

CHAPTER 10

WIN-WIN COOPERATION





While promoting business development, the Company also proactively supports the sustainable development of the upstream and downstream partners in the industry chain. The Company takes the initiative to engage in close cooperation with partners in the industry chain, jointly develops a sustainable “global shipping ecosphere”, and supports the overall development of the industry. The Company proactively adopts efficient management measures to drive and maintain a responsible procurement practice, and to create a sustainable and responsible industry chain.

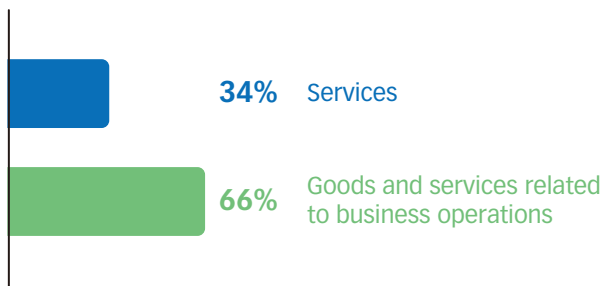
The Company’s focus areas in Win-win Cooperation:

Responsible procurement	Adopt a stringent procurement and tendering mechanism, and evaluate new and existing suppliers in the areas of compliance, environment, social, health and safety
Strengthening cooperation along the industry chain	Strengthen the cooperation with upstream and downstream players of the industry chain, and develop strategic relationships which offer mutual benefits

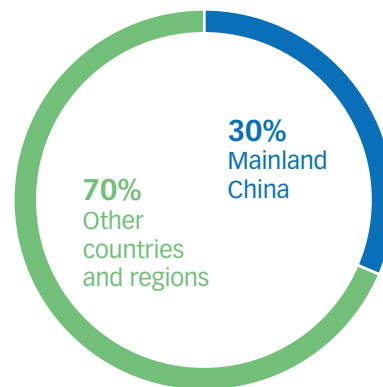
PERFORMANCE HIGHLIGHTS IN 2022

During the year, the Company and the terminals within the reporting scope had a total of 8,168 suppliers in the database, of which 5,454 were based in Mainland China and 2,714 were based in countries and regions other than Mainland China.

Procurement Expenditure by Type



Procurement Expenditure by Geographical Location



During the year, the Company and the terminals within the reporting scope completed dynamic evaluation of 3,448 suppliers in total, of which 55% of them were graded as excellent suppliers and 38% were graded as good suppliers. For details regarding the supplier evaluation and annual review of the Company, please refer to the section headed “Responsible Procurement” in this chapter.

MANAGEMENT APPROACH

A sound supplier management system is the key for the Company to ensure a competitive and sustainable supply chain. The Company strictly complies with all applicable laws and regulations in China and places in which it operates, and formulates stringent management policies on procurement matters, standardises procurement procedures of the Company and the Subsidiaries, and enhances supervision and management to ensure consistent supply. The Company conducts regular reviews of the management policies and continues to improve the procurement management system. In addition, the Company has formulated detailed management policies on supplier admission, selection, evaluation and rewards and punishments. It continues to optimise the supplier structure and proactively cooperates with outstanding suppliers to prevent procurement and supply risks.

The Subsidiaries of the Company have also established their own procurement management and supplier management policies. For example, CSP Abu Dhabi Terminal has included conflict of interest clauses, compliance with sanctions laws and anti-bribery clauses in all tender documents and contracts. It also requires suppliers to sign a confirmation of compliance with the United Arab Emirates laws and regulations, including confirmation of compliance with the United Arab Emirates Federation labour laws, confirming that health or medical insurance and housing, as well as valid visas in accordance with applicable laws have been provided to its employees.

The Company endeavours to explore more cooperation opportunities with suppliers to establish strong and long-term business partnerships, thereby assisting the Company in implementing its business development strategies.

RESPONSIBLE PROCUREMENT

In accordance with the principle of sustainable development, with the aim of building a global shipping ecosystem that offers mutual benefits, the Company manages its procurement and suppliers in various aspects:

STRINGENT POLICIES

The Company has developed the basic rules and management policies of procurement management to standardise the procurement standards of the Company and its Subsidiaries, strengthen centralised management, and establish a sound internal control process for procurement business and a response plan for major procurement risks. All aspects of the procurement process are under supervision and management, and the procurement business department prepares complete records to ensure the traceability of the procurement process. The supervision and audit departments of the Company and its Subsidiaries carry out regular or special audits on the procurement work. In case of non-compliance, the Company will hold the responsible personnel accountable.

SUPPLIER ADMISSION AND MANAGEMENT

The Company carries out research on market suppliers according to its procurement needs. In addition to submitting basic information for review, all interested suppliers are required to sign an undertaking against commercial bribery, and conduct a self-assessment in the areas of legal compliance, safe production and occupational health, environmental management, prohibition of child labour and forced labour, remuneration and working hours, anti-discrimination, employees' rights and their management of upstream suppliers.

The Company will form an assessment panel to strictly review the qualifications of suppliers, comprehensively considering their legal compliance and performance records, business reputation, taxation records, technical capabilities and ability to deliver on an on-going basis, quality control and assurance measures, as well as their commitment to product or service safety guarantees, in order to select suppliers with excellent performance. For products with a major impact on production and construction safety, the assessment panel will conduct on-site inspections to confirm the actual situation of the interested suppliers.

The Subsidiaries of the Company engage suppliers on the basis of the Company's standards, systems or management policies, and manage the environmental and social risks involved with the suppliers, including the suppliers' risk exposure in the areas of environmental performance, labour, employee rights and interests, and other social risks involving business ethics and public responsibility in the course of their operations. Using CSP Wuhan Terminal as an example, it requires suppliers to complete the Self-evaluation Questionnaire on the Compliance against Social Regulations of Wuhan CSP Terminal Company Limited as one of its supplier admission conditions.

REGULAR EVALUATION AND ASSESSMENT

The Company and its Subsidiaries carry out annual dynamic evaluations on suppliers who have been engaged in the year to evaluate their basic qualifications, cost competitiveness, delivery and performance, quality control, customer service, business innovation and safety and environmental performance. For suppliers who have not been engaged in the year, the Company conducts an annual qualification review to verify their business registration certificates, special industry certifications and license documents, ISO quality certification system documents, among others. Suppliers who fail to participate in or pass the annual review as required, and suppliers who have not been engaged for a long time, will be removed from the supplier database to enhance the level of procurement management.

The Company has established a sound supplier reward and punishment system. Those who are evaluated as excellent suppliers can be given priority for partnership under the same contractual conditions, and standard business partnerships will be maintained with good suppliers. Suppliers who violate laws and regulations, fail to meet professional qualifications, fail to properly perform contractual obligations, are exposed to major quality and service risks, cause safety and environmental incidents, or engage in commercial fraud or bribery will be blacklisted and prohibited from commercial transactions.

GREEN PROCUREMENT PRACTICES

In addition to screening and evaluation of suppliers, the Company proactively promotes green procurement at terminals. When conducting project construction and equipment procurement, the Company proactively adopts the principle of green procurement, requiring suppliers to ensure that the materials and products used meet local environmental protection requirements with an objective to consistently implement the sustainable development and energy-saving and emission-reduction measures of the Company.

During the year, CSP Spain Related Companies entered into a purchase agreement of hybrid rubber-tyred gantry (RTG) cranes with a supplier, which was an important practice of the green and low-carbon strategy of the Company. Compared with the original equipment, hybrid RTG cranes can save approximately 45% of fuel costs, and at the same time reduce carbon emissions and exhaust emissions, and better protect the environment. With the new equipment expected to be delivered by the end of 2023, CSP Spain Related Companies will be the first terminals in Europe to use hybrid RTG equipment.

In addition, Xiamen Ocean Gate Terminal, Tianjin Container Terminal, CSP Wuhan Terminal and CSP Abu Dhabi Terminal have introduced fully electric-driven driverless container vehicles, which can reduce energy consumption and carbon emissions compared to traditional fuel container vehicles. It was an important technical achievement of the Company's development of green and smart ports.



The driverless container vehicles of CSP Wuhan Terminal have been put into operation.



CSP Abu Dhabi Terminal is the first terminal in the Middle East introducing driverless container vehicles.

STRENGTHENING COOPERATION ALONG THE INDUSTRY CHAIN

Leveraging the advantages of its global terminal network, the Company continues to deepen and strengthen its cooperation with all parties upstream and downstream in the shipping industry chain, supporting innovation and development in the industry.

The Company proactively promotes the development of terminal technology and provides new momentum for the development of ports and terminals. During the year, the Company collaborated to organise the 3rd International Symposium on Sensing and Instrumentation in 5G & IoT Era, bringing together nearly 200 representatives from Chinese and overseas universities, scientific research institutions and enterprises to carry out discussion and exchange of cutting-edge theories and technologies of various fields, including smart ports, digital twin of automated terminals, automated terminal simulation, equipment automation, operation and maintenance, automated terminal operating system (TOS), and U-shaped automated terminals.



The 3rd International Symposium on Sensing and Instrumentation in 5G & IoT Era was convened to discuss cutting-edge technologies of automated terminals.

In addition, the Company proactively leverages its resources and cooperates with port authority groups, shipping companies and cargo owners in the industry chain. During the year, the Company entered into a strategic cooperation agreement with Shanghai Panasia Shipping Co., Ltd. and Guangdong Chiefull Group Co., Ltd. to carry out in-depth strategic cooperation in various fields, including container transportation, port and supporting extension services, end-to-end logistics solution consulting, technical cooperation and logistics industry chain. The cooperation fully leveraged on the advantages of all parties in their respective fields, quickly opened up the upstream and downstream material circulation of the supply chain, provided industrial logistics solutions, further deepening the coordination of the industry chain, and jointly supporting the improvement of logistics efficiency. Under the framework of the tripartite strategic cooperation, Quan Zhou Pacific Terminal and Guangdong Chiefull Starch Supply Chain Management Co., Ltd. entered into a letter of intent to carry out logistics and supply chain services in the starch sales area around the Chiefull (Quanzhou Port) Bulk Starch Intelligent Distribution Centre, including terminal operations, warehousing and distribution, logistics technology solutions and service promotion.



The Company joined hands with a shipping company and a cargo owner to build an integrated cooperation mechanism of "port operator, shipping line and cargo owners".

CSP Wuhan Terminal and Wuhan Port Group Co., Ltd. entered into a framework agreement in relation to the operation and cooperation of Yangluo International Port, to share and complement each other with respective advantages in resources, promote the integrated operation and management of Yangluo International Port, including the promotion of intra-port connectivity in various port areas of Yangluo International Port, optimise the berthing arrangement of ships, achieve "one call at one port" for ships, and provide customers with efficient river-sea direct and water-rail combined transport services.



CSP Wuhan Terminal has established strategic partnership with a port authority group to promote port development.

During the year, Jinzhou New Age Terminal established cooperation with two logistics companies in relation to the supply chain extension service projects such as the transportation of titanium ore at Jinzhou Port, warehousing and logistics. This allowed the titanium ore to be transported to Jinzhou in containers instead of bulk cargo and enabled the development of various forms of terminal extension business in Jinzhou New Age Terminal, including direct collection of titanium ore in containers, unpacking at the yard and, self-unloading and storage. Subsequently, the three parties consisting of port operator, shipping line and corporation will further collaborate and cooperate to develop container shipping services for downstream smelting companies.



Jinzhou New Age Terminal has established cooperation with a logistics company on a supply chain extension service project.