risk management mechanisms such as regular business risk inspections, annual tracking and grading, special inspections for preventing the spread of external risks, as well as emergency drills and review of key projects. In 2021, we conducted a series of special inspections on the leasing business, overseas legal risks, the World Bank projects, the impact of Ever Given running aground in the Suez Canal, cooperation with third-party service agencies, and employee engagement with foreign consulting agencies, which helped identify and control risks effectively.

Risk management of COSCO SHIPPING Development

During the reporting period

The Risk Management Committee convened **5** meetings, deliberated and heard **13** reports including the "2021 Annual Risk Limits" and "2021 Work Calendar of the Legal and Risk Management Department."

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Supply Chain Management

We understand that our environmental and social responsibility goes beyond corporate management; it is extended to our value chain. Our Procurement and Supplier Management Committee coordinates procurement and supplier management. We have formulated the *Supplier Management Measures* which comprehensively and systematically regulates the supplier review, admission, regular audits and dynamic assessment mechanisms of the Headquarter and subsidiaries, enhancing our supply chain management. At the same time, we promote CSR management along the supply chain, and supervise the environmental and safety performance of suppliers and subcontractors, playing our guiding role in the value chain.

Sustainable timber procurement for green container manufacturing

As timber is one of the main raw materials for container manufacturing, its green procurement has become an important basis for manufacturing sustainable containers. Shanghai Universal encourages timber suppliers to obtain the FSC (Forest Stewardship Council) certification, selects supplier based on its *Administrative Measures for the Evaluation of Suppliers for Centralized Procurement* and gives preference to sustainable sources. As of the end of the reporting period, 90% of its timber suppliers were FSC-certified.



case

Supplier prequalification We implement a strict supplier prequalification system. All suppliers must pass the review and those who have safety and environmental accidents or have violated the anti-commercial bribery commitment will be banned from the supplier database. Annual supplier review The supplier management or procurement departments (units) assess the overall strengths and supply risks of suppliers every year, establish a supplier evaluation mechanism with rules for rewards and punishments, continuously optimize the supplier pool, and eliminate suppliers with a poor performance record.



Supplier grading and management Suppliers' environmental and social performance is evaluated. We grade suppliers into five levels: A, B, C, D and E, based on their credentials, cost competitiveness, contract performance, quality control, customer service, business innovation, and safety and environmental performance, with different management measures applied. We also carry out dynamic quantitative assessments and upgrade or downgrade the suppliers according to the assessment results, to achieve timely and targeted supplier management.

Subcontractor management We have promoted in-depth supplier management by optimizing the mechanisms of subcontractor registration, access review, regular evaluation, and elimination, and have made it clear that subcontractors are also subject to the Company's safety management. In addition, we have invited safety management experts to conduct research on subcontractor management. Through analysis of typical safety incidents, they identified the weak links in subcontractors' safety management, and provided targeted safety management trainings for subcontractors, thus improving the supply chain management efficiency.

As of the end of the reporting period

There were **149** suppliers in the Company's supplier database Including **139** suppliers from the mainland and **10** overseas.

Assessment of suppliers' CSR performance

We encourage suppliers to fill in the *Supplier Self-Examination Questionnaire on Social Norm Compliance*, and reward those with a high rating. The questionnaire covers suppliers' policies and plans concerning health and safety, environment, child labor, forced labor, remuneration and working hours, anti-discrimination, employee rights and supply chain, which helps suppliers find the path and direction of CSR management and practice.





The shipping industry connects the world and provides important logistics support in the post-COVID era. Always adhering to the "industry-finance integration" strategy, we focus on main business of container manufacturing, container leasing and shipping leasing, while constantly expanding financial services of the shipping industry and the integrated development of industry, finance and investment. We have given full play to the advantages of container logistics industry chain to actively develop container-based fintech. All along the way, we have constantly ramped up intelligent manufacturing and digitization, provided customers with high-quality products and services, and cared for the upstream and downstream parties along the industry chain, aiming to build an integrated logistics finance platform with COSCO SHIPPING's characteristics and global competitiveness, and support the steady development of global economy.

Growth Driven by Digital, Intelligent Technologies and Industry-finance Integration

We promote the use of fintech to empower the development of the shipping indust and provide high-quality products and services to grow together with customers.

Building an Integrated Logistics Finance Platform to Create Value

Committed to "fueling the development of the real economy through finance and creating value through development," COSCO SHIPPING Development drives the development of the shipping industry in multiple aspects including ship leasing, container leasing and manufacturing, and financial services. As the global economy recovered steadily, in 2021 we seized market opportunities, and gathered our strengths in various aspects to continuously expand the breadth and depth of our business. We have achieved industry-finance integration through investments, and fostered the integrated development of industry, finance and investment.



Container manufacturing

In 2021, we effectively integrated the container manufacturing resources of the Group and became the world's second largest container manufacturer with a designed annual capacity of over one million containers, contributing to a stable global container supply chain. At the same time, we continued to expand container markets and application scenarios of containers, upgrade container manufacturing technologies and management, and provide high-quality products.

Container leasing

Our subsidiary Florens has the world's third largest container leaser. It coordinates effectively with our container manufacturing division to promote the integrated development of container leasing and manufacturing.

Building an integrated logistics finance platform



Indicator

Container manufacturing capacity (10,000 TEU)

Size of container fleet (10,000 TEU)

Container shipping capacity (10,000 TEU)

Bulk carrier shipping capacity (10,000 DWT)

Special ship shipping capacity (10,000 DWT)

2019	2020	2021
55	55	144
366	378	370
60.94	58.75	58.16
/	46.69	361.79
/	12.39	18.55



Promoting Digital Transformation with Technologies

Embracing the era of big data, COSCO SHIPPING Development actively promotes the development of digital, networked and intelligent business. We develop smart finance and smart container manufacturing through technological innovation, strive to become an excellent industry finance operator empowered and driven by intelligent technology, and improve the efficiency across business lines to better and more efficiently serve the shipping industry.



Application of digital technologies in business development

During the reporting period

15.20% of our customers used electronic services, and e-commerce revenue accounted for **4.51**% of the operating income.

Driving the Development of the Shipping Industry Through Industry-finance Integration

As an integrated logistics industry finance operator, we are dedicated to serving upstream and downstream enterprises along the shipping industry chain. While focusing on the industry finance, we have increased financing of upstream and downstream projects to comprehensively drive the development of the industry chain.

Shipping fund

The fund is invested in new energy sectors such as the lithium power battery industry to promote ship electrification and support the development of green shipping and green logistics.

Logistics fund

It fosters a cross-border logistics industry chain through equity investments, and continuously builds facilities for cross-border logistics to accelerate the digitization of integrated cross-border services.



case

Driving the upgrade of the transportation industry through financial leasing of ships

COSCO SHIPPING Development has increased efforts in the development and financing of shipping and logistics project. In 2021, our subsidiary Oriental Fleet International Company Limited signed a leaseback agreement for an 180,000 m³ LNG carrier with a Danish ship owner, and paid the first installment of more than USD 100 million. COSCO SHIPPING Development (Tianjin) Leasing Co., Ltd., another subsidiary, paid RMB 120 million to the financial leasing project with Weihai Nanhai Harbor Service Company. These two projects marked a concrete step of COSCO SHIPPING Development to implement the marine development strategy, drive the upgrading of the transportation industry and serve the real economy.

MINGHUA Capital

logistics

It identifies and seizes investment opportunities, and combines the advantages of state-owned capital with market vitality to create value for customers.

COSCO SHIPPING industry funds support the development of the shipping industry

Providing High Quality Products and Services Through Innovation

case

Striving to build a brand of quality, COSCO SHIPPING Development has been continuously improving the quality management system, established the intellectual property protection system, and strengthened product development and technological innovation to provide customers with diverse sustainable products and high-quality shipping financial services.

Excellent quality control

Abiding by the *Product Quality Law* and other governing laws and regulations in China, COSCO SHIPPING Development manufactures containers in accordance with ISO 9001, and ensures that product quality and specifications comply with laws and regulations, ISO 1496 and customers' requirements. In 2021, Shanghai Universal formulated its *Regulations on AES Inspection in Container Manufacturing*. In addition, it promoted AES inspections, organized exchange meetings and on-site research on AES inspections, published feature stories on AES inspections, and checked the implementation progress, to improve frontline workers' professional skills, and awareness of quality and responsibility to guarantee the product quality.

Shanghai Universal promotes AES inspections to guarantee the high quality of products

AES is the acronym of "At Every Step," and represents a comprehensive quality management system involving all employees, covering all products and tracking the whole process. It is the fruit of long-term practice in quality control. It has become a unique brand of Shanghai Universal in quality management in the container industry. Shanghai Universal is committed to quality improvement throughout the whole process and eliminates substandard products in the production line. Putting prevention first while also strengthening inspections, the company has shifted its focus of quality management from quality inspection after the production to quality control during the production process. Each process ensures good quality and prepares for the next one. In this way, it achieves the best quality management efficiency and ensures the quality of finished containers. Frontline workers track the production process and collect data with the AES quality control cards and checklists. Special personnel conducts data analysis and gives timely feedback to identify the problems quickly and effectively and reports them to responsible positions. The production process is thus continuously improved. By checking the quality problems reported on the container cards, the quality management personnel in the container yard can conduct targeted re-inspection and repair in a timely manner, and quickly solve the problems of each container.

The timeliness of AES inspection contributes to timely and effective quality control, and basically avoids mass production of defective products, thus further reducing the rework rate and improving production efficiency. As containers are in short supply, AES helps Shanghai Universal ensure both the quality and quantity of containers manufactured, and provide high-quality and reliable products for the market.



Container factory workers carry out the AES inspection

We do not have a product recall process for containers manufactured. From production to the acceptance check, the whole process is supervised by a specialized container inspection company designated by the customer. Only when the products pass the acceptance check will the representatives of the container inspection company sign the inspection certificate; otherwise, the customer may demand rework or reject the products.

Product R&D and innovation

case

We continue to add more functions to containers and expand their application scenarios. We also enhance our ability in product R&D to meet the diverse demands of customers and improve the customer experience. In 2021, we acquired Universal Technology, which had more than 200 patented technologies, and DFIC Qingdao and DFIC Qidong with rich experience in reefer container manufacturing, to improve our technological strengths in container manufacturing, enter the reefer container market and provide better and more diverse products.

Building mobile NAT lab containers to support epidemic prevention and control

As the manufacturer of nucleic acid testing (NAT) lab containers, DFIC Qidong quickly responded to the demand after receiving the order from medical institutions, and assembled a team for the project. The factory made full use of its technologies, formulated a transportation and lifting plan, and carried out production tasks promptly. The design, production and logistics teams worked closely together to overcome difficulties in mutual recognition of cross-industry standards, traffic control and limited on-site space. Within only 28 days, they successfully completed the installation of the mobile P2 plus NAST lab with multiple cabins at the designate places.



During the reporting period

There was no recall of the sold or delivered containers for safety and health reasons. All the sold and delivered containers obtained the CSC safety license certificate issued by China Classification Society.

During the reporting period

DFIC Qidong won the honorary title of Enterprise Technology

Center of Jiangsu Province, and carried out **II** key projects such as the cultural center for employees, sewage treatment tanks, new-type intelligent and mobile energy-saving toilets, energy storage tanks for ships, etc.

During the reporting period, Shanghai Universal invested RMB 130 million in R&D.



As of the end of the reporting period COSCO SHIPPING Development had a total of 327 valid patents in container manufacturing, including 285 utility model patents and 42 invention patents.



Intellectual property protection

COSCO SHIPPING Development respects and safeguards the intellectual property rights (IPR) of all enterprises and individuals. We have developed a complete set of policies and mechanisms for IPR protection and management, established a patent database to ensure that all the trademarks used in container manufacturing, sales and leasing are registered, and protected each other's IPRs on an equal basis in cooperation with partners.

Formulating the intellectual property management plan

Carrying out intellectual

property trainings



High quality services

We are committed to providing customers with high-quality and safe services, and strictly abide by Chinese laws and regulations, such as the Law on the Protection of Consumer Rights and Interests, the Advertisement Law, the Copyright Law, the Interim Measures for Internet Advertisement Management, and the Law Against Unfair Competition. With a sound customer complaint response mechanism and the customer privacy protection mechanism, we listen to customers' opinions and offer solutions while protecting their privacy and trade secrets.

Response to customer complaints Shanghai Universal has formulated the Administrative Measures for Handling Customer Complaints, and established the corresponding processes and policies. The department for complaint handling is decided based on the type of problem. The complaint handling process is classified into different levels according to the actual impact of the complaint. We propose solutions in reference to customers' requirements, and try our best to recover their losses and improve customer satisfaction.

During the reporting period

COSCO SHIPPING Development did not receive any complaints about its products or services.

Privacy protection

The Company has formulated policies and measures concerning customer privacy and trade secrets, including the Administrative Measures for Information Disclosure and the Administrative Measures for the Protection of *Trade Secrets*. We also sign confidentiality agreements and add confidentiality clauses in lease contracts to protect trade secrets, customers' privacy, and information security.





Climate change is a major global challenge facing all mankind, and achieving the goals of "carbon peak and carbon neutrality" requires broad and profound systemic socioeconomic changes. Focusing on long-term economic and social benefits, the Company responds to national strategies and seizes opportunities for business development. We incorporate the idea of green development into all aspects of our production and operations, and strive to lead upstream and downstream partners in the green transformation. At the same time, we pursue green and low-carbon operations, and actively steer the industry to be more resource efficient and eco-friendly.

Green Innovation-Driven Development for a Carbon Neutral Industry

Response to Climate Change

Aware of the necessity and urgency of participating in global climate governance and contributing to China's 30.60 Decarbonization Goal, the Company has taken active actions to address climate change. In order to strengthen climate change risk management, we have established a climate change management framework around governance, strategy, risk management, indicators and goals, etc., in accordance with the disclosure framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD). At the same time we actively look for opportunities for building a green and low-carbon shipping industry chain.

Climate change management framework

	Climate change management framework
Governance	We make response to climate change risks and opportunities a priority for the Workplace Safety and Environmental Protection Working Committee, Shanghai Universal, the Department of Strategic Development, the Division of Shipping Leasing, the Department of Financial Investment, etc.; set up a taskforce for the "carbon peak and carbon neutrality" goals, to study and demonstrate the path toward energy conservation and emissions reduction in the shipping industry.
Strategy	We identify climate change-related risks and opportunities, assess their potential financial impacts on the Company, and respond to them in corporate strategies. We also make practices in energy conservation, emissions reduction, and low-carbon operations.
Risk management	We refer to the TCFD in identifying risks and opportunities related to climate change.
Indicators and goals	We disclose the amount and intensity of GHG emissions (Scopes 1&2) in our annual sustainability report, and set corresponding emissions reduction targets. In 2021, Shanghai Universal made a commitment to peak carbon emissions before 2030 and achieve carbon neutrality before 2060.

Risks and opportunities related to climate change

Climate-related risks	Potential financial impacts
 Policy and legal risks Shipping leasing If the lessee fails to meet the regulatory requirements of the International Maritime Organization (IMO) 's <i>Initial Greenhouse Gas Strategy</i> and the EU's "Fit for 55" Package for environmental management and carbon emission disclosure, their contract performance ability may be hurt. Container manufacturing The <i>China Container Industry Association VOCs Self-discipline Convention</i> signed in March 2016 and the upcoming National Emission Standard of Air Pollutants for Container Manufacturing Industry raise higher emission reduction requirements for container manufacturers. The administrative regions of the Company's container manufacturing factories are mostly concentrated in the Pearl River Delta, and Yangtze River Delta, and most of them will face the pressure of carbon peak ahead of time, which will be transmitted to key energy-intensive industries including manufacturing. The power generation industry has been included in the national carbon emission trading market. During the 14th Five-Year Plan period, steel and other industries are facing strong regulation on carbon emission, which may reduce their supply capacity, thus affecting the supply of raw materials for container manufacturing. 	 More credit risks A rise in environmental compliance cost A drop in short-term profitability
Technology risk Container manufacturing • The VOCs Self-discipline Convention and Emission Standard of Air Pollutants require container manufacturers to upgrade technology, and use water-based paints and green painting technology.	• A rise in production cost
 Market risk Shipping leasing Climate change will cause uncertainty to shipping routes and safety, and may alter consumer behavior. If fewer customers choose shipping as a mode of transportation, the ship and container leasing business will shrink. International regulatory pressure (IMO, EU, Poseidon Principle, etc.) and supply chain pressure (more and more shippers announce to realize decarbonization) will affect the behavior of market consumers. Renters may prefer environmentally friendly and energy efficient ships to meet the carbon emissions reduction target of the shipping industry. Container manufacturing The rise in the costs of raw materials and production due to technology upgrading may diminish customers' demand for containers. Customers may include carbon emission indicators in the assessment and evaluation of suppliers. If COSCO SHIPPING Development fails to provide container products with low energy consumption and low carbon emission, it will face the risk of customer loss and reduced business demand. 	• A drop in operating revenue
 Reputation risk Shipping leasing Stakeholders raise higher requirements for information disclosure and management in response to climate change. Failure to respond will affect the Company's reputation. Container manufacturing Failure to timely respond to and deal with environmental pollution caused by manufacturing will affect the Company's reputation. Failure to guarantee the safety of employees under extreme weather conditions caused by climate changes will effect the Some power in the safety of employees under extreme weather conditions caused by climate 	 A drop in operating revenue A rise in labor management cost
	 Policy and legal risks Shipping leasing The lessee fails to meet the regulatory requirements of the International Maritime Organization (MO)'s Initial Greenhouse Gas Strategy and the EU's "Fit for 55" Package for environmental management and carbon emission disclosure, their contract performance ability may be hut. Container manufacturing The China Container Industry Association VOCs Self-discipline Convention signed in March 2016 and the upcoming National Emission Standard of Air Pollutants for Container Manufacturing Industry raise higher emission reduction requirements for container manufactures. The administrative regions of the Company's container manufacturing factories are mostly concentrated in the Pearl River Delta, and Yangtze River Delta, and most of them will face the pressure of carbon peak ahead of time, which will be transmitted to key energy-intensive industries including manufacturing. The power generation industry has been included in the national carbon emission trading market. During the 14th "Five-Year Plan period, steel and other industries may also be included in the national carbon emission trading market. Power and steel industries are facing storng regulation on carbon emission, which may reduce their supply capacity, thus affecting the supply of raw materials for container manufacturing. The China Container Manufacturing. The Market risk Shipping leasing Chander chang will cause uncertainty to shipping routes and safety, and may alter consumer behavior, if fewer customers choose shipping as a mode of transportation, the ship and container leasing business will shrink. International regulatory pressure (MO, EU, Poseidon Principle, etc.) and supply chain pressure frome and more shippers announce to realize decarbonization juil affect the behavior of market consumers. Renters may prefer environmentally friendly and energy efficient sh

Туре	Climate-related risks	Potential financial impacts	Туре	
	 Acute risk Shipping leasing Extreme weather events may damage the ships, driving up the repair and maintenance cost. Extreme weather events may cause the loss of ship and container assets, interrupt the lessee's business operation, and thus crippling its ability to honor the contract. 	• A drop in the value of fixed assets	Resource efficiency	Container manufacturi Through technological ini manufacturing, managem water use and production Adopt more efficient production
	 Container manufacturing Extreme weather events may lead to the loss of assets such as containers and factories, and disrupt production. Employees' efficiency under extreme weather (high temperature, rain and snow) decreases. The supply and transportation of steel and timber are vulnerable to extreme weather, threatening supply chain stability and productivity. 	 A drop in production capacity A rise in maintenance cost A rise in operating cost 	Energy Source	Container manufacturi Turn to low-emission alter manufacturing and opera hedge against the risk of ri
Physical – risks	 Chronic risk Shipping leasing Long-term changes in environment such as constant high temperature and sea level rise are likely to affect shipping time, delaying transportation and reducing short-term profitability, which may cripple the lessee' ability to honor the contract. Container manufacturing Long-term changes in environment such as temperature rise can easily lead to the increase in electricity and energy consumption during manufacturing. 	 A rise in operating cost A rise in production cost More credit risks 	Products and services	 Shipping leasing Customer demands for gr conduct research and inv which can retain existing container manufacturiant Green container products The emphasis on carbon for shift in preference for low
	Rising precaution costs and premium to prepare containers and other equipment against climate change.		Markets	 Shipping leasing Shipping, with a smaller cr Green and low-carbon det the demand for energy-sa Container manufacturi Eco-friendly and energy-es shifting to these products The demand for functiona the hydroponic container the integrated energy store
	A STATE OF THE STA		Resilience	 Shipping leasing Adjust the proportion of g prepare for policy and main Container manufacturit Cooperate with environme and improve our ability to

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es	Potential financial impacts
ergy efficiency during container e power, natural gas, industrial	 A drop in operating cost Rises in production capacity and operating revenue
non-centralized clean energy in n traditional energy, which can tion in the future.	 Increase the return on investment in low-emission technology Increase the value of fixed assets Reduce the risk of energy price rise
friendly ships increases, and we leasing services in these fields, increase revenue. ct more customers. duct labels appeals to customers'	 Operating revenue growth due to increased demand for products and services Improve competitiveness to reflect changes in consumer preferences and increase revenue
ing demand for shipping leasing. tion of the shipping industry, and he future. rket prospects in the long run. By Ir market competitiveness. ion purpose is increasing, such as sewage treatment container and	 Access to emerging markets boosts revenue Value of fixed assets increases Larger market share and more revenue
reen industry leasing projects to pliers to reduce carbon emissions un.	 Increase revenue and asset value with more adaptable products and services Improve the reliability and operation flexibility of supply chain
pliers to reduce carbon emissions	services Improve the reliability and operation

Environmental Management

A sound ecological environment is the foundation for economic sustainability, and to protect the environment is to protect productive forces. We constantly enhance environmental management by prioritizing protection, emphasizing preventive measures, taking an integrated approach, engaging the public, and holding the one who causes damage accountable. While continuing to improve the organizational structure and mechanism for environmental management, we regularly identify and eliminate environmental risks and assess comprehensive environmental performance, striving to reduce our environmental impact. Besides, we hire third-party agencies to evaluate the environmental management of Shanghai Universal and the six container factories located in Jinzhou, Qingdao, Lianyungang, Qidong, Ningbo, and Guangzhou every year.

Container manufacturing, the main source of our environmental impact, is the focus of environmental management. As of the end of the reporting period, the headquarters of Shanghai Universal and its six container factories located in Jinzhou, Qingdao, Lianyungang, Qidong, Ningbo and Guangzhou had all been certified by GB/T 24001-2016/ISO 14001:2015 environmental management system. China Classification Society Certification Company will review the operation of the system every year, and conduct a certificate-renewal review including a comprehensive environmental impact assessment (EIA) every three years. In 2021, DFIC Ningbo, DFIC Qidong, DFIC Jinzhou and DFIC Lianyungang obtained the ISO50001:2018 Energy Management System Certification.

Environmental management system

Environmental management structure

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



Workplace Safety and Environmental Protection Working Committee

Environmental management mechanism

control and energy conservation.



We have formulated the Administrative Measures for the Evaluation of Workplace Safety and Environmental Protection Performance which clarifies indicators of incident and management and combines qualitative with quantitative methods to strengthen the assessment of subsidiaries' environmental protection performance.

Environmental emergency response

The Company continues to improve environmental emergency response to minimize the impact of environmental accidents. We always put the safety and health of employees first, and identify priorities for emergency response in view of actual operation conditions. For container manufacturing, dangerous and hazardous factors that might cause fire, explosion, dust pollution, and noise pollution are identified in the production and operation process.

A leading group and an office dedicated to emergency response are set up and the Contingency Plan for *Workplace Safety and Environmental Incidents* is formulated to provide organizational and institutional guarantees for fast and coordinated response. For more effective emergency response, the Company has clarified the tiered early-warning and response mechanism based on the degree of urgency, severity and scope of impact. The Company also organizes awareness activities on the knowledge and skills of emergency response, regularly trains the emergency response teams, and conducts emergency drills to prepare staff at all levels for environmental emergencies.

Stricter environmental protection supervision

We sign the Responsibility Letter for Workplace Safety and Environmental Protection with COSCO SHIPPING every year, and accept the Group's supervision on environmental protection, pollution



Regular monitoring and evaluation

We constantly track regular supervision feedback from local government authorities. COSCO SHIPPING and internal departments and conduct dynamic assessment of each container factory's environment management implementation to beef up in-process assessment.

implement environmental performance management responsibilities level by level



Environmental impact identification and management

Environmental impact identification

buckets, and waste sludge

reels, wooden pallets

Non-hazardous waste: Scraped steel, wire

(Note: Container manufacturing does not involve the use of packaging materials.)

Environmental impact identification in the container manufacturing process

Comprehensive and accurate environmental impact identification will help us formulate targeted environmental pollution prevention measures and improve the reliability and effectiveness of environmental management. It is the basis of our environmental management. In 2021, Shanghai Universal and its container factories continued to strengthen the special inspection on environmental protection. DFIC Lianyungang, DFIC Guangzhou, DFIC Jinzhou, DFIC Ningbo, DFIC Qidong and DFIC Qingdao identified sources of pollutants and environmental risks throughout the entire container manufacturing process every week, month and quarter or via special self-check actions.





year.



Management of important environmental factors

The Company manufactures containers in strict accordance to Chinese laws and regulations, such as the Environmental Protection Law, the Law on Prevention and Control of Water Pollution, the Law on the Prevention and *Control of Atmospheric Pollution* and the *Law on Conserving Energy.* Guided by the latest national environmental management policies and the requirements of ecological civilization, the Company has formulated special internal environmental protection regulations based on its own actual situation, and continues to sort it out annually. In addition, for important environmental impact factors, we have formulated annual management indicators to improve environmental management performance year by

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



Note: The data of amount of raw material consumption, energy consumption and energy consumption density in 2021 refer to the data of DFIC Lianyungang, DFIC Guangzhou, DFIC Jinzhou, DFIC Ningbo, DFIC Qidong and DFIC Qingdao.

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Greenhouse Gas Inventories (Department of Climate Change, National Development and Reform Commission [2011] No.1041); the calculating coefficient for indirect energy (electricity) emissions is derived from the Average Carbon Dioxide Emission Factor of China's Regional Power Grid in

Calculation of NOx, SOx and PM emissions: the calculating coefficients for gasoline and diesel emissions are derived from the Hong Kong Stock Exchange's Principles for Reporting Environmental Key Performance Indicators; the calculating coefficient for natural gas emission comes from the Emission Factor and Material Balance Calculation Methods Applicable to the Industries Not Included in the Emission Permit Management (Trial)

Reduction in Environmental Impacts

case

Based on comprehensive analyses of the characteristics of each business segment, the Company takes actions to reduce their environmental impacts. We actively explore the development opportunities brought by green and clean technologies, and have incorporated the concept of green, low-carbon and circular economy into the design, R&D, production and promotion of products and services. Meanwhile, we assist our business partners in reducing their carbon footprints and pollutant discharge.



million in clean technology and

earned RMB **2.15** million from the

Green development in the shipping industry

While making investment decisions on shipping and related leasing and investment services, we will consider the performance of lessees and investees in addressing climate change. In order to reduce business risks, we actively identify existing or potential negative impacts of our decisions and business activities on the environment. At the same time, we conduct research and make investments in green shipping, in a bid to promote the construction of clean energy infrastructure, explore environmentally friendly ship projects, and seize opportunities for building a green and low-carbon shipping industry chain.

Moreover, we have vigorously upgraded existing ship technologies, and installed new equipment for newly built ships. For example, by adding the selective catalytic reduction (SCR) system for exhaust gas after treatment and propeller boss cap fins for the main and auxiliary engines, we have effectively cut ships' energy consumption and emissions of GHG and air pollutants.

Promoting the green transformation of the shipping industry by building electric ships

The increasingly strict policies on green and low-carbon development and energy conservation will significantly reshape the global shipping industry. Accelerating the green transformation of fleets has become a must for shipping companies aspiring for high-quality development. Electric ships boast significantly less emissions of GHG and air pollutants. With the continuous improvement in international laws and regulations on controlling emissions from ships and the development of power batteries and hybrid technologies, electric ships will be accepted by more and more shipping companies, and will be the focus of the shipbuilding industry in the future.

In 2021, COSCO SHIPPING Development coordinated internal and external units in carrying out the electric container ship project for the mainline of the Yangtze River, and set up a special technical team. The project, while piloting practices to reduce emissions from inland and coastal shipping activities, will promote ecological progress of the Yangtze River Economic Belt, and facilitate the innovation-driven development of the green shipping industry.

case Promoting the development of smart energy for logistics related to shipping and ports, and building a low-carbon and eco-friendly integrated service ecosystem for ports, shipping, and logistics

In 2021, Chengrui Power, a high-tech enterprise invested by COSCO SHIPPING Development, jointly established a smart energy platform with State Grid EV Service. It actively promotes industry-finance integration, develops smart energy for logistics related to shipping and ports, and gives full play to the advantages of resource aggregation. Through cooperation with high-quality enterprises in the fields of new energy, transportation electrification, and the Internet of Ships (IoS), the platform is expected to promote the company's expansion in IoS, charging piles at ports, battery swapping for container trucks, electrically-propelled ships, energy storage tanks, etc., build a low-carbon and eco-friendly integrated service ecosystem for ports, shipping, and logistics, and jointly promote the green transformation of the shipping industry with partners.

Green container manufacturing

Shanghai Universal practices green container manufacturing, vigorously reduces emissions and increases energy efficiency and the proportion of clean energy use on an ongoing basis. It has upgraded production equipment, used water-based paints, and enhanced resource recycling to achieve cleaner production. The company strives to reduce GHG emissions and pollutant discharge from container manufacturing, thereby achieving green, low-carbon and circular development. Shanghai Universal has formulated the Administrative Regulations on Energy Conservation and Emissions Reduction, and set up a steering group with the general manager as the group leader, the heads of each division as deputy team leaders, and team members including the person in charge of safety and environmental protection supervision and leaders from key units. The company ensures that responsibilities are performed at all levels, and integrates energy conservation and emissions reduction into all aspects of daily management and production.

In 2021, Shanghai Universal organized 51 training sessions on environmental laws and regulations, the treatment of waste gas, solid waste and hazardous waste, and environmental emergency plans for all employees. Through the training, the company has raised employees' environmental awareness and ability of pollution prevention and control, and consolidated the results of standardizing green container manufacturing.



Installing real-time VOCs monitoring devices

Shanghai Universal's measures of energy conservation and emissions reduction

- Upgrading the power supply system's automated harmonic suppression and reactive compensation
- Purchasing new-type XP-B power saving control devices

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Key practice: Shift to water-based paints

The dry container production lines of the six container factories of Shanghai Universal all shifted to water-based paints in 2017.

As of the end of the reporting period

The container factories in Qidong and Qingdao had turned to water-based paints for reefer production, and replaced polystyrene foam with hot-melt adhesive.By using

water-based paints, they managed to cut VOCs emissions by 50%

Oil paints have long been used for coating containers, producing a large amount of volatile organic compounds (VOCs) that are hazardous to the environment and human health. To reduce the environmental impact of container manufacturing, Shanghai Universal has formulated the Standard Coating Process of Water-Based Paints, the Safe Operating Procedure, and the Revised Contingency Plan for Work Safety Accidents in accordance with the China Container Industry Association's Self-discipline Convention on VOCs Emissions Reduction. It also trained employees involved in the shift to water-based paint project, and continued to replace oil-based with water-based paints at its container factories.

It has taken the lead in driving this shift, and facilitated five standard refrigerated container manufacturers, including Qingdao CIMC Special Refrigeration Equipment Co., Ltd., Taicang CIMC Reefer Logistics Equipment Co., Ltd., Guangdong FUWA Engineering Group Co., Ltd., Dongfang International Container (Qidong) Co., Ltd., Dongfang International Container (Qingdao) Co., Ltd., and their paint suppliers to reach a consensus on addressing pollution from the source and replacing oil-based paints with water-based ones. In 2021, the reefer manufacturers started to from the source and replacing oil-based paints with watch based once in a paint transform their production lines in answer to this call, which will reduce VOCs emissions by about 60% from the source, far higher than the national standards.

Achieving both economic and environmental benefits with the reparable and recyclable material barrels

In its pursuit of green, low-carbon and circular economic development, COSCO SHIPPING Development has produced reparable and recyclable material barrels to meet the increasingly stringent environmental policies and standards for container factories.

As of the end of the reporting period

Nearly 10,000 such barrels had been widely used in the six container factories of Shanghai Universal; and the number is expected to jump to 20,000 by 2022.

Optimizing the energy structure to manufacture zero-carbon containers

While making progress toward the "carbon peak and carbon neutrality" goals, COSCO SHIPPING Development and COSCO SHIPPING Tianjin Goldwind New Energy Co., Ltd. have jointly implemented the distributed rooftop photovoltaic project in container factories.

By installing rooftop photovoltaic modules and building distributed photovoltaic power systems in the factories, the service life of the roof will be extended, and the proportion of clean electricity consumed increased, thereby improving the quality and efficiency of stock assets.

As of the end of the reporting period

The project had been launched in Jinzhou container factory, with a planned installed capacity of **1.88** MW, annual power generation capacity of **2.27** GWh, which will effectively reduce carbon emissions from container manufacturing.



Green office

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We are concerned about the environmental impacts of our daily office work, and actively identify and manage environmental risk factors in the office environment of the headquarters, financial leasing, investment and services divisions. Meanwhile, we raise employees' awareness of resource conservations and green and low-carbon office.

Saving energy

- · Pre-setting the air-conditioning temperature in the office area
- Using energy-efficient LED lamps
- Purchasing eco-friendly office equipment
- Installing eco-friendly smart charging piles

Saving water

Putting up water saving signs

- · Raising employees' awareness of saving water
- Conducting patrol inspections
- Using water-saving appliances



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Note: The data about energy consumption, total office paper consumption and the number of discarded water bottles in 2021 were of the Headquarters.



Cutting carbon footprints

- Advocating commuting by public transport
- · Advocating the use of video conferencing to reduce carbon emissions by business trips



- Sorting out garbage
- · Promoting paperless office
- Recycling waste paper

Measures for promoting green office



Discarded water bottles





Putting people first is always vital for sustainable corporate development. Focusing on the needs of internal and external stakeholders, we take the initiative to assume our responsibilities for employees and the community and actively apply our expertise to serve public welfare and contribute to rural vitalization.

Concerted Efforts for Shared Growth

4.4.4

re committed to creating more possibilities for each employee, actively fulfill our nsibilities as a corporate citizen, and try our best to make the world a better place.

Career Development

Employees form the core driving force for the long-term development of a company. By continuously improving recruitment and HR management system and our compensation, performance appraisal, and incentive systems, we are committed to building a fair, just and diverse career development platform, enhancing employees' sense of belonging, stimulating their passion for work, helping employees fully release their potential, and realizing common development of the Company and our employees.

Employee rights protection

In compliance with applicable labor laws and regulations, COSCO SHIPPING Development has continuously strengthened employee management in terms of recruitment, training, promotion, remuneration and non-pay benefits, effectively protecting their basic rights.

Rights protection

The Headquarters and subsidiaries strictly abide by the Labor Law, the Labor Contract Law, the Provisions on Prohibition of Child Labor issued by the State Council and other governing laws and regulations. Our Administrative Measures for Headquarters Employee Recruitment prohibits child labor and forced labor in any form, to prevent violations against laws and regulations on child and forced labor at the source. Shanghai Universal demands all employees to report any case of child and forced labor, once identified, to the Department of Human Resources, which will then report to the local labor inspection authority and arrange for physical examinations of the related personnel as soon as possible.

To build harmonious labor relations, we have formulated and constantly revised the Administrative Measures for Employee Attendance and Leaves and other policies to enhance corporate management concerning the annual leave, maternity leave, parental leave, and other employee issues.

Equal employment

Adhering to equal employment, the Company forbids discrimination against candidates because of their age, gender, nationality, skin color, religious belief, language, or other social characteristics unrelated to work. We abide by laws and international norms regarding employment discrimination while formulating relevant corporate policies to prohibit all forms of employment discrimination and guarantee equal employment rights and opportunities. Within the reporting period, we hired 625 ethnic minority employees, 45 foreign employees, and 16 employees with disabilities. To ensure equal pay for equal work for both male and female workers, we signed the Collective Contract on the Protection of Rights of *Female Employees* with all female employees to effectively protect their rights, and see to it that they enjoy the same benefits as their male colleagues.

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Category	(ey policies and documents on corporate managemen

Recruitment	<i>Administrative Measures for Employee Recruitment of COSCO SHIPPING Development Administrative Measures for Employee Recruitment of Shanghai Universal</i>
Training	Administrative Measures for Staff Training of COSCO SHIPPING Development Administrative Measures for Career Development of COSCO SHIPPING Development Official Administrative Measures of Shanghai Universal
Remuneration and benefits	<i>Administrative Measures of COSCO SHIPPING Development for Remuneration Administrative Measures of COSCO SHIPPING Development for Performance Appraisal</i>
Basic rights	<i>Administrative Measures of COSCO SHIPPING Development for Employee Attendance and Leaves Regulations on the Protection of Female Workers and Minors</i>

Main staff management policies

Employee engagement

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COSCO SHIPPING Development is committed to establishing communication channels accessible to all. We have made ceaseless efforts to improve the labor union and the workers' congress system, and formulated the Administrative Measures on the Disclosure of Factory Affairs and the Detailed Rules for the Operation of the Workers' Congress. We make every effort to protect employees' rights to know, participate, express and supervise, and actively learn about and respond to employees' needs in and outside workplace. During the reporting period, 100% of our employees had signed collective contracts.

The third "Face-to-Face for Development" Value Forum - Creating value through democratic participation

In May 2021, COSCO SHIPPING Development held the third "Face-to-Face for Development" Value Forum - The Container Industry Chain Session, bringing together executives and employees from the Headquarters, Shanghai Universal and Florens. Executives communicated with employees face to face, and fielded their questions on the spot about how to build stronger synergies and a healthier and more sustainable container industry chain, and how to create bigger value in the pursuit of development. The forum is a key move to help the employees excise their rights to know, participate, express and supervise, and an important platform for the Company to improve democratic management and build a factory affairs disclosure system.



COSCO SHIPPING

The third "Face-to-Face for Development" Value Forum



between different types of employees hired by our different specialized companies. Therefore, we divide employees into type A and type B, based on which we provide the data of their educational backgrounds and turnover rate by gender, age group, and location. Type A refers to contract-based employees of COSCO SHIPPING Development headquarters and subsidiaries at home and abroad, and Type B are dispatched workers and outsourced employees of Shanghai Universal, a subsidiary specialized in container manufacturing. The labor contract signing rate and the social insurance coverage rate are data of the COSCO SHIPPING Development headquarters and subsidiaries at home and abroad.









Overseas Chinese mainland

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To further enhance the professional manager system, we have formulated the *Professional Manager Management Plan*, the *Professional Managers' Performance Management Plan* and the *Professional Managers' Remuneration Management Plan*, and upgraded the methods regarding salary payment, performance appraisals, and application of performance appraisal results for professional managers. According to the actual conditions of each subsidiary, we adjusted the weight of each performance indicator and set indicators in a science-based manner, including differentiated indicators for quantitative performance appraisals for different positions, to form a remuneration structure that operates under unified overarching rules but reflects the differences of positions at the same time.

Implementing the equity incentive plan

Improved remuneration system

We have developed an equity incentive plan to mobilize the senior management and backbone employees, thus enhancing corporate management capabilities. In 2021, we implemented the first phase of the employee equity incentive plan, granting 88,474,448 stock options (including reserved options) to directors, senior management, and core technical and business personnel.









We have been developing a market-oriented mechanism that links the results of performance appraisals with remuneration and incentives. With such a mechanism, we can fully play the role of remuneration in stimulating employees' passion and initiative, attracting more talents, and encouraging employees to create value and release their potential.

Optimizing the remuneration and incentive plan for professional managers



Employee empowerment

COSCO SHIPPING Development has been working to create an employee growth system with characteristics of both shipping and financial industries, and to cultivate employees with shipping and financial expertise. To continuously improve our employee training system, we have prepared the Plan on Building an Employee Training System (Trial) to guarantee systematic, continuous, targeted and efficient employee training to enhance their overall capabilities. We have also identified training topics conducive to the development of employees and launched training courses of different levels by integrating internal and external training resources, aiming to realize harmonious common development between the staff and the Company.

Internal business training

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According to the strengths of each business line and function and their working needs, we provide a variety of internal training programs, including the training on HR management compliance in Hong Kong SAR organized by the Department of Human Resources, the file system training by the Department of General Administration, and the training on tax policies and dispute resolution by the Department of Finance. Such diverse training programs provide employees with many learning opportunities and promote cross-departmental exchanges and coordinated development across business lines.

Professional skills training

To sharpen the vocational skills of front-line technical workers, Shanghai Universal has organized training on welder certification, cranemen and occupational health, as well as special training for grassroots managers, to build a tiered workforce. A pool of experts is set up to drive innovations in techniques and equipment, with emphasis on their working experience, know-how and skills, to cultivate more technical personnel. DFIC Qingdao has established the Practice and Training Base under the COSCO SHIPPING Talent Development Institute to serve professional skills training in the Company and the Group.

Management training

In 2021, we organized two leadership training sessions to train executives and backbone staff to work in a more systematic, forward-looking and creative way. Their improvement in management capabilities will provide intellectual support and organizational guarantees for the high-quality development of the Company.

> Kick-off ceremony of the leadership training session at China Executive Leadership Academy, Pudong



Career development paths

Committed to building a platform for employees to display their talents and prove themselves, we have continued to improve our employee promotion channels, and revised our Administrative Measures for Career Development (Trial) and the Interim Administrative Measures for the Professional Talent Pool, aiming to support employees' long-term development in the Company.

Improving career development paths

We have specified the dual career development channels: management and technical, for employees. We also ensure that the promotion channels are unimpeded and development opportunities equal.

Focusing on the market-oriented employee management principle that emphasizes the match between capabilities and positions, we ensure that employees are competent to do their job and determine employees' positions and job grades based on their ability and performance.





Optimizing management of job grades

Our employee promotion channels

Cultivating versatile talents

We attach significance to building a strong internal talent market. We revised the Administrative Measures for Staff Secondment to remove obstacles hindering talent flow among the three core business lines. In addition to expanding internal career development channels, we promote exchange and interactions among different business lines and step up efforts in cultivating young officials and versatile talents.

COSCO SHIPPING Development Co., Ltd. Sustainability Report 2021



19.99 19.77 Male Female



Note: Statistical scope: Training data of regular employees, dispatched workers and outsourced employees of COSCO SHIPPING Development at home and abroad (including resigned personnel) as of December 31, 2021



Occupational Health and Safety

Safety is the lifeline for corporate development. We strictly abide by the *Law on Work Safety*, the *Fire Protection Law*, and the *Law on Prevention and Control of Occupational Diseases*, and other governing laws and regulations, and have improved the *Regulations on the Management of Work Safety Responsibilities* according to the 2021 revised version of the *Law on Work Safety*. At the same time, we continue to improve the occupational health and work safety management system. The Workplace Safety and Environmental Protection Working Committee is responsible for organizing safety committees of subsidiaries at all levels to carry out occupational health and work safety work and create a safe and healthy workplace. Container manufacturing involves numerous workers working on the ground, so we attach much importance to the management of occupational health and safety in container factories in daily operations. As of the end of the reporting period, all our container factories had obtained the ISO 45001 Occupational Health and Safety Management System Certification, a certification recognized by China Classification Society (CCS). Meanwhile, we accept external annual audits of occupational health and safety management, which help us conduct effective analysis and assessment of key occupational health and safety risks related to container manufacturing. During the reporting period, PricewaterhouseCoopers and ShineWing International were engaged to conduct internal control audits of Shanghai Universal, and found no problems in the latter's implementation of safety, environmental protection, and occupational health-related systems.

Occupational health and work safety management

We always put safety first, emphasize prevention and take an integrated approach to ensuring work safety. We take various actions to improve the occupational health and work safety management system. Besides, we guide container factories to ensure the effective implementation of the occupational health and work safety management system in various dimensions, thus protecting the life, health and safety of employees in all respects.

Building a "dual control system for work safety"

Shanghai Universal has employed information technology and begun to build a "dual control system for work safety" in all container factories. The system boasts six modules, namely the safety status map, risk classification and identification, inspection record and summary, hazard alerts, rectification progress summary, and inspection information summary. It covers all risk inspection points, and ensures that safety management work is recorded, evaluated and improved, effectively standardizing work safety management.

Strengthening the management of hazards and hazardous chemicals

Shanghai Universal organizes its factories to identify and assess material hazards with the LEC method. It has formed a list of risks for management by grade, informed employees of the grades of job-related hazards and the corresponding protection measures, hazard inspection items, etc. In addition, for identified material hazards, it takes countermeasures from multiple dimensions, including engineering technology, hazard control, personal protection, contingency response, etc. All container factories installed combustible gas detectors at all accident-prone points as required. These detectors are connected with the central control platform to realize real-time monitoring and inspection.

Identification of work safety risks

We have formulated the *Regulations for Work Safety Risk Management* to guide the Headquarters and subsidiaries to identify work safety risks in lockstep, and propose targeted countermeasures to effectively reduce risks and hazards. Shanghai Universal and its container factories analyze job-related hazards regularly from the four dimensions of people, facilities and equipment, environment, and management, and have compiled the *Work Safety Risk Identification List* according to the analysis results. The list provides a basis for the management of occupational health and safety risks, thereby ensuring a safe and healthy workplace for all employees in a changing production environment.

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Safety emergency response

In line with the principle of "unified leadership, level-by-level division of responsibilities," we have formulated the *Contingency* Plan for Work Safety and Environmental Incidents, the Regulations on Reporting, Recording and Investigating Safety Incidents, and other regulatory documents, and urged container factories to establish an emergency response system for safety incidents to minimize impacts on the health and safety of employees.



The safety emergency response system

Equipping container factories with AEDs

In response to the state's call for improving public places' emergency preparedness, two subsidiaries of Shanghai Universal – DFIC Qidong and DFIC Guangzhou, put in place automatic external defibrillators (AEDs) in the workshops, and organized training on first aid and AED use for relevant personnel, greatly improving the emergency preparedness of the workshops and strengthening the protection of the health and safety of frontline workers.



Training on AED use

Safety performance assessment

In accordance with the Interim Measures for Work Safety Supervision and Management of Central SOEs, the Detailed Rules for Work Safety Assessment of Central SOEs, the Detailed Administrative Rules for Work Safety Assessment Management of COSCO SHIPPING, and the Administrative Measures for Performance Assessment of Work Safety and Environmental Protection, we have comprehensively reviewed the list of safety responsibilities and continued to assess safety performance regarding both the process and the result. The assessment results are considered in the performance assessment of the personnel in charge of work safety and occupational health management in each container factory, to motivate them to fulfill their responsibilities and improve the Company's safety performance.

Carrying out process assessments

We guided subsidiaries to review and summarize their yearly safety work, and based on the self-evaluation results, conducted process assessments, with focus on process management, to improve the safety management ability.

From 2019 to 2021

the Company registered zero work-related fatalities, zero accidents that caused serious injuries or worse results, and no increase in the number of employees

due to work-related injuries.



Strengthening result-based assessments

We prepared the Letter of Responsibility for Work Safety and *Environmental Protection*, clarifying incident indicators (quantitative) and management indicators (qualitative), based on which we assess annual results of their safety work, strengthen performance management and improve safety performance.

Measures to assess safety performance



Health and safety management for outsourced employees

Shanghai Universal formulated the *Safety Management Policy for Outsourced Construction Workers* and the *Regulations on Work Safety-Related Rewards and Punishments* for outsourced employees. It also applies its safety management to sub-contractors. With focus on contractors' hazardous operations, Shanghai Universal specified related management policies and operating procedures, and strengthened on-site supervision and responsibility performance assessment, to strengthen the health and safety management for outsourced employees.

Outsourced employees are the mainstay in container manufacturing, to whom we apply the same occupational health and safety management system and guarantees for regular employees. We organize special pre-job occupational health and safety training for outsourced workers, and provide them with the same protective equipment used by regular employees. At construction sites, both outsourced workers and regular employees are under the supervision and management of safety inspectors. Besides, we organize annual health examinations for outsourced employees and keep their health records to protect them from occupational diseases. CCS conducts annual audits of the health and safety management of outsourced employees to ensure effective implementation of mandatory measures.



Training on occupational health and safety

COSCO SHIPPING Development continues to improve the training on occupational health and safety. We have revised the *Administrative Rules on Safety Training* to better protect employees from occupational diseases, reduce occupational disease risks, and enhance employees' awareness of work safety. We have also increased input in occupational health and safety training. Shanghai Universal has formulated the *Policy for Occupational Health and Safety Training*, integrated internal and external resources, organized various forms of safety training, and built a team of knowledgeable and skilled trainers. With these efforts, it aims to strengthen employees' work safety awareness and skills.

Strengthening voluntary safety management

We continue to build "three-zero teams" (zero violations, zero injuries, zero accidents). We have organized employees to watch safety videos and simulate workplace accidents that caused injuries and disabilities, to raise employees' awareness of safety violations, work injuries, etc. and strengthen their voluntary safety management.

Enhancing the ability of safe operation ()

As the production lines continue to diversify and upgrade and more "new equipment, new processes, new technologies, and new materials" are introduced, the Company has issued the *Tips on Safe Use of New Equipment Including Robots and Robotic Arms* and organized special safety training. We have also tightened the supervision and approval of permits for hazardous work to enhance the awareness and capabilities of work safety.

Organizing diverse awareness activities 🛛 🖳

Through WeChat, publicity boards, and other channels, we carry out online and offline safety awareness activities simultaneously. An online quiz is organized on the 2021 revised version of the Law on Work Safety, to inspire employees to study the law and foster a safety culture.

Occupational health and safety education measures of Shanghai Universal in 2021

Key performance

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A Pleasant Working Environment

Colorful cultural activities and sound benefits can boost employees' well-being and enthusiasm for work. Advocating "Happy Work and Wonderful Life," COSCO SHIPPING Development regularly organizes various cultural and sports activities that are beneficial to physical and mental health, and builds a sound mechanism for safeguarding employee benefits, so as to continuously enhance their sense of belonging, happiness and satisfaction.

Employee care

We take the initiative to understand and respond to employees' needs, address concrete issues facing employees and their families, and provide extra support for female employees, employees in difficulties, and retirees. At the same time, we take actions to improve employees' mental and physical health, and help them strike work-life balance.

During the reporting period

COSCO SHIPPING Development paid 43 sympathy visits to employees in need and another 46 to hospitalized employees, and handed out 71,536 high-temperature subsidies and 37 wedding and childbirth gifts.

Care for female employees

We set up the "Mummy's Room" for breastfeeding employees, and have purchased the "Special Medical Insurance for Female Employees" to enhance their sense of happiness.

Health care

We organize pre-job medical examinations, annual physical examinations and special physical examinations for employees in special positions, and offer them medical insurance schemes including the "Mutual Support Scheme of Supplementary Hospitalization Insurance for Active Employees" and "Special Mutual Support Scheme for Serious Diseases" to ease employees' worries.

Sympathy visits and gifts

We give gifts to employees during holidays, visit sick and hospitalized employees, and offer wedding, childbirth and birthday gifts, to show our care and improve their sense of belonging.

Psychological counseling

We strengthen support for employees' mental health. For example, DFIC Qingdao has set up a psychological counseling center to provide employees with professional and systematic psychological counseling service, to help them establish correct values, and enhance their sense of happiness, gain and security.

Employee care projects



The psychological counseling center in DFIC Qingdao

Supporting employees from flooded regions in Henan Province

In July 2021, many parts of Henan province were hit by heavy rainstorm and flooded. As the news made national headlines, Shanghai Universal ordered all container factories to find out the situation of employees who come from Henan. The factories fully leveraged the close ties between Party members and the masses, and quickly contacted teams, work stations, and individuals to collect information. It turned out that 280 employees and their families were affected by the disaster, with flooded homes and farmland, and loss of other property. Shanghai Universal formulated assistance plans to tide these employees over the difficult times. First, it gave allowances to the hardest-hit employees. Second, it allowed these employees to return home immediately to handle post-disaster affairs, after properly handing their job to others, and offered them conveniences. Third, designated Party members kept in touch with them to find out the post-disaster recovery progress of their families. All these efforts showed that Shanghai Universal was doing its best to support employees in trying times so that they can work without any worries.



DFIC Lianyungang gives disaster recovery allowances to employees who come from flooded regions in Henan Province

Shanghai Universal holds a birthday party for employees

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Cultural and sports activities

The Company advocates work-life balance, organizes a variety of cultural and sports activities for employees, and builds a vibrant culture that enhances the cohesion of employees.



The 2nd Zhuoshi Cup Staff Badminton Competition

> Our employees at the artistic performance held by COSCO SHIPPING to celebrate the 100th anniversary of the founding of the CPC

The family day at DFIC

Contribution to Community Development

Harmonious relations with the community are a must-have for corporate sustainability. Making full use of the characteristics of the industry and its strengths, we continue to serve national interests and people's wellbeing, actively participate in public welfare community programs launched by local governments, and organize various volunteer activities. We have formulated and revised the *Administrative Measures for Donations* to guide the Headquarters and subsidiaries in public welfare undertakings. At the same time, we care about people's wellbeing, and continuously strengthen communication with the community to realize the integrated development of business and community.

Paring assistance

As a mature large company, we have the ability, resources and obligation to consolidate and expand the achievements of pairing assistance by continuing to drive the development of areas that have emerged from under-development. We have played an active role in the pairing assistance programs of COSCO SHIPPING, and in 2021 we donated RMB 109 million to the Group for assistance projects in Tibet and other pairing assistance programs. In addition, the trade unions at the Headquarters and subsidiaries purchased RMB 440,900 of products from pairing assistance areas in Yunnan and Hunan, to boost the development of local industries.

DFIC Jinzhou donates to road improvement in Toudaohe Village

In August 2021, DFIC Jinzhou conducted a pairing assistance program in Toudaohe Village, Toudaohe Town, Yixian County, which it was paired up by the Jinzhou Municipal Government. The town chief introduced the basic situation of local households, and DFIC Jinzhou donated funds to improve the roads in Toudaohe Village based on the survey results. The road improvement is complete, delivering substantial benefits to villagers. DFIC Jinzhou has participated in joint government-enterprise assistance actions for six consecutive years since 2016. In the future, it will continue to perform social responsibility in many aspects to support rural vitalization and fulfil its corporate mission.



Pairing assistance project of DFIC Jinzhou - road improvement in Toudaohe Village



DFIC Qingdao signs purchase agreements with local watermelon growers to buy watermelons which were hard-to-sell during COVID-19, and distributes the watermelons to employees for free.





DFIC Qidong holds an induction ceremony for eight employees from Yuanling County in Hunan Province, a country receiving pairing assistance from COSCO SHIPPING.

Public welfare undertakings

We continue to explore the models and paths for participating in public welfare undertakings to benefit more families. We integrate internal and external resources, encourage employees to contribute to community welfare and make donations, and create a good social atmosphere.



Unproving public hygiene

To facilitate progress toward the health-related SDGs, DFIC Qidong and Wuxi Research Institute of Applied Technologies Tsinghua University have co-developed a pilot project for public hygiene under the United Nations Global Compact. Through the project, they have built tailor-made intelligent mobile energy-saving toilets in Funing County, Yunnan Province. The toilets are quick to assemble, green and eco-friendly.

Promoting child well-being

In 2021 Shanghai Universal contributed to Shanghai Baby Home for the seventh consecutive year. It launched a charity sale and the "DFIC Charity Flash Mob" event to raise funds for sick orphans.

Public welfare projects

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At the Intermodal Asia held in July 2021, Shanghai Universal held the "DFIC Charity Flash Mob" event to raise donations for Shanghai Baby Home, and awarded donation certificates to the donors



The intelligent mobile energy-saving and eco-friendly toilets jointly developed by DFIC Qidong and Wuxi Research Institute of Applied Technologies Tsinghua University through the pilot project for public hygiene under the United Nations Global Compact

Donating clothes to a primary school in Luolong County



On September 9, 2021, the "99 Giving Day," volunteers from Shanghai Universal participated in the Little Red Flower Charity Sale, and remitted all the proceeds to Shanghai Baby Home to help sick orphans



Outlook for 2022

CSR vision: Integrating CSR into corporate vision to drive sustainable development of the shipping industry

Focusing on long-term and sustainable development, we will give full play to our experience and resources in shipping and financial services to continuously strengthen our capability in value creation, and work with upstream and downstream enterprises in the shipping industry chain to achieve win-win results and promote sustainable development of the shipping industry.

CSR management: Integrating CSR into corporate management to deepen CSR management

According to changes in the external environment, we will constantly identify and update core CSR topics such as environmental protection, risk management, safety management, fair operation, employee rights protection, and community development. We will deepen CSR management by improving institutional and management mechanisms to contribute to a comprehensive sustainability management system.

CSR practices: Integrating CSR into corporate operations to create greater environmental and social value

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COSCO EUROPE

We will attach great importance to and actively respond to the concerns and needs of stakeholders, and continue to develop and improve our business lines to keep abreast of the times. We will remain true to our founding mission of serving the real economy with shipping and financial services, leverage our large scale, synergies in the shipping industry, and the industry plus technology thinking, to keep creating value for society and the environment.

CSR team building: Raising employees' awareness of CSR and working with them to build up our competitiveness in CSR performance

Adhering to the people-centered strategy, we will guide employees with corporate practices in shaping a responsible corporate culture, thus enhancing employees' awareness of responsibility and ability to fulfill responsibilities. We will continue to strengthen the cultural foundation for sustainable development and encourage the staff to play their roles in serving national interests and the realization of SDGs.

HK-ESG Index

		Environmental		
Aspect	Index No.	Indicators	Page	Note
	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P42, P44	
	A1.1	The types of emissions and respective emissions data.	P46	
Aspect A1: Emi ssions	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P46	
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P46	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P46	
	A1.5	Description of emission target(s) set and steps taken to achieve them.	P45, P47-50	
	A1.6	Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P45, P47-50	
	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P42, P44	
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P45	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, perfacility).	P46	
Aspect A2: Use of Resources	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	P45, P47-50	
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P43, P45, P47-50	
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	/	Not applicable. The Company's physical products are containers without outer packing.
Aspect A3:	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	P42, P44	
The Environment and Natural Resources	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P35-50	
Asport 44:	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P37	
Aspect A4: Climate hange	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P35-40	

Aspect	Indicator No.	Indica
Aspect B1:	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant lav significant impact on the issuer relating to compensation and promotion, working hours, res diversity, anti-discrimination, and
Employment	B1.1	Total workforce by gender, emp geographical region.
	B1.2	Employee turnover rate by geographical region.
	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant law significant impact on the issuer relating to providing a safe workii employees from occupational h
Aspect B2: Health and Safety	B2.1	Number and rate of work-relate the past three years including the
,	B2.2	Lost days due to work injury.
	B2.3	Description of occupational h adopted, how they are impleme
	General Disclosure	Policies on improving employe discharging duties at work. Desc
Aspect B3: Development and Training	B3.1	The percentage of employees tra category (e.g. senior manageme
Training	B3.2	The average training hours comp and employee category.
	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant lav significant impact on the issuer relating to preventing child and f
Aspect B4: Labour Standards	B4.1	Description of measures to rev avoid child and forced labour.
	B4.2	Description of steps taken to e discovered.

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icators	Page	Note
laws and regulations that have a er and dismissal, recruitment and rest periods, equal opportunity, and other benefits and welfare.	P53-54, P60	
mployment type, age group and	P55	
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laws and regulations that have a er rking environment and protecting al hazards.	P62-63, P65	
ated fatalities occurred in each of the reporting year.	P64	
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I health and safety measures mented and monitored.	P62-66	
oyees' knowledge and skills for escription of training activities.	P59	
s trained by gender and employee ment, middle management).	P61	
mpleted per employee by gender	P61	
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o eliminate such practices when	P53	

Acrest	Indicator No	Indicators	Daga	Nota
Aspect	Indicator No.	indicators	Page	Note
	General Disclosure	Policies on managing environmental and social risks of the supply chain.	P23	
	B5.1	Number of suppliers by geographical region.	P24	
Aspect B5: Supply Chain Management	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P23-24	
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P23-24	
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P23-24	
Aspect B6:	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P31, P34	
Product Responsibility	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P31	
neoponoizine)	B6.2	Number of products and service related complaints received and how they are dealt with.	P34	
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	P33	
	B6.4	Description of quality assurance process and recall procedures.	P31	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P34	
Aspect B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P18-19	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P17	
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P18	
	B7.3	Description of anti-corruption training provided to directors and staff.	P20	
Aspect B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P71-73	
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P71-73	
	B8.2	Resources contributed (e.g. money or time) to the focus area.	P71-73	

Reader Feedback

We sincerely look forward to your comments and suggestions, and will carefully study the feedback of every reader of this report. Your opinions and suggestions are vital to our continuous improvement of CSR management and practices. You can fill in, cut out the following form and send it us by mail or fax. We sincerely wait for and thank you for your valuable comments! Your information:

Name:	me: Work unit:				
1. Your general e	evaluation on	our CSR fulfillme	ent:		
□ Very good	□ Good	□ Average	Poor		
2. Your general e	evaluation on	this report:			
□ Very good	□ Good	□ Average	Poor		
3. What do you t	think of our pe	erformance in sta	keholder communication?		
□ Very good	□ Good	□ Average	Poor		
4. What do you t	think of our pe	erformance in co	rporate management?		
□ Very good	Good	□ Average	Poor		
5. What do you t	think of our pe	erformance in es	corting the real economy?		
□ Very good	Good	□ Average	Poor		
6. What do you t	think of our pe	erformance in de	livering social happiness?		
□ Very good	Good	□ Average	Poor		
7. What do you t	think of our pe	erformance in pro	otecting the ecological envir		
□ Very good	□ Good	□ Average	Poor		
8. What do you t	think of our pe	erformance in bu	ilding an excellent team?		
□ Very good	□ Good	□ Average	Poor		
9. Is the content	and format d	esign of this repo	ort readable?		
□ Yes	□ No				
10. What other i	information do	o you think you a	are concerned about is not d		
11 What are you	r opinions op	d augaastiana an	our cocial recoonsibility ful		



____ Tel: _____ E-mail: _____

/ironment?

disclosed in this report?

11. What are your opinions and suggestions on our social responsibility fulfillment and this report?