

**CSSC** 中国船舶(香港)航运租赁有限公司

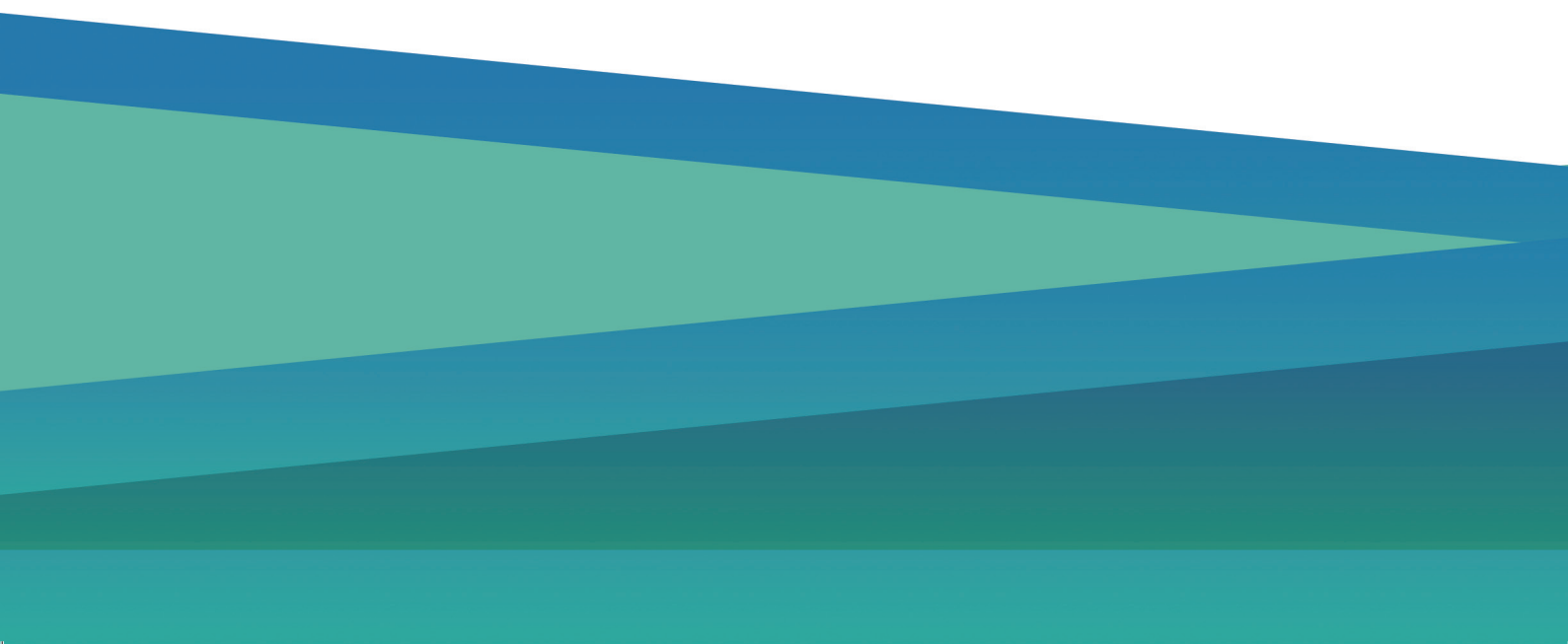
CSSC (Hong Kong) Shipping Company Limited

**2022**

**Environmental,  
Social  
and Governance  
Report**

Stock code: 3877









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## About This Report

This Environmental, Social and Governance ("ESG") Report (this "Report") covers the latest sustainability-related information of CSSC (Hong Kong) Shipping Company Limited ( "CSSC", the "Company" or "the Company" ) and its subsidiaries (collectively referred to as the "Group" or "we" ) in 2022, and includes issues that are of interests to stakeholders and related to the sustainable development of the Group. This Report was compiled to enable stakeholders to better understand the Group' s sustainable development concept, management approaches, measures, and related performance. This Report should be read in conjunction with the Company's 2022 Annual Report (in particular the Corporate Governance Report contained therein) for a comprehensive understanding of the Company's performance.

## Reporting Period

Unless otherwise specified, this Report mainly describes the specific policies and performance of the Group in respect of ESG during the period between 1 January 2022 and 31 December 2022 (the "Reporting Period"). Due to data continuity and comparability, the timeframes of some of the contents have been adjusted where necessary.

## Reporting Boundary

The reporting boundary of this Report is consistent with the Company's 2022 Annual Report, which includes CSSC and its subsidiaries.

## Basis of Report Preparation

This Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK") (the "Listing Rules") issued by SEHK, and also based on the actual situation of the Group. Please refer to the Content Index of Appendix 3 in this Report for details of the corresponding sections of the provisions. This Report has complied with the "mandatory disclosure requirements" and "comply or explain" provisions set out in the ESG Reporting Guide. The reporting principles (Materiality, Quantitative, Balance and Consistency) outlined in the ESG Reporting Guide have been adopted during the preparation of this Report.

## Materiality

The Group has conducted the materiality assessment and taken the results of the materiality assessment as an important reference for the disclosure of this Report.

## Quantitative

The key performance indicators disclosed by the Group in respect of historical data are measurable and, where applicable, information on standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used are disclosed.

## Balance

This Report provides an unbiased picture of the Group' s performance within the Reporting Period, avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

## Consistency

Where applicable and unless stated otherwise, the methodologies and key performance indicators in this Report are consistent with those in previous reports to allow for meaningful comparisons.

## Access to This Report

This Report is available in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Electronic copies are available from the following websites:

HKEXnews: <http://www.hkexnews.hk/>

CSSC' s website: <http://www.csscshipping.cn>

## Response to This Report

If you have any comments and suggestions regarding this Report or the sustainability performance of the Company, please contact us through the following means:

Email: [ir@csscshipping.com](mailto:ir@csscshipping.com)

Phone: +852 2238 5299

## Approval and Confirmation

The board of directors (the "Board") of CSSC is fully responsible for overseeing the Group's implementation and management of ESG-related issues. The information disclosed in this Report is mainly derived from the internal documents and public information of the Group. This Report was reviewed and approved by the Board in March 2022.



# Chairman's Statement

## 2022 is a milestone year in the history of the Group.

This year, the Group has passed the first decade of entrepreneurship. In the face of various challenges such as severe volatility in the shipping market and the impact of the pandemic, we have always maintained a good development momentum of "making progress while maintaining stability and improving quality". With the concerted efforts of the Group's management team and all employees, we have effectively responded to a series of internal and external risks and challenges, steadily improved the quality of development, and achieved new breakthroughs in various tasks.

## We adhere to sustainable development and stand on the new track of "Green Shipping".

With the relevant rules and regulations such as the Energy Efficiency Existing ship Index (EEXI), Carbon Intensity Indicator (CII) and Ship Energy Efficiency Management Plan (SEEMP) coming into effect, the "ship owner" who owns green ships and reserved ships for green energy will become the main body for the future development of the shipping market. As a leading state-owned enterprise in ship leasing, standing at the new starting point of the tenth anniversary of our establishment, we continue to improve the clean energy industry chain and prioritise investment in green shipping finance. Since the recovery of the shipping market in 2021, we have reviewed the situation and changed our strategy to focus on investing in assets with long-term value such as clean energy and large container vessels, and increased our efforts in exploring the market of green and intelligent ships, so as to continuously consolidate and expand our market advantages. As at the end of the Reporting Period, we owned a total of 22 offshore clean energy equipment, accounting for 40.5% of the total contract value. We have a modern, diversified, green and youthful vessel portfolio, which is able to balance risk resistance and steady growth in efficiency.

## We supported the sustainable development of the global shipping market, expanded the scale of green finance, and ranked among the top in the world's ship leasing industry in ten years since our establishment.

Our leapfrogging is not possible without the help of the capital market. In terms of direct financing, we continuously enrich the bond varieties and optimise the product structure, and issue products such as USD long-term bonds, USD medium-term bonds, USD green and blue bonds. The relevant proceeds are used to support qualified green shipping projects such as energy efficiency upgrading, pollution prevention and control, low-carbon and clean fuels, and sustainable transportation.

## We join hands with all parties to develop together and actively fulfil our corporate social responsibility.

In 2022, we successfully held a series of activities for the 10th anniversary of the establishment and the third anniversary of the listing of the Group, and carried out over 100 exchange activities with stakeholders to strengthen the connexion with all parties. We support the growth of employees and protect their health. During the Reporting Period, the Group did not have any work-related injury. At the same time, we actively implemented the employee medical fund plan and established a trade union assistance fund to provide a strong guarantee for the health and safety of employees. We also actively contribute to the society and contribute to rural revitalization.

## We continued to strengthen internal control and deepen reform to continuously improve the Group's ESG governance.

In 2022, the national level officially established the strategy of "Building China's Strength in Ship Building" and started construction, which is inspiring and uplifting. We continued to promote the implementation plan of building a strong shipbuilding power into the Group's high-quality development strategy outline and the "14th Five-Year" development plan to guide the Group's medium and long-term development. During the Reporting Period, we set ESG targets and formulated action plans based on the Group's business characteristics and strategic planning, and we will continue to track and record the implementation of ESG targets. We have also carried out ESG risk identification and assessment, and preliminarily identified 4 ESG risks that may have significant impact on the Group, including physical risks and transition risks of climate change and extreme weather, data security, and policy and legal changes. The Board is responsible for reviewing and confirming the risk assessment results. By reviewing and analysing the internal management gaps, the Group will continue to strengthen the corresponding risk management and gradually integrate into the Company's risk management system.

Standing at the new starting point of the Group's 10-year history and planning for the future development of "Points, Lines and Fronts", the Group will continue to implement the national strategy of "Carbon Peaking and Carbon Neutrality" ("Dual Carbon") by increasing investment in clean energy and continuously developing green shipping and green finance; The Group will focus on sustainable development, promote the Group to achieve high-quality development, and make great progress towards the goal of "building a world-class ship leasing company".

Chairman

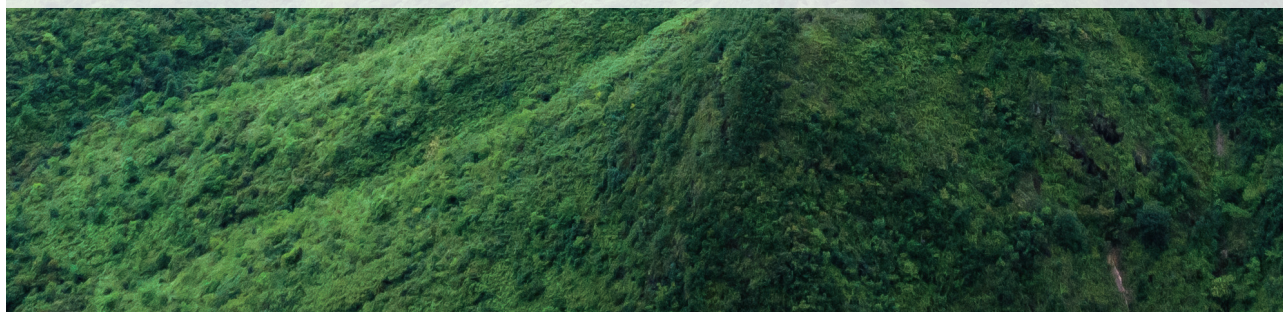
Zhong Jian



## Column: Ten-year Hard Work to Continue to Create Glory – Firmly Serving National Strategies

Established on 25 June 2012, CSSC was in the trough of the shipping industry after the Asian financial crisis. Our establishment started the industry-finance integration of the shipyard-affiliated leasing companies and promoted the transformation and development of China's shipbuilding industry. In a short span of ten years, we have grown rapidly into the world's largest shipyard-affiliated (non-bank) ship leasing company.

In response to the development mission of "Serving the National Strategy" of China State Shipbuilding Corporation Limited ("CSSC Group"), we focus on the "Dual Carbon" goal and actively practise green and low-carbon development. While continuously expanding our competitive advantages in the shipping industry and the financial industry, we also assume the main responsibility for the high-quality development of the leasing business of CSSC. Under the general guidance of the "Dual Carbon" goal, we also firmly serve national strategies such as "Clean Energy", "Building China's Strength in Ship Building & Building China's Strength in Maritime" and "Development of Guangdong-Hong Kong-Macao Greater Bay Area", keep up with market demand, and solidly promote various tasks.





## Serving the Strategy of “Building China’s Strength in Ship Building & Building China’s Strength in Maritime”

In 2022, China officially established the strategy of “Building up a Shipbuilding Power” and commenced construction. We have also bring the implementation plan for promoting the construction of “Building up a Shipbuilding Power” into the strategic outline of the Group’s high-quality development and the “14th Five-Year” development plan to guide the Group’s medium and long-term development. Relying on the core mission of “combination of industry and finance and serving major business”, we not only can serve as a ship leasing service provider and help the transformation and upgrading of ships with the competitive advantages of investment and financing, but also continuously promote the high-end development of China’s ship supply technology through continuously improving investment in high value-added and high-tech ships every year, and also jointly invest with the ship owners in general as a physical ship owner to complement each other’s advantages.

As at the end of the Reporting Period, the Group’s revenue from integrated shipping services accounted for **59.2%**, which is a few in the market. In terms of contract value, among the Company’s entire fleet portfolio, marine clean energy equipment, container vessels, tankers,

bulk carriers and special tonnage carriers accounted for **40.5%**, **19.8%**, **15.4%**, **13.8%** and **10.5%**, respectively, among which, high-tech ships such as marine clean energy equipment have significant advantages.

On 28 June 2022, the Company signed an agreement with a well-known state-owned enterprise to achieve strategic cooperation in the LNG transportation industry chain. The signing of the “Mulan” LNG vessel bareboat charter agreement marks the strong alliance of the three state-owned enterprises of the Group and jointly guarantees the resilience and safety of China’s LNG industry chain and supply chain. At the same time, “Mulan” as the first business card of CSSC in the LNG market, is a large-scale LNG carrier of **174,000** cubic metres under the “Changxing” series, which was independently invested by the Company and designed and built by China Shipbuilding Group Hudong Zhonghua Shipbuilding Company Limited. The cooperation is also a beneficial attempt of LNG in “Chinese goods transported on Chinese ships, Chinese ships made in China”, which is of great significance under the current complex international political environment.

## Responding to the Clean Energy Strategy

We actively respond to the “Clean Energy” strategy and carry out research and development experiments both domestically and internationally to promote the development of the national green ship industry and contribute to the transformation of the global energy structure.

### Case: Electric Ship Project

The application of battery power has become one of the focuses of the shipping industry. In terms of environmental benefits, vessel electrification helps reduce vessel energy consumption, reduce environmental pollution, and greatly benefits the green transformation of the shipping industry. At the same time, the electric propulsion system aims to overcome technical difficulties such as long-haul, large-power and high-life, which will help reduce the operating costs of ships, significantly reduce carbon emissions, and improve the social and economic benefits of ships.

In order to implement the “Dual Carbon” strategic goal, serve the “Clean Energy” strategy and promote the high-quality development of the shipping industry, CSSC actively explores domestic and overseas clean energy and green ship investment fields, and promotes the implementation of electric ship projects. Among them, the main types of ships promoted include large-scale inland river electric tourism ships and battery-changing container ships.



Design of electric ship project

<sup>1</sup>LNG, the abbreviation of liquefied natural gas, mainly composed of methane, is recognised as the cleanest fossil energy on the earth, and is currently a relatively advanced clean energy. In the context of “Dual Carbon”, LNG, as a marine power fuel, can achieve zero emission of sulphur oxides and 25% reduction of carbon dioxide emissions compared with traditional marine fuel, especially suitable for the needs of international ocean-going vessels with large capacity and long distance.



While serving the national “Clean Energy” strategy, the promotion of oil-to-gas conversion projects is also an important step for us to “Go Global”. We have been leading the development of internationalisation, specialisation and marketization of the Group by expanding the market of domestic and overseas green ship models, and continuously consolidating and expanding our competitive advantages in the international market.

## Case: Oil-to-Gas Conversion Project

As part of the green, efficient and sustainable vessel development plan of CSSC, Ocean Classic Limited, a joint venture owned as to 50% by a wholly-owned subsidiary of the Company, plans to upgrade the dual fuel facilities of power units for four ultra-large liquefied petroleum gas (LPG) carriers (VLGC) owned by the joint venture. The transformation project is planned to be carried out successively from June 2023 to January 2024, with a total planned investment of approximately US \$38 million for 4 vessels. The upgraded marine power plant will use LPG as the main fuel. The advantages and leading qualities after the upgrade are reflected in the following aspects<sup>2</sup>:

Excellent Environmental Performance	Significant Improvement in Operational Efficiency	Increase in Economic Benefits
<p>The use of LPG as marine fuel will reduce SOX emissions by 97% compared to the traditional MGO, and fully comply with the current and future emission requirements of all regions around the world. It is expected that if 100% of the four vessels completed the upgrading and transformation, using LPG as fuel, they will reduce carbon dioxide emissions by 20,000 tonnes per year. By significantly reducing carbon dioxide emissions and extending the years that meet the CII requirements, LPG as a marine fuel has become the only way to achieve zero carbon emissions.</p>	<p>As a marine fuel, LPG can improve the operational efficiency of vessels in many aspects. Compared with the standard fuel, the energy efficiency of LPG will increase by approximately 14%; Significant improvement in fuel economy in the total voyage; The LPG fuel can be added directly to the loading terminal, which greatly saves the original refuelling time; LPG fuel storage is convenient and accessible; The cleaner engine makes the maintenance of ships more convenient; The use of LPG can eliminate fuel quality issues and oil spillage risks; In addition, the LPG fuel tank on the deck is connected to the cargo system, which can be used as a condensing solution to receive the evaporation of the cargo, and can also be used to store additional LPG cargo.</p>	<p>As a marine fuel, LPG not only saves costs due to reduced fuel consumption, but also cushions the fluctuation and sensitivity of fuel prices through seamless switching between LPG and compliant traditional fuels.</p>



7 2.LPG, the abbreviation of Liquefied Petroleum Gas, is a portable, clean, efficient and readily available energy which is mainly obtained from natural gas and oil production, but it is also increasingly extracted from renewable resources for production. When replacing the traditional vessel fuel MGO or HFO with LPG, it can effectively reduce the emission of air pollutants and meet all current regulations related to vessel emissions, significantly improving the performance related to EEXI,CII and SEEMP.

## Promoting the Development of Guangdong-Hong Kong-Macao Greater Bay Area

Leveraging its geographical advantages in the Greater Bay Area, CSSC actively implemented the “Development of Guangdong-Hong Kong-Macao Greater Bay Area” strategy. On 28 June 2022, the Company held the “Greater Bay Area Green Shipping and Financial Leasing Exchange Conference” and project signing ceremony on the 10th anniversary of our establishment. More than 120 industry participants and industry experts from industries such as shipping, shipbuilding, finance and leasing, as well as government departments and research institutions discussed the topic of “Opportunities and Challenges of Green Shipping and Financial Leasing in the Greater Bay Area under the New Situation”. At the conference, CSSC, as the organiser of the conference, proposed to establish the “Greater Bay Area Green Shipping & Financial Leasing Alliance”, and signed four important cooperation agreements with well-known state-owned enterprises in relevant industries.



Figure: CSSC and various state-owned enterprises signed the LNG Ship Leasing Cooperation Principles Agreement



Figure: Conference Facilitator - Li Jun, Chief Accountant of CSSC



seminar

The “Greater Bay Area Green Shipping & Financial Leasing Alliance” will rely on the green finance pilot innovation policy of the Guangdong-Hong Kong-Macao Greater Bay Area to promote the extensive application of energy-saving, environmental protection, clean energy vessels and equipment in the industry, promote the special financial leasing plan for energy conservation and emission reduction in the shipping industry in the financial field, and establish an industrial resource sharing mechanism, so as to achieve the long-term and orderly development of green shipping. The purpose and strength of the Alliance is to:



# About Us



## Corporate Culture

Established in 2012, the Company is the first shipyard-affiliated leasing company in the Greater China and one of the world's leading ship leasing companies. As a leading market contributor in global ship leasing industry, the Company provides customised and flexible ship leasing solutions to ship operators, cargo owners and traders worldwide.

As the sole leasing company under the CSSC Group, the Company benefits from its close relationship with the CSSC Group (one of the controlling shareholders of the Company). The Company believes that the background of the shareholder has distinguished the Company from its competitors and enhances its competitiveness in the ship leasing industry.

CSSC focuses on creating values and driving development with innovation and persists in the **“specialised, market-oriented, and internationalised”** development roadmap:

### Specialised

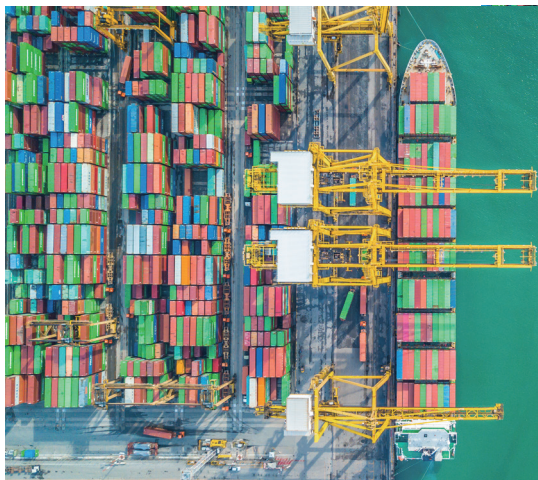
The first shipyard-affiliated leasing company under the CSSC Group

### Market-oriented

With a higher financing ratio and relatively low financing cost, as well as market-oriented competitiveness, shipowners are assisted to renew their capacity at a lower cost for sustained operations, easing their operating pressure

### Internationalised

Basing oneself on Hong Kong's shipping financial centre, fully utilizing the offshore funds and the overseas capital markets to serve the transformation and upgrading as well as the innovation-driven development of China's shipbuilding industry



We have fulfilled our mission and responsibility and launched a green finance initiative to serve green shipping. The Group is committed to developing green finance and serving green shipping, and have issued an initiative to set up the **“Greater Bay Area Green Shipping & Financial Leasing Alliance”**, calling on shipping, manufacturing, finance and leasing to strengthen exchanges and cooperation, take advantage of the innovative policy of early and pilot implementation of green finance in Guangdong-Hong Kong-Macao Greater Bay Area, promote the widespread application of low-carbon and environmentally friendly vessels and equipment, provide dedicated finance and leasing support for green shipping, establish a mechanism for sharing industrial resources, and contribute to the healthy development of green shipping.

## Major Businesses

The Group's core business is to provide rental services, including financing leasing and operating leasing. Leveraging the robust expertise of the Group in the marine industry, the Group's rental services focus on ship leasing. The Group also offers shipbroking services and loan services to customers.



### Leasing Services

The Group provides tailored leasing services to its customers with the options of financial lease and operating lease.

Financial lease refers to a leasing model whereby the lessor purchases an asset according to the lessee's specific requirements and choice of supplier or whereby the lessor purchases an asset from the lessee, and then leases it to the lessee for periodic lease payments. A lease is classified as a financial lease if the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset (including its residual value) to the lessee.

Operating lease refers to a leasing model whereby the lessor grants the right to use an asset to the lessee for a specified period and in return with periodic lease payments. A lease is classified as an operating lease if substantially all the risks and rewards incidental to the ownership of an asset (including its residual value) remain with the lessor.



### Shipbroking Services

Leveraging on the Group's extensive network and substantial experience in the marine industry, the Group provides shipbroking services to shipbuilders and prospective purchasers incidental to the conduct of the Group's leasing business.

Acting as an intermediary between shipyards and prospective purchasers, the Group provides a wide range of services, including identifying market opportunities for shipbuilders, recommending shipbuilders to interested purchasers, advising interested purchasers on vessel types, specifications and capabilities, providing market information to shipbuilders and interested purchasers, liaising with and serving as the channel of communication between shipbuilders and interested purchasers, negotiating the terms of shipbuilding agreements, as well as resolving issues that arise during the execution of shipbuilding agreements.

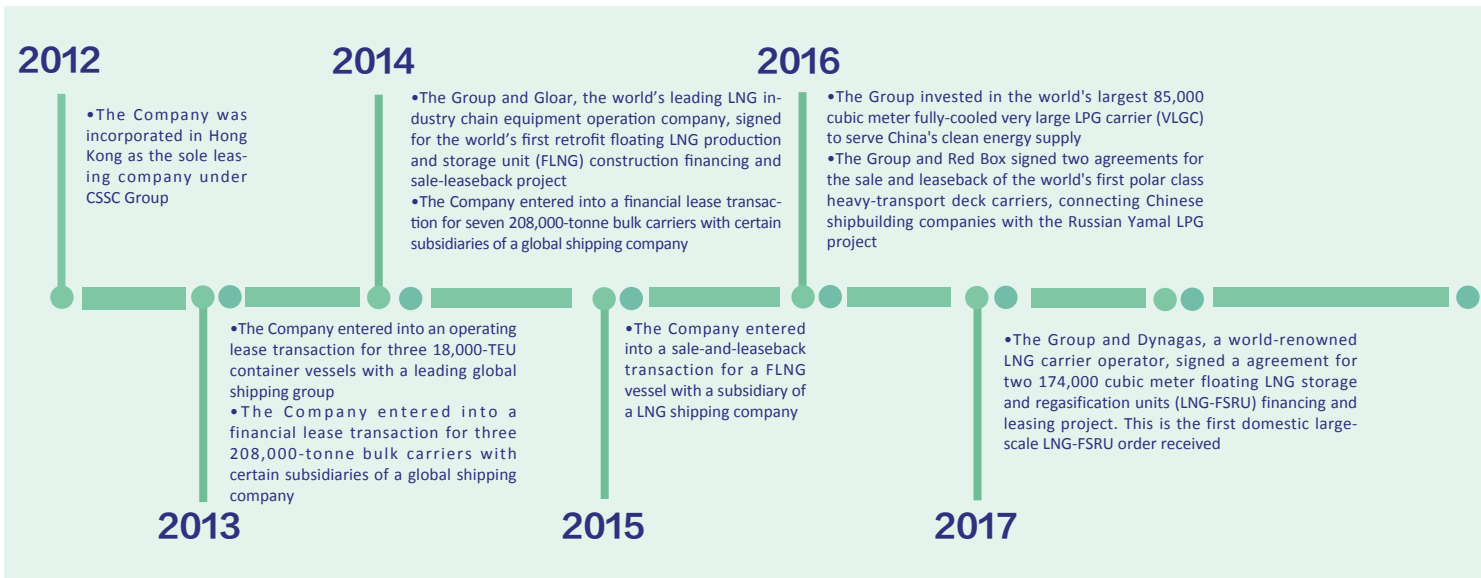


### Loan Services

The Group's loan services mainly include pre-delivery loan, secured loan and factoring services. As part of the Group's leasing services, the Group provides pre-delivery loan services to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. The pre-delivery loans the Group extends are solely to finance the purchase of vessels under its financial lease transactions, and are generally secured by corporate guarantee, the assignment of shipbuilding agreement and refund guarantee rendered by the Group's customers.

## Development and Value

### Ten-Year Development Milestones

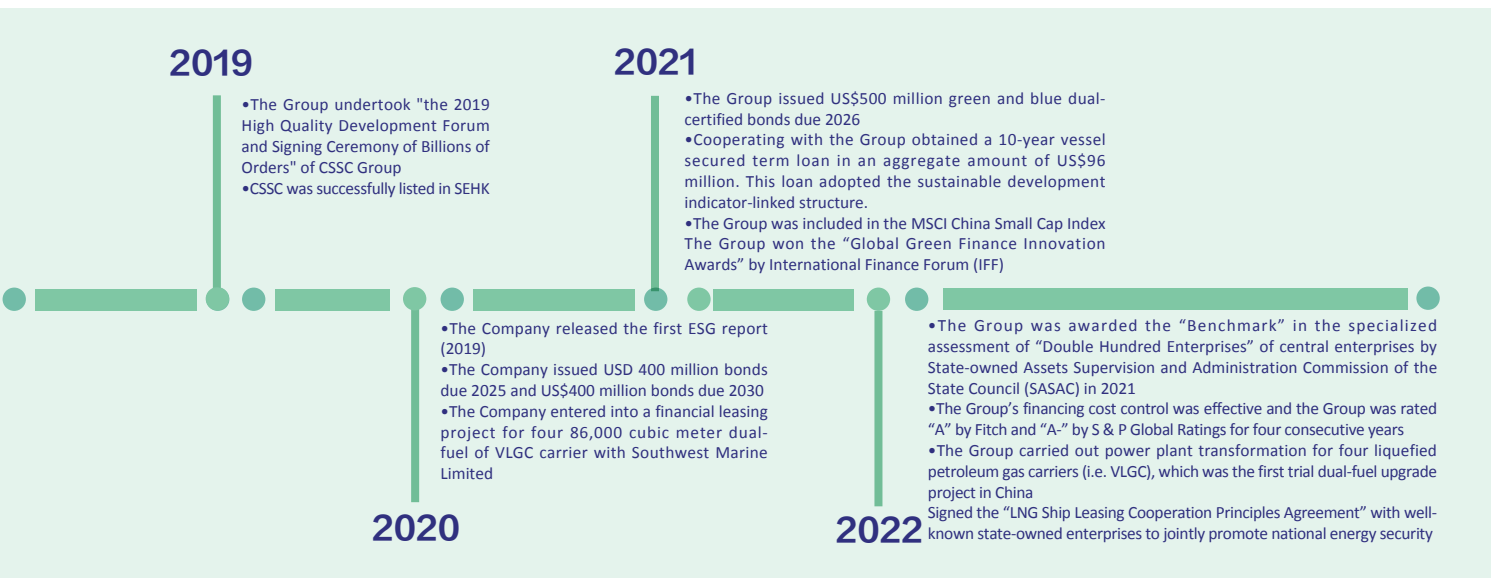


The Group possesses **diversified, modern, and relatively new fleets.**

As of the end of the Reporting Period, the Group's fleet size reached **158 vessels**, **129** of which were in operation and **29** of which were under construction.

Leveraging the Group's unique insights into the marine industry, the Group carefully allocates, adjusts, and optimises the proportion of various types of vessels based on industry conditions and customers' needs.





## Value Achievement

In 2022, the shipping market showed a strong performance with drastic fluctuations in market segments. In particular, the outbreak of the conflict between Russia and Ukraine has accelerated the reconstruction of the global maritime trade pattern, and Europe has significantly reduced its reliance on Russia's energy, creating a huge window for the LNG maritime market. Leveraging on its strong expertise in the marine industry and strong industrial background, the Group has achieved continuous and rapid growth across the shipping cycle through continuous development and optimisation of various types of ship asset portfolios and continuous deployment in the high-end shipping sector and green and low-carbon shipping sector.

Under the leadership of the CSSC Group, the Group has completed the transformation to market-based operations as a shipyard-based

ship leasing enterprise. Through exploration and development in the stages of creation, start-up, layout, development, accumulation, and innovation, CSSC has become one of the world's largest non-bank ship leasing companies and one of the top four global leasing companies holding ship assets.

The Group's asset portfolio is characterised by a large self-owned and joint venture fleet. Unlike general ship leasing enterprises, we are originated from the shipyard system, and have been undertaking the strategic mission of "combination of industry and finance, serving major business, innovation and development" since our inception. We attach great importance to the investment and operation of ship assets. Currently, we have become one of the largest domestic companies in terms of self-operated fleet.

### "Combination of Industry and Finance, Serving Major Business, Innovation and Development"

A Balancer for Business	An International Window	Creativity in New Products	Managing Good Customer Relationships
<ul style="list-style-type: none"> <li>The Group conducts counter-cyclical investments to create value for shareholders and investors during market downturns and the industry recovery period.</li> <li>In the past few years when the ship market was sluggish, the Group's new shipbuilding orders has continued to increase, injecting new impetus to the healthy and stable development of the industry; when the market was in a period of rapid recovery and prosperity, the ship price rose rapidly, and the ships the Group held were sold to realise assets dividend.</li> </ul>	<ul style="list-style-type: none"> <li>The Group actively explores international markets and establishes communication channels with Hong Kong Shipowners Associations and Hong Kong General Chambers of Commerce. Currently, more than 90% of the Group's customers are from overseas markets.</li> <li>The Group also actively participates in international maritime exhibitions and maritime forums, as well as the daily maintenance of shipowners, and constantly strengthens communication with international shipowners.</li> </ul>	<ul style="list-style-type: none"> <li>The Group deeply taps into market opportunities and leads innovation.</li> <li>The Group continuously invests in clean energy ship projects to enhance the competitiveness of Chinese companies in the LNG industry chain; the Group undertook a number of first container ship orders for Chinese companies, enabling them to rapidly develop the industrial chain of ultra-large container ships and regional container ships; the Group launched the CSSC Group's first batch of Suezmax tankers, directly expanding its product breadth in the oil tanker market.</li> </ul>	<ul style="list-style-type: none"> <li>The Group maintains customer loyalty, increases customer coverage, and concentrates on managing customer relationships. The Group provides customers with full-cycle ship operation services through leasing services, shipbroking services, and loan services and establishing long-term and stable customer relationships.</li> <li>The Group's market-oriented operation model and the transaction structure were designed to meet the customised needs of customers, and attracted a batch of new customers.</li> </ul>

## Substantive Cooperation

During the Reporting Period, the Group has been in substantive cooperation with more than 20 domestic and foreign banks and financial institutions, more than 50 shipowners, and a group of ship brokers, ship management companies, and related supporting companies, which resulted in substantial achievements.

# Corporate ESG Governance

The Group strictly abides by the laws, regulations and regulatory requirements in the operating sites and has established internal governance policies and codes of practice to ensure operational compliance. During the Reporting Period, the Company has adopted the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

This section of this Report will highlight the performance of the Group in “ESG Governance”. If you would like to know more about the Company’s information on governance structure and other aspects of corporate governance, please refer to the “Corporate Governance Report” in the 2022 Annual Report.

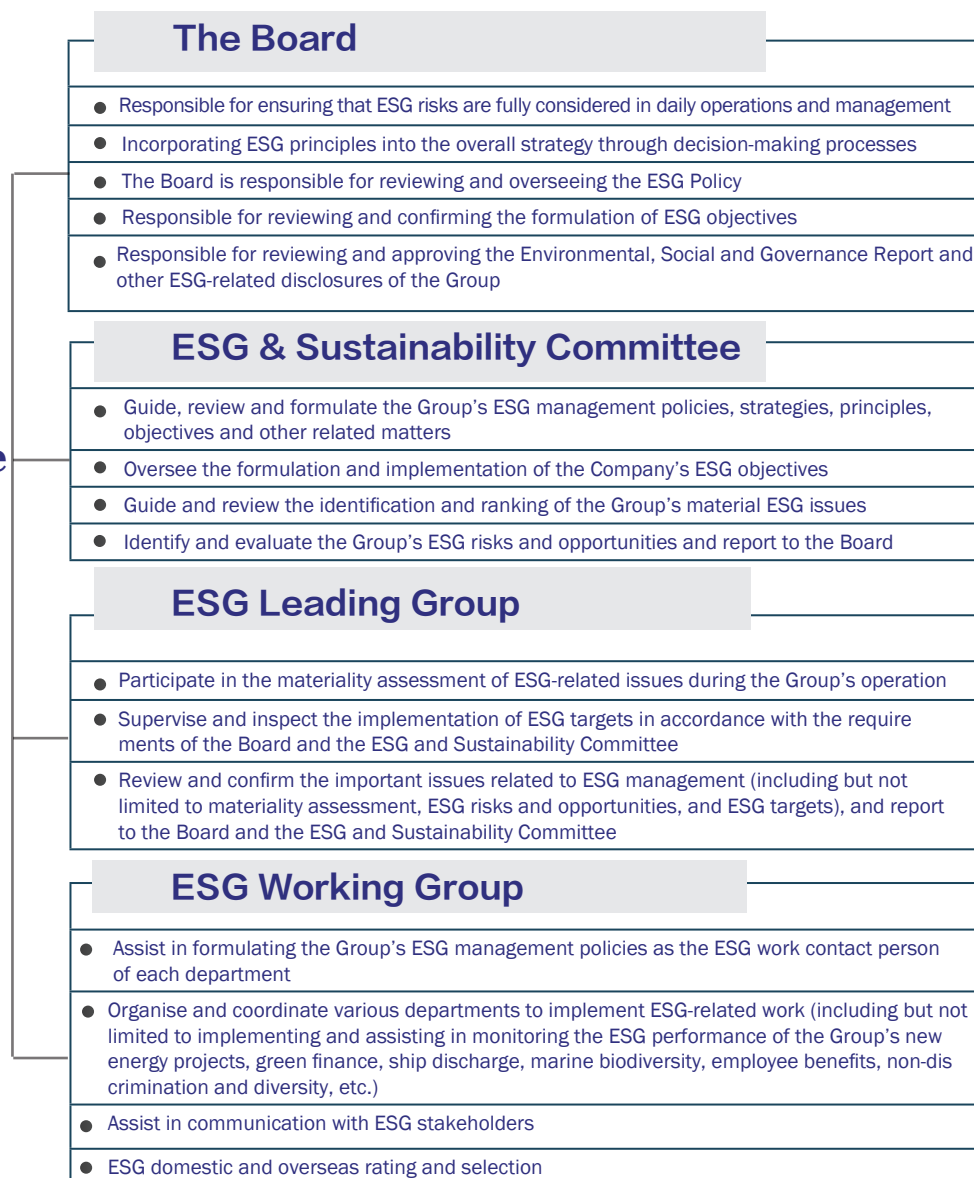
## ESG Development Concept

The Group is fully aware that a sound ESG management mechanism is conducive to the steady development of the enterprise. The Group actively takes ESG principles into its business operation and decision-making process, which promotes the achievement of the Group’s goals and strategies and the sustainable development of the enterprise.

During the Reporting Period, the Group has set ESG targets and conducted ESG risk identification and assessment in accordance with the ESG Reporting Guide. We will also continue to work on our ESG objectives and risk management. Please refer to the section on “Identification, Assessment and Management of Material ESG Risks” in this chapter for “ESG Risks” and the section on “ESG Targets” in this report for “Responding to Climate Change & Supporting Green Shipping”. In addition, the Board has been involved in the assessment, prioritisation and management of ESG issues as described in the “Stakeholder Engagement” and “Identification and Assessment of Material Issues” sections.

At the same time, the Group formally established the “ESG & Sustainability Committee” during the Reporting Period and made public the terms of reference, details of which can also be found in the following table.

### ESG Governance Structure





The Group requires all its units to abide by relevant environmental, social and governance laws and regulations and to fully consider the impacts of ESG factors to environment and society in its daily operations. The following table details the Group's fundamental ESG management principles in the area of "Corporate Governance".

### Governance principles for operations, management and decision-making processes

- Strictly complying with national laws and regulations and governance policies in the production and operating sites;
- Achieving high-standard corporate governance mechanisms, upholding integrity, openness, and transparency in daily management and business development, strengthening corporate social responsibility, and ensuring compliance with laws and regulations;
- Requiring all units to follow the high standards of ethics generally accepted by the society when dealing with other employees, customers, suppliers, regulators, etc.;
- Improving the corporate legal person governance structure and balancing powers and responsibilities between different organizations through control mechanisms;
- Ensuring that the information disclosed is true, clear and effective, so that shareholders and the public can independently and comprehensively evaluate the Company's situation and make investment decisions;
- Maintaining effective communication with shareholders and continuously improving the shareholder communication policies of the Company;
- Continuously improving the Company's governance framework, and strictly complying with applicable laws and regulations and corresponding rules;
- Continuously reviewing and monitoring to ensure compliance with the disclosure obligations under the Listing Rules, and continuously reviewing the legality and effectiveness of the disclosure process.

## Identification, Assessment and Management of Material ESG Risks

During the Reporting Period, the Group carried out the identification, assessment and determination of ESG risks, which were submitted to the Board for consideration and confirmation. At the same time, we formulated corresponding management and control strategies and plans and promoted the implementation. The following are the identified ESG risks and the corresponding specific control strategies and plans:

ESG risks	Impacts on the Group	Management and control strategies and plans
Climate change and extreme weather (including physical risks and transition risks)	<p>Climate change and extreme weather-physical risks: Climate change leads to an increase in sea level, and brings extreme weather such as drought, storms, floods, sandstorms, smog and lightning, which in turn affects the operation of ship projects and office operations.</p> <p>Climate change and extreme weather-transition risks: structural changes in the transition from a high-carbon economy to a low-carbon economy have led to the need for CSSC to adapt to changes, such as replacing higher-climate-destructive technologies with lower-climate-destructive technologies.</p>	<ul style="list-style-type: none"> <li>•Response to extreme weather: It is planned to establish an extreme weather monitoring mechanism, emergency plans and handling procedures at the vessel operation level, and form relevant system documents.</li> <li>•Climate risk management: Take the lead in considering the identification, assessment and management of climate risks and opportunities in 2023 with reference to the TCFD Plan; and With full reference to the TCFD framework, we plan to improve climate information disclosure after 2023.</li> <li>•Enhance disclosure and communication: Establish and improve the ESG publicity mechanism, such as focusing on how the Group responds to "climate change and extreme weather" to strengthen the work with stakeholders.</li> <li>•Carry out Responsible Investment: Incorporate climate change into future business due diligence and investment decision-making considerations, such as considering the carbon emission impact of the bid, to formulate responsible investment policies.</li> </ul>
Data Security	Cyber-attacks, data fraud or theft, information infrastructure failures, etc. could lead to cyber security incidents.	<ul style="list-style-type: none"> <li>•Further improve the organisational structure of data security risk management, form a top-down information security management organisation with highest guidance, and lead each department to take charge of data security management with the Chairman or senior management as the team leader;</li> <li>•Further improve the data security process; and formulate and improve data security management measures based on the processing process.</li> </ul>
Policy and legal changes	As the local government implements or updates policies, CSSC needs to make timely response measures, which may lead to an increase in operating or management costs. If we are unable to effectively establish internal mechanisms to respond to stricter laws, we may face potential litigation risks. Penalties and judgments arising from litigation may result in increased costs and/or reduced demand for our products and services.	<p>The Group continues to pay attention to the risks of policy and legal changes. The current management status and control measures are as follows:</p> <ul style="list-style-type: none"> <li>•In response to the mandatory technical and operational measures formulated by the International Maritime Organisation (IMO) to reduce greenhouse gas emissions based on short-term goals, CSSC has accelerated the process of green and low-carbon transformation of its own ships, and has shifted its focus from financing loans, cargo transportation and fuel use to low-carbon and zero-carbon ships;</li> <li>•In response to the national "Dual Carbon" goal, CSSC actively develops the clean energy industry, and gives full play to the synergy brought by financial business to the ship-related industry to respond to a series of relevant policy requirements;</li> <li>•In response to the relevant policies and guidelines of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) on state-owned enterprise reform, CSSC has successfully carried out a series of market-oriented reforms to respond positively; and</li> <li>•The Group strictly complies with national laws and regulations and the governance policies of the places where the Group operates to ensure the compliant operation of enterprises and avoid litigation.</li> </ul>

## Stakeholder Engagement

The Group recognizes the importance of listening to internal and external stakeholders to enhance its sustainability performance. The Group communicates with stakeholders on a regular or irregular basis through various channels to understand and respond to stakeholders' expectations and concerns in a timely manner. In addition, the Group identifies its major stakeholders for more targeted and effective communication by taking into account factors such as "the extent to which stakeholders influence the Group" and "the extent to which the stakeholders are influenced by the Group".

Stakeholder Types	Major Stakeholders	Channels	Matters of Concern	The Group's Responses
Shareholders/ Investors	<ul style="list-style-type: none"> <li>Major controlling shareholders,</li> <li>Public investors</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Board Meeting</li> <li>Meetings of the Board's Committees</li> <li>Financial Result Reporting</li> <li>Other investors communication means</li> </ul>	<ul style="list-style-type: none"> <li>Good business performance</li> <li>Good corporate governance</li> <li>Risk control and integrity</li> <li>The Company's strategic direction</li> <li>Sufficient disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Improving corporate governance</li> <li>Corporate strategy fulfilling investors' expectations</li> <li>True and Sufficient Disclosure</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>Intermediaries,</li> <li>Classification societies,</li> <li>Professional ship asset management companies,</li> <li>Institutes,</li> <li>Colleges</li> </ul>	<ul style="list-style-type: none"> <li>Negotiation of contract terms</li> <li>Daily communication between business representatives</li> <li>Management-level meetings</li> </ul>	<ul style="list-style-type: none"> <li>Benefit sharing, integrity and mutual benefit</li> <li>Promotion and innovation of management</li> </ul>	<ul style="list-style-type: none"> <li>Increasing profit</li> <li>Improving return on funds</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Ship operators,</li> <li>Trading companies</li> </ul>	<ul style="list-style-type: none"> <li>Response to customer inquiry</li> <li>Customer visit</li> <li>Telephone communication</li> </ul>	<ul style="list-style-type: none"> <li>Financing amount</li> <li>Financing ratio</li> <li>Interest rate level</li> </ul>	<ul style="list-style-type: none"> <li>Promoting business negotiations</li> <li>Ship technology contract pre-research</li> <li>Facilitating project implementation</li> </ul>
Governments and Regulators	<ul style="list-style-type: none"> <li>Governments,</li> <li>Industry regulators</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Investigation</li> <li>Work Reporting</li> <li>Policy/Regulator conferences</li> <li>Financial Result Reporting</li> </ul>	<ul style="list-style-type: none"> <li>Operations compliance</li> <li>Profit/tax</li> <li>Serving national strategies</li> </ul>	<ul style="list-style-type: none"> <li>Creating job opportunities</li> <li>Total taxes</li> <li>Promoting the development of the industrial chain</li> </ul>
The Public	<ul style="list-style-type: none"> <li>Surrounding communities,</li> <li>Community organizations,</li> <li>Non-profit organizations</li> </ul>	<ul style="list-style-type: none"> <li>Participating in community voluntary activities</li> <li>Charitable donations</li> <li>Signing public interest-related agreements</li> <li>Coordinating community events</li> </ul>	<ul style="list-style-type: none"> <li>Charity investment</li> <li>Harmonious community</li> <li>Safety and environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Increasing community investment</li> <li>Industrial assistance and rural revitalization</li> <li>Volunteer activity</li> </ul>
Employees	<ul style="list-style-type: none"> <li>All employees</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face communication</li> <li>Seminars on democratic life</li> <li>Employee suggestion boxes</li> <li>Employee activities</li> <li>Vocational training</li> </ul>	<ul style="list-style-type: none"> <li>Sound welfare</li> <li>Good career development</li> <li>Comfortable working environment</li> </ul>	<ul style="list-style-type: none"> <li>Providing diverse employee activities</li> <li>Providing different kinds of professional training</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Shipyards</li> </ul>	<ul style="list-style-type: none"> <li>Open tender</li> <li>Interviews and site visits</li> </ul>	<ul style="list-style-type: none"> <li>Win-win cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Increasing investment, being open and transparent</li> </ul>
Media	<ul style="list-style-type: none"> <li>The press</li> </ul>	<ul style="list-style-type: none"> <li>Press conferences</li> <li>Invitations to interviews</li> <li>Regular discussions</li> </ul>	<ul style="list-style-type: none"> <li>Business and product situation</li> <li>Industry status</li> </ul>	<ul style="list-style-type: none"> <li>True and sufficient disclosure</li> </ul>



## Identification and Assessment of Material Issues

### Identification of Material Issues

According to the ESG Reporting Guide, combined with the results of the materiality assessment of ESG issues in 2021, the industry's ESG development trend and the Group's business situation and other factors, the Group identified potential material issues and established a pool of material issues.

### Review and Confirmation of Material Issues

The Board reviewed and confirmed the preliminary results of the materiality assessment, and finally determined 8 material issues (including 3 environmental issues and 5 social issues) that are the most concerned by stakeholders. These material issues are highlighted in this Report and will be the focus of our future ESG work.

### Questionnaires and Materiality Ranking of ESG Issues

Through a questionnaire survey covering internal and external stakeholders of CSSC, we collected opinions and suggestions from stakeholders on various issues. The Directors and the management of the Group actively participated in the questionnaire survey to assess the importance of each issue to the Group from the perspective of CSSC. At the same time, in order to understand the expectations of external stakeholders on the Group, we also invited employees, business partners, suppliers, customers, shareholders, investors, etc. to participate in the questionnaire survey. Finally, we received a total of 96 valid questionnaires from internal and external stakeholders.

According to the results of the questionnaire survey, we reviewed the overall importance of each issue to CSSC from the two dimensions of "importance to CSSC" and "importance to stakeholders", and prepared a matrix of ESG issues analysis at the environmental and social levels to form the preliminary results of the materiality assessment.

The following table lists out all ESG issues of CSSC, of which highlighted issues are material:

Environmental issues	Environmental issues
<ul style="list-style-type: none"> <li>•Green Finance</li> <li>•Responding to Climate Change</li> <li>•Air Emissions</li> <li>•Greenhouse Gas Emissions</li> </ul>	<ul style="list-style-type: none"> <li>•Serving National Strategies</li> <li>•Health and Safety</li> <li>•Anti-Corruption</li> <li>•Supply Chain Management</li> <li>•Labour Standards</li> <li>•Community Engagement</li> <li>•Corporate Governance</li> <li>•Customer Relationship and Communication</li> <li>•Employment</li> <li>•Development and Training</li> <li>•Information and Customer Privacy Protection</li> </ul>

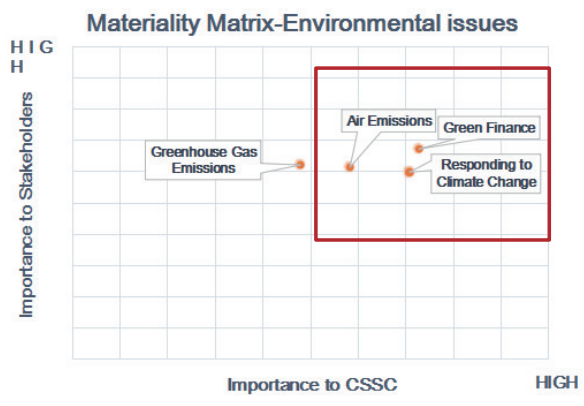


Figure: Matrix of ESG material issues at the environmental level

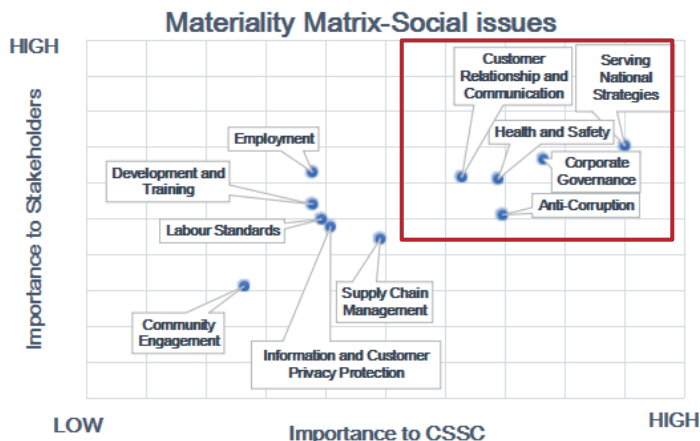


Figure: Matrix of ESG material issues at the social level

# Adhering to Stable Operation & Strengthening Safe Operation

## Improving Corporate Governance

CSSC takes “combination of industry and finance, serving major business, innovation and development” as its mission, and establishes its strategic goals and business strategies based on its own competitive advantages. The Group continuously promotes effective cooperation with various stakeholders and builds mutually beneficial and trusting relationships to create value. In addition, the Group always maintains the highest standards of market conduct, adheres to the principle of “integrity oriented”, strictly complies with the relevant policies and systems of the Company and abides by business ethics to reduce operating risks.

## Business Strategies

CSSC has leveraged its robust professional advantages in marine business and its well-established and innovative business model to fully seize new opportunities and meet new challenges. As at the end of the Reporting Period, the Group’s vessel portfolio reached 158 ships, and the scale of vessel assets and the number of ships were in the leading position in the global ship leasing industry. The Group undertakes proactive and thorough research and evaluation marine industry and provides leasing services to leading partners in various market segments of the marine industry, thereby establishing long-term strategic cooperative relations. Under the new market situation, the Group strengthened the overall research and judgement of the shipping market segment, vigorously implemented the cross-cycle investment strategy, focused on the layout of green equipment and clean energy business, and continued to maintain stable operation and sustainable high-quality development.

### Major operating strategies:



Provision of Professional One-Stop and Customised Leasing Services



Continue to Develop the Clean Energy Industry to Capture Business Opportunities in the Marine Industry



Capture development opportunities in various industries and regional and national policies



Build an experienced and professional management team

- ▶ As the first shipyard-affiliated leasing company in Greater China, we leverage our synergy and close business relationship with the shipyard to capture the latest data on the supply and demand of the marine transportation market and customer demand, which enables us to capture business opportunities in a timely manner. We work closely with shipyards to deeply explore customers’ needs so as to provide professional one-stop and customised leasing services to our customers.
- ▶ CSSC is a leading world-class state-owned shipbuilding conglomerate in the PRC with a large number of shipbuilding and ship repair enterprises, ship design and research institutions, marine support service providers and ship trading companies. Its resources cover the entire value chain of the marine industry. Therefore, we, as the exclusive leasing company under CSSC, also benefit from the practise of “combination of industry and finance”.
- ▶ We possess unique insights into the cyclical conditions of various marine market segments. We are able to grasp industry fluctuations, which allows us to capture cyclical profits.
- ▶ We continue to focus on clean energy. As at the end of the Reporting Period, the Group had 1 LNG carrier of 174,000 cubic metres and 4 self-operated LNG carriers; The new delivery and leasing of an 86,000-cubic-metre very-large dual-fuel liquefied gas carrier (i.e. VLGC) has upgraded the green power system. It is the first time in the world to adopt liquefied petroleum gas (LPG) as the main power fuel, and to maximise the adherence to the concept of “green, environmental protection and low emissions”.
- ▶ Currently, the Group has expanded into the field of clean energy offshore equipment. Through years of efforts in offshore clean energy, we have established cooperative relationships with internationally renowned energy companies, and further accumulated experience in the independent operation and management of high-end ship types.
- ▶ As the global economy continues to improve, the demand for energy is also growing. The rapid development of the global LNG and LPG markets plays a crucial role in promoting the development of the marine industry and ship leasing industry.
- ▶ In addition, China’s major national development strategies and China-Africa strategic cooperation have brought overseas business opportunities. We plan to provide leasing services for two polar class heavy deck carriers serving the world’s largest natural gas field at that time from 2025.
- ▶ Our management team has an average of 15 years of experience in the marine industry, and possesses solid experience and strong expertise in vessel selection and combination, leasing transactions, technical review, risk management as well as lease management. We rely on our strong management team to formulate and implement sustainable strategic plans, capture market opportunities and anticipate and respond quickly to market changes. The Group always believes that the increasing insights and strategic initiatives can continue to accelerate our business growth and profitability, thereby strengthening our market position in the global ship leasing industry.
- ▶ In addition, as our employees are located in important shipping hubs such as Hong Kong, Shanghai and Guangzhou, it is beneficial for the Group to seize the industry opportunities and actively seek and develop new business opportunities in the marine economy.

## Comprehensively Deepen Reform Corporate Governance

CSSC fully implemented the power reform of the Board, implemented the professional manager system, and granted share options to 6 new management personnel and key employees to implement the stock options and total wage proposal management. We have not only become the model demonstration and successful model of state-owned enterprise reform of CSSC Group for deepening reform, but have also been selected as one of the three-year action cases of state-owned enterprise reform by SASAC.

In addition, we continue to carry out the power reform of the Board, aiming to empower the Board with greater power. We purchase Directors' liability insurance for all Directors to protect the interests of, in particular, the independent Directors, optimise the internal operation and management of the Group, and at the same time, to better exert the supervision of investors as shareholders of the Company on the Directors.

## Strengthening Risk Management

The Group attaches great importance to risk management and internal control, and executes the Comprehensive Management Measures for Risk to accurately identify, prudently evaluate, dynamically monitor, timely respond to, and extensively manage the risks faced by the Group during operations and management, as to improve the scientificity, standardization and validity of the Group's management and operations, to enhance the ability to prevent financial risks, and to continuously ensure the stable and sustainable development of various businesses.

The Group has developed a risk quantitative assessment tool with independent intellectual property rights and established a credit evaluation model for customers, which helps achieve risk quantification management in the project lifecycle. In addition, during the Reporting Period, the Group conducted a pilot project on the integration of internal control and informatization, and launched an internal control information system, covering 93% of the key segments.

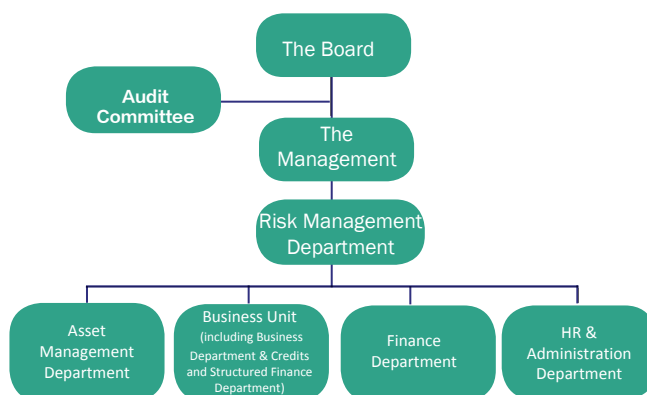
During the Reporting Period, the Company achieved initial results

in the integration of risk and internal control and informatization. We have combined the two major processes of legal information management and internal control information management to improve management efficiency. At the same time, the corresponding information system construction has passed the inspection and acceptance of China Shipbuilding Group. We are carrying out the second phase of work and further implementing the detailed part of the first phase.

In addition, we carried out ESG risk identification and assessment during the Reporting Period. For details, please refer to the section headed "Corporate ESG Governance" – "Identification, Assessment and Management of Material ESG Risks" in this Report. In the future, the Group plans to further establish a sound ESG risk management system, and to promote and implement the integration of ESG risks into the Group's risk management system to strengthen ESG risk management and improve the Group's comprehensive risk prevention, control and management.

## Risk Management Structure

The Group has established a risk management structure covering the Board and different departments, of which the Risk Management Department is the core department with the risk management function in the Group.

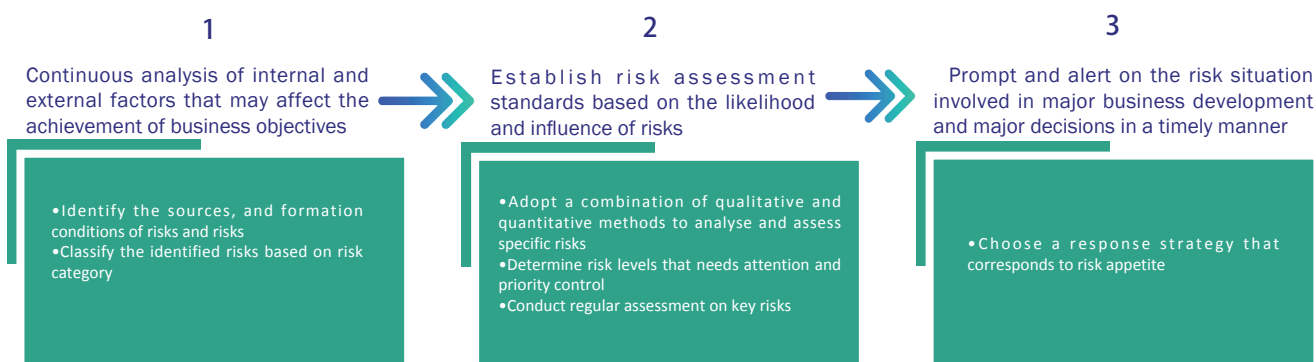


<b>The Board</b>	<ul style="list-style-type: none"> <li>• Bearing the ultimate responsibility for risk management</li> <li>• Reviewing the goals and strategies for audit-related risk management</li> <li>• Monitoring the implementation of risk management policies and assessment of overall risks</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Responsible for monitoring the implementation of internal control procedures</li> <li>• Reviewing financial information and assessing financial conditions</li> <li>• Overseeing the internal audit functions</li> <li>• Providing independent advice to the Board on financial reporting, risk management and internal control</li> </ul>
<b>The Management</b>	<ul style="list-style-type: none"> <li>• Responsible for implementing risk management strategies and policies</li> <li>• Supervising daily risk management operations and monitoring the fulfilment of the duties of the Risk Management Department</li> <li>• Reporting regularly to the Board on the overall risk profile and report on major risk events in a timely manner</li> </ul>
<b>Risk Management Department</b>	<ul style="list-style-type: none"> <li>• Implementing comprehensive risk management procedures and establishing a business risk management control and compliance management system</li> <li>• Cooperating with other functional departments to develop financing business and relevant guidelines</li> <li>• Formulating management measures and implementation rules related to the project review and business contract management of the Group</li> <li>• Analysing and evaluating major risks of specific projects and proposing risk prevention measures</li> <li>• Cooperating with the Business Development Department in the early investigation, evaluation, marketing and negotiation work of projects</li> <li>• Following up on the implementation of projects after leases and loans, and regularly reporting the overall status of business risks to the management</li> <li>• Developing relevant systems for handling major risk events and emergencies</li> </ul>

## Main Risk Management Mechanisms

The Group determines its risk appetite based on its strategic goals and risk tolerance, and then establishes relevant risk indicators such as risk tolerance and risk limit based on risk appetite. Relevant resources have been allocated accordingly, and it is adjusted according to the Group's strategic goals and market environment in a timely manner. The risk indicators must be approved by the Board, the management or its authorised units, which are subsequently subdivided into different levels and arranged to each department for implementation.

## Main Risk Management Procedures



CSSC has gradually established a risk management information technology system that is compatible with the complexity of the business and the risk indicator system. Advanced risk management methods and tools are continuously being introduced to ensure that transactions and business processes involving risks are timely, accurate, completely recorded and communicated within the Group. It also ensures the risks are quantified, summarised, alerted and monitored to achieve centralised management of

relevant risk information.

Based on the results of risk assessment and early warning, the Group selects a response strategy corresponding to its risk appetite. The Group has gradually established a risk emergency mechanism for major risks and emergencies, put forward suggestions for risk control, and continuously improved through mechanisms such as pressure testing.

## Strengthening Integrity Operation

CSSC strictly complies with the relevant laws and regulations and industry norms in each of its operating sites. To effectively prevent and control fraud risks and regulate its business practices, the Group has formulated and implemented internal policies such as the Management Measures for Anti-Fraud Work, the Guideline for Risk Prevention of Anti-sanction, the Administrative Regulations on Registration and Submission of Gifts, the Implementation Measures for Specialised Supervision and Inspection (Trial), and the Regulations on Anti-corruption Coordination (Trial). During the Reporting Period, in accordance with the Regulations on Anti-corruption Coordination (Trial), we set up an anti-corruption coordination working group to adapt to the needs of the Group's anti-corruption work under the new situation, build an anti-corruption coordination mechanism of information sharing, convenient communication, standardised and orderly, and promote the in-depth implementation of the Group's anti-corruption work.

The Group has clarified the internal control mechanisms of anti-fraud in the Management Measures for Anti-Fraud Work, including establishing channels for reporting lawsuits to prevent and detect fraud, implementing control measures to reduce the chance of fraud, and taking appropriate and effective remedial measures for the harm caused by fraud. By

effectively preventing and controlling fraud risks, the Group has standardised business activities to protect the legitimate rights and interests of shareholders, safeguard the legitimate interests of the Group, and ensure the realisation of the Group's business objectives and sustainable, stable and healthy development.

The Board is the highest authority for the Group's anti-fraud work. Anti-fraud work is carried out within the framework of the anti-corruption working group. The Group encourages employees and stakeholders to make reports in name or anonymously through channels such as emails and report boxes. The Supervision Department of the Group is a standing body for anti-fraud work, which is responsible for establishing reporting channels, receiving and accepting reports on fraud, organising investigations on fraud cases, and issuing opinions on handling and reporting to the management and the Board. The Group will promptly evaluate the internal control measures and take corresponding improvement measures. In order to protect reporters, the Group requires that employees who are responsible for anti-fraud cases shall not provide any department or individual with relevant information and report contents of the reporters.

In order to create a cultural atmosphere of integrity and make the concept of integrity

deeply rooted in people's hearts, the Group attaches great importance to integrity education and carries out diversified education and training activities. The Group has formulated and implemented the Integrity Education Work System (Trial), which sets out anti-fraud training, laws and regulations and integrity and moral education for new employees.

In order to strengthen the awareness of anti-corruption and anti-fraud and prevent the occurrence of relevant behaviours, we provide relevant training to our directors and employees on a regular basis. During the Reporting Period, we adopted the "online + offline" approach to carry out anti-corruption education and training and publicity work many times, such as inviting experts from the Independent Commission Against Corruption of Hong Kong to give lectures on anti-corruption and integrity for all employees; Organising seminars on integrity; Visiting state-owned enterprises and financial institutions in Hong Kong to conduct study and research and organising the watching of anti-corruption warning education films, etc.

During the Reporting Period, the Group was not aware of any concluded legal case regarding corrupt practices brought against the Group or its employees.

## Safeguarding Information Security

The business scope of the Group covers several countries and areas. The Group strictly complies with laws and regulations regarding sales and credit management, privacy protection, information safety, and trademarks, patents and intellectual property in each of its operating sites to ensure the security and confidentiality of stakeholders' important information. The Group has formulated the Management Measures of Confidentiality, which specifies a series of work procedures such as confidential personnel's resignation and declassification. In addition, when signing a business-related contract, the relevant party must sign a confidentiality agreement to avoid disclosing relevant confidential data or proprietary information to any third party. During the Reporting Period, the Group further improved its internal confidentiality policy and implemented several measures in accordance with the framework requirements of CSSC for confidentiality and security work, including establishing an internal control information platform, extending the secret information process, improving online document management requirements,

incorporating core business documents of the project into important business documents, centralising online authorization and control, and preparing to build a separate confidential information processing site.

The Group complies with the 14th Five-Year Development Plan for Financial Standardisation and the requirements of the local financial bureaus on informatization of financial leasing companies, and actively responds to the Implementation Opinions on Strengthening the Construction and Supervision of the Internal Control Systems of Central Enterprises issued by the SASAC. We further upgraded our internal information management system, especially the ship information system, and took the lead in adopting intelligent management in the industry, so as to implement intelligent management and control over the Group's vessels around the world. The information security work carried out by the Group during the Reporting Period was mainly divided into the following three aspects:



In addition, the Group actively organises education activities on relevant law popularisation and publicity, posts signs in public areas and circulates promotional videos to continuously improve employees' awareness of information security and confidentiality, so as to effectively protect the Group's information security.

## Supply Chain Management

The major suppliers of the Group are those providing shipbuilding services. As of the end of the Reporting Period, the Group had a total of 6 qualified shipbuilding service suppliers.

The Group amended the Guidance of Supplier Management in the Reporting Period, which sets out the work requirements for recruiting and evaluating suppliers who provide shipbuilding services. When recruiting suppliers, the Group adheres to the principles of "Great performance credit, Reasonable price, Convenient services" and considers the suppliers' main ship types, performance regarding the ship type required for the Group, and delivery period, etc. All of the business projects of the Group will be handed to the General Manager Office for review and decision-making, and the General Manager Office takes the planned suppliers of the projects into consideration when reviewing and making decisions. If the General Manager Office

evaluates the planned suppliers as unqualified, then they will require the related department to reselect and reassess the planned suppliers. During the Reporting Period, all the cooperated suppliers have been approved by the General Manager Office.

The Group rates suppliers based on suppliers' performance and past cooperation, and determines the list of qualified suppliers. Each year, Business Department and Ship Asset Management Department jointly conduct annual evaluations of suppliers. In addition to suppliers' ability to fulfil contracts, research and design, and production and construction, they also consider whether the projects in operation and under construction have passed the environmental impact assessment approval or the environmental protection facility acceptance, the safety and production status and whether major safety production accidents have occurred in the past two years, so as to assess environmental and social risks

of suppliers. If there is any change in the list of qualified suppliers after the annual evaluation, the Business Department and Ship Asset Management Department will report it to the management for approval. In addition, the Group further standardised the application information platform to realise the digital supervision of the whole process of procurement management, including price inquiry and comparison, bidding and tendering, procurement and scrapping.

Under the strategic guidance of developing green vessels, the Group mainly cooperates with ship-building service providers which are ship-building enterprises under the CSSC Group. CSSC Group takes greening and intelligence into consideration at the research and design stage of ships, and enhances the research and development of new energy-power ships, committing to reducing the resource consumption of products and the impact on the ecological environment.

# Responding to Climate Change & Supporting Green Shipping

CSSC actively responds to the Paris Agreement and the national “Dual Carbon” series goals, and implements energy conservation and emission reduction measures to reduce the carbon footprint generated by operating activities.

The Group is determined to implement a series of environmental management measures and continuously improve them in accordance with the laws and regulations of the relevant operation sites, and strictly implements the following environmental governance principles during operation management and decision-making processes:

- Complying with local environment-related laws and regulations, implementing low-carbon and green office practices, and ensuring long-term and sustainable development of the Company;
- Reducing consumption of natural resources and energy;
- Giving full consideration to the environmental impacts of business activities and business development throughout the full life cycle, and providing corresponding solutions;
- Ensuring proper disposal of wastes generated from business activities;
- Improving the Company’s environmental performance through providing training for employees;
- Continuously monitoring and improving corporate environmental governance.

In addition, during the Reporting Period, based on the current business status, the Group has established ESG targets and action plans in respect of emissions, waste generation and energy use from the “Ship Operation Level” and “Office Operation Level”, respectively. For details, please refer to the sections headed “Building Low-Carbon Ships” and “Practising Low-Carbon Workplace” below.

## Building Low-carbon Ships

Looking internationally, we closely follow the IMO carbon reduction pathway planning, comply with international conventions and laws such as the International Convention for the Prevention of Pollution from Ships (MARPOL) and the Initial IMO Strategy on Reduction of GHG Emissions from Ships, continuously expand the route to upgrade existing ship technologies, or use more low-carbon fuel power devices, such as LNG, methanol, liquid ammonia, LPG, etc. At the same time, we continued to improve the operation and management measures of our self-operated fleet, striving to build a more green and low-carbon fleet, which also brings us broader opportunities in the fields of market, reputation, investment and financing. We have made the following efforts in three aspects: fuel source transformation and upgrading, other technological upgrading and operational management improvement.



Fuel Source Transformation and Upgrading

- ▶ We actively explore alternative green fuels and evaluate the proportion of carbon emissions and emission reductions throughout the life cycle of various low-carbon fuels. We plan to shift to alternative fuels produced in various green ways in the future.



Other Technology Upgrading

- ▶ Rotor sails: We actively carry out exchange activities with well-known companies in the United Kingdom to comprehensively evaluate the equipment price, carbon reduction effect and expected energy efficiency improvement ratio of the rotor sails. According to the evaluation results, we plan to introduce them into corresponding ships in the future.
- ▶ Energy-saving hub hats and fan-shaped catheters: It recovers the rotary energy by correcting the wire and eliminates the hub vibration to improve the efficiency of promotion.
- ▶ Shore power transformation: After FIT 55 came into effect in Europe, European terminals will increase shore power



Operation Management Improvement

- ▶ Real-time monitoring of vessel fouling conditions.
- ▶ Optimising the ratio of speed between ballast and full load.
- ▶ Dynamic monitoring and evaluation of vessel CII.
- ▶ Attempting to use biofuel.



## Case: Five-year Action Plan for Technological Transformation of Self-operated Vessels

CSSC pays attention to the IMO requirements, and has formulated IMO carbon reduction measures in the initial technical upgrading and transformation plan in combination with the ship business model and the dry-docking period of ships to continuously improve the CII rating of ships every year.

2023



The VLGC fleet plans to upgrade its main engine dual fuel during dry-docking in 2023 which is expected to increase CII's acquisition value by 13-18%

2024-2027



- ULTRAMAX bulk carrier plans to instal more cost-effective energy-saving hub hats and fan-shaped catheters during the dry docking period from 2024 to 2027 which is expected to increase CII's acquisition value by approximately 5%

- At the same time, the fleet will continue to improve the technical transformation plan based on the operation and management model

2025-2026



- MINI-CAPE bulk carrier plans to instal more cost-effective energy saving hub hats and fan-shaped catheters during dry-docking between 2025 and 2026. which is expected to increase c's acquisition value by approximately 5%

At the same time, we have formulated effective measures to strengthen the monitoring of vessel foulings and reduce energy efficiency losses caused by vessel foulings; The CII of the fleet is evaluated quarterly, and the operation of the vessel is properly intervened according to the evaluation results. For key vessels, the frequency of our evaluation is increased to monthly or per voyage.

We also worked with ship management companies to formulate CII countermeasures to improve crew awareness and implement refined management of energy conservation and environmental protection in daily operation of ships.



## Case: Biofuel Experiment

Biofuel is made from certified renewable raw materials, which are 100% of waste or residues, such as used cooking oil, plant straw, algae and discarded animal fats. Pure biofuels can reduce life-cycle carbon emissions by 80% to 90% and eliminate almost all SOx emissions.

From 20 to 27 May 2022, the Group's "CSSC Amsterdam" ship has conducted a marine trial of 310 tonnes of B30 (30% biofuel and 70% mineral oil blending) biofuel and achieved a satisfactory

success. According to the carbon dioxide emission reduction statement issued by DNV Classification Society for this trial, the reduced carbon dioxide emission was 274 tonnes, which was 23.78% less than traditional fuel oil.

We are also aware that the supply of biofuels in Europe will reach 30% of the total fuel by 2030, and we plan to create the conditions for using biofuels for more qualified vessels in the future to improve vessel energy efficiency.

The Group has 50% operational control of the associated fleet. As the fleet is entrusted to the ship management company for daily management, the daily emissions, waste and other data are monitored, calculated and recorded by the ship management company, and the operating costs of the ships are not included in the Group, so the emissions from and resources consumed by the vessels shown in the table below are excluded from the Group's environmental performance and the greenhouse gas emissions generated by the ships shall be included in the Group's Scope 3-Other indirect greenhouse gas emissions. The environmental performance of the Group's vessels under operational control during the Reporting Period is shown in the table below:

### Air Pollutants<sup>3</sup>

Type	Nitrogen oxides	Sulphur oxides	Particulate matter	Carbon monoxide
Emissions in 2022 (tonnes)	14,024.16	3,806.68	1,039.11	684.43

### Greenhouse gases<sup>4</sup>

Scope 3	
Emissions in 2022 (tonnes of CO2-e)	729,882.49
Emission intensity in 2022 (kg/kiloton nautical mile)	9.42



### Waste

Hazardous Waste			
	Waste oil	Oily sewage	total
Production in 2022 (tonnes)	2,855.73	7,196.69	10,052.42
Intensity in 2022 (kg/kiloton nautical mile)	0.04	0.09	0.13

Non-hazardous Waste	
	Domestic waste
Production in 2022 (tonnes)	867.79
Recycled in 2022 (tonnes)	577.61
Intensity in 2022 (kg/kiloton nautical mile)	0.01

### Use of Resources

Type	Consumption in 2022	Unit	Intensity in 2022	Unit
Water	89,372.57	tonnes	1.15	kg/thousand tonne nautical miles
Direct energy (fuel oil)	2,132,922.86	thousand kWh	27.52	kWh/thousand tonne nautical miles
Direct Energy (LNG)	152,499.21	thousand kWh	1.97	kWh/thousand tonne nautical miles
Direct Energy (Diesel)	326,280.39	thousand kWh	4.21	kWh/thousand tonne nautical miles

3. Ir pollutant emissions come from the combustion of fuel in ship engines and boilers. The calculation process follows the Fourth IMO Greenhouse Gas Study 2020 issued by IMO.

4. Greenhouse gas emissions from vessels are mainly generated from combustion of vessel engines and boilers, the calculation of which follows the Fourth IMO Greenhouse Gas Study 2020 issued by IMO.

In order to further promote the operation and management of green ships, during the Reporting Period, the Group has formulated the following ESG objectives, measurement indicators and action plans.

Environmental Targets	Measurement Indicators	Action Plan	Action plan Time frame for completion <sup>5</sup>	Applicability of the Action Plan	
 Air Pollutant Emission	100% compliance rate of sulphide emissions from vessels	Fully adopt low-sulphur fuel with sulphur content not exceeding 0.5%, or instal ship desulfurization device	Short-term	All vessels on finance leases and operating leases	
	Reduce air pollutant emissions in ship operation	Increase the installation ratio of denitrification equipment for new shipbuilding not less than 80%	Increase the installation rate of denitrification equipment for new shipbuilding	Medium-term	Vessels operating leases
		Increase the frequency of use of clean energy	Continue to promote oil-to-gas conversion projects for large LPG carriers to achieve full coverage of VLGC dual-fuel vessels; and	Medium-term	Vessels operating leases
 Greenhouse Gas Emissions	Increasing the use of biofuel in the MINI-CAPE fleet	Increase the use of biofuel in the MINI-CAPE fleet	Long-term	All vessels on finance leases and operating leases	
	Reducing greenhouse gas emissions from vessel operation	Reduction of CO2 emissions from self-owned vessels	Gradually improve the use of alternative sustainable fuels such as clean energy; and	Medium-term	All vessels on finance leases and operating leases
 Energy use	Reduce emissions through ship technical transformation and upgrading	Reduce emissions through ship technical transformation and upgrading	Long-term	All vessels on finance leases and operating leases	
	Reduce energy use in ship operation and improve energy efficiency	Improve the disclosure of carbon dioxide emissions during the operation of ships	Actively record and report the emission of CO2 during the operation of ships, and better understand the space for emission reduction and improvement through comparison among different stages	Medium-term	All vessels on finance leases and operating leases
		Reducing the use of vessel fuel	Control the fuel budget, monitor the whole navigation process, conduct cost analysis, and strengthen fuel use to achieve the goal of fuel saving	Long-term	All vessels on finance leases and operating leases
		Increase energy saving publicity and publicity activities	Carry out energy-saving publicity activities and popularise energy-saving knowledge through various training activities	Medium-term	All vessels on finance leases and operating leases

## Green Finance Innovation

The Group focuses on the development of innovative green finance models, grasps market opportunities and firmly fulfils its social responsibility and responsibility for the sustainable development of the shipping industry, so as to contribute to tackling climate change, protecting the ecological environment and achieving the goal of "Dual Carbon".

On the asset side, the Group regards green energy as its strategic development direction, such as adopting LNG and LNG re-liquefaction devices for ship asset management; On the liability side, the Group is committed to green project investment and financing, and cooperates with banks to issue sustainability-linked loans, in which relevant indicators of the Company's carbon emissions and dual-fuel vessels are included in the loan-linked indicators. We also plan to continue to promote short-term loans and green deposit projects as many Chinese-funded and foreign-funded banks have joined the "Poseidon Principles". During the Reporting Period, we planned a green loan project to reduce hazardous waste as a sustainable development goal linked to the project. In addition, we continued to promote the Panda Bond project and successfully issued it in 2023. The Panda Bond funds will be used to purchase LNG carriers specifically to facilitate the green development of the Group.



**中国船舶租赁**  
CSSC HONG KONG SHIPPING COMPANY LIMITED

热烈庆祝中国船舶(香港)航运租赁有限公司(3877.HK)  
2023年度第一期中期票据(可持续挂钩、债券通)成功发行!  
为大中华区船厂系租赁公司在境内债券市场的首次亮相!



发行日期	债券简称	发行规模	发行期限	票面利率	信用评级	国际评级
2023/03/06	23中船租MTN001BC (可持续挂钩)	10亿	3年	3.30%	AAA/AAA	惠誉A/标普A-

中国境内全市场**首支**可持续发展挂钩熊猫债  
创今年以来AAA级同行业同期限**最低**发行利率

牵头主承销商/可持续发展挂钩顾问: 中国银行 BANK OF CHINA 联席主承销商: 中信银行 CITIC BANK 律师事务所: FANGDA PARTNERS 方达律师事务所  
评级机构: 大公国际资信评估有限公司 可持续发展挂钩认证: 联合流道 会计师事务所: Grant Thornton 致同  
特别鸣谢: 招商银行 BANK OF COMMUNICATIONS 平安银行 PING AN BANK ICBC 中国工商银行 SHRCB 上海农商银行 OCBC Bank



The Group formally joined the NSBN<sup>6</sup> and received the "ESG Disclosure Transparency Badge" in February 2023

The Panda Bond funds

5.The corresponding short-term time ranges from 1 to 2 years; the corresponding medium-term time ranges from 3 to 5 years; and the corresponding long-term time ranges from 6 to 10 years.  
6.The NSBN, known as the Nasdaq Sustainable Bond Network, includes more than 1,400 sustainable bond issuers and over 13,000 bonds from more than 80 countries.

## Practising Low-carbon Workplace

As a ship leasing enterprise, we not only practise green management in the process of ship operation, but also integrate the concept of “green, low-carbon, energy-saving and environmental protection” into daily office operation and are committed to reducing greenhouse gas emissions. We plan to promote the implementation of the Green Office Guidelines in 2023 to fully fulfil the requirements of energy conservation and emission reduction.

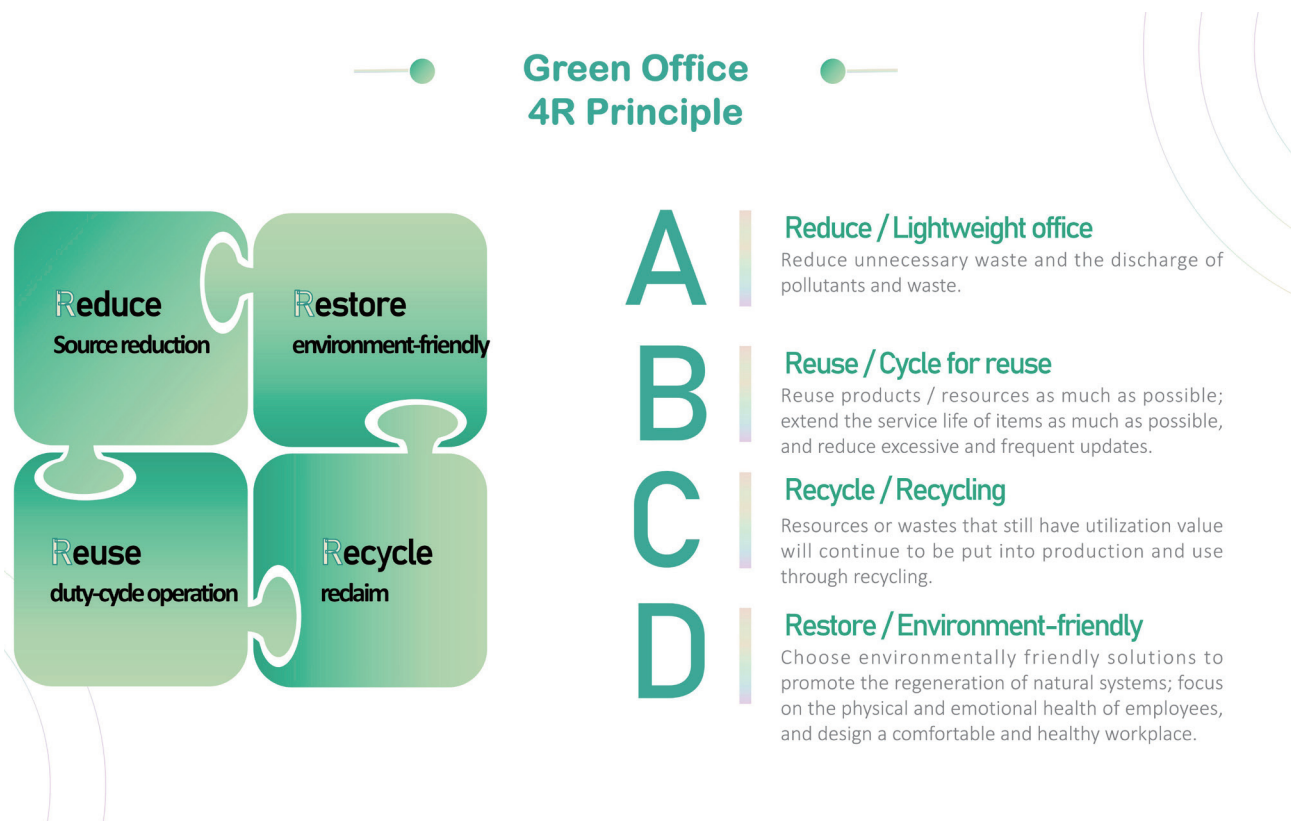
The main sources of air pollution emissions and greenhouse gas emissions of the Group generated from the office operation are the emissions from vehicles used for business, electricity consumption and business travel by plane. Therefore, the Group has formulated the Management Measures of Vehicles to encourage employees to use public transportation as far as possible for their daily work commute and to promote the use of video and telephone channels to reduce travel and mitigate greenhouse gas emissions. In addition, as electricity consumption is the main source of greenhouse gas emissions in the operation of the Group, the Group has also posted energy saving signs in its office premises and reminded employees to turn off the power supply before going on holiday through emails to achieve the goal of energy saving and emission reduction.




The Group’s water resources come from the municipal supply and are under the unified control of the property management. During

the Reporting Period, the Group has not encountered any difficulties in obtaining water. The Group encourages employees to conserve water and reduce water consumption in their daily work.

In terms of waste, the Group’s non-hazardous waste consists mainly of office paper and limited number of plastic bottles, while the small amount of hazardous waste generated includes ink cartridges and batteries. The Group encourages employees to use electronic communication methods such as shared disks to circulate files and encourages double-sided printing to cultivate the habit of paper conservation among employees. In addition, the Group actively promotes waste reduction at the sources, waste recycling and reuse of resources among employees, with all waste ink cartridges collected and disposed of by the supplier and other hazardous waste collected by the property manager.

CSSC Group requires each subsidiary including the Group to reduce energy waste, and set the energy cost generated from daily office electricity consumption as one of the Company’s energy conservation and environmental protection indicators. In order to further implement green office practice and respond to the call of CSSC Group, we set a series of ESG targets and formulated action plans during the Reporting Period as shown in the table below to better implement and manage relevant environmental performance.



Environmental Targets	Measurement Indicators	Action Plan	Action plan Time frame for completion	Applicable Office Areas of Action Plan	
 Greenhouse Gas Emissions	Reduce overall fuel consumption and/or use of official vehicles	Strengthen management of official vehicles; Record fuel consumption of official vehicles; and Regular maintenance of official vehicles	Short-term	Shanghai, Guangzhou	
	Reduction of Greenhouse Gas Emissions	Increase the penetration rate of clean energy/new energy/hybrid vehicles	When phasing out old official vehicles, priority will be given to new official vehicles such as electric or hybrid vehicles	Long-term	Hong Kong, Shanghai
	Promote carbon offset measures	Increase the proportion of online meetings	Encourage online meetings to reduce travel, especially cross-regional meetings preferred online meetings	Short-term	Hong Kong, Shanghai and Guangzhou
	Raise employees' awareness of low-carbon office	Increase the number of trees planted	Consider planting trees or supporting afforestation through charity activities, which can be used in carbon offset projects such as carbon trading in the later stage	Medium-term	Hong Kong, Shanghai
 Waste generation	Improving the waste statistical system	Increase the statistical coverage of waste	Each office shall establish a unified waste statistical system to clarify statistical criteria to achieve year-on-year performance comparison	Short-term	Hong Kong, Shanghai and Guangzhou
	Improving the utilisation rate of waste resources	Increase the percentage of offices implementing waste sorting	Each office implements waste sorting and is equipped with waste sorting equipment, etc.	Short-term	Hong Kong, Shanghai and Guangzhou
		Increase the number of waste classification training/publicity activities	Promote waste recycling; Regularly carry out publicity and education on waste classification; and Encourage employees to participate in source separation of waste	Medium-term	Hong Kong, Shanghai and Guangzhou
	Reduction of waste generation	Reduce the use of disposable items	Avoid providing disposable paper cups during daily office operation	Short-term	Hong Kong, Shanghai and Guangzhou
		Implement paperless office	Promote paperless office in an all-round way, such as paperless daily meetings, encourage employees to print on both sides, and prefer paper with FSC certification label	Medium-term	Hong Kong, Shanghai and Guangzhou
 Energy use	Reduction of electricity consumption	Reduce the use of electricity consumption	Turn off office equipment timely; Switch off lights when leaving meeting rooms and offices; Air-conditioning rooms shall not be lower than 26 degrees Celsius in summer and not higher than 20 degrees Celsius in winter	Medium-term	Hong Kong, Shanghai and Guangzhou
		Increase the penetration rate of energy conservation publicity and/or the number of publicity activities	Carry out energy-saving publicity activities; Promote energy conservation knowledge through posters in office areas	Medium-term	Hong Kong, Shanghai and Guangzhou



# Focusing on People-oriented & Cherishing, Cultivating and Promoting Talents

The Group has established a standardised and comprehensive human resource policies to attract and nurture an efficient and top-notch talent team through the provision of good welfare benefits, regular review of employee salaries, formulation of clear policies and guidelines and establishment of a comprehensive training mechanism to create a positive, harmonious and fair working environment.

The Group strictly implements a series of employment management measures in accordance with the laws and regulations of the relevant operation sites and implements effective social principles during operations management and decision-making process, including but not limited to:

- Complying with labour laws and regulations;
- Providing workplaces where legal occupational safety and health standards are met;
- Complying with the provisions of the Employee Handbook on employment behaviour, employee health and safety, etc.;
- Providing equal employment opportunities and preventing discrimination against employees in all aspects such as race, religion, colour, gender, physical or mental disability, age, place of birth, marital status, sexual orientation, etc.

## Employment and Rights

The Group vigorously implements the strategy of strengthening the enterprise with talents and continuously promotes the standardisation and effective development of human resource work. The Group has built and implemented an effective human resource management system in accordance with relevant laws and regulations and the actual situation within the Group, covering the management of recruitment, employment contract, promotion mechanisms, salary and welfare, working hours, rest periods, dismissal etc.. The Group signs employment contract with employees to stipulate the affairs regarding to salary, reasons of dismissals and the others. Meanwhile, the Group adheres to the concepts of equality, diversity and anti-discrimination, eliminating discrimination in any aspect such as gender, age, nationality and ethnicity, and emphasising equality between male and female employees and diversity in the workforce.

Through the formulation and implementation of the Management Measures for Recruitment and Employment, the Group has effectively regulated the employment management process and allocated human resources in a more scientific and reasonable manner. The Group adheres to the recruitment principles of “open recruitment, fair competition, person-job fit and merit-based enrolment”, and the Administration and Human Resources Department will formulate annual recruitment plan based on demand and attracts talents through various channels including internal referral, campus recruitment, media recruitment, job fair and intermediate



agencies. In addition, the Group also strictly adheres to labour standards to avoid misuse of child labour and forced labour. Any irregularities found will be dealt with promptly in accordance with the relevant laws and regulations. During the recruitment and employment process, the Group strictly vets the valid identity documents of applicants and employees to prevent employment of persons under the age of 16. If false or falsified information is found, the Group has the right to reject the employment or dismiss the employee in accordance with local labour laws and regulations. Meanwhile, the Group fully respects and protects employees’ personal freedom and right to rest, and signs employment contracts or labour contracts with new employees joining the Group to establish the employment relationship, and clearly stipulates that employees shall not work more than 40 hours per week to eliminate forced labour.



The remuneration of the Group's employees includes basic salaries and performance bonuses. The Group has set up social security retirement plans for eligible employees in Mainland China and contributed to them by the corresponding subsidiaries in strict compliance with the relevant labour standards in Mainland China and the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong; and set up Mandatory Provident Fund Schemes (MPF) schemes for eligible employees in Hong Kong. Meanwhile, the Group continued to promote the reformation of incentive mechanism to align with the wage marketization, with specific measures as follows:

- To actively explore the wage marketization and to establish a reasonable and effective mechanism to determine the total salary;
- To achieve medium-term and long-term incentive mechanism;
- To promote the reformation of share incentive.

The Group is committed to maintaining a wide range of benefits for its employees and is constantly improving its employee welfare and protection system. In addition to statutory holidays, employees are also entitled to wedding leave, personal leave, maternity leave, family visit leave, etc. In addition to the statutory social benefits, the Group also provides eligible employees with sick leave and medical insurance that meets the requirements of the operating sites.

Welfare at a glance	Statutory Social Benefits	<ul style="list-style-type: none"> <li>• Mandatory Provident Fund</li> <li>• Social Security Pension</li> </ul>
	Complementary Medical Insurance	<ul style="list-style-type: none"> <li>• Providing group medical insurance for employees to protect their basic needs such as outpatient, inpatient surgery, and dental treatment</li> <li>• Addition of medical insurance for employees' children in Mainland China</li> <li>• Implementation of medical fund scheme for Mainland employees</li> <li>• Providing critical illness insurance for Hong Kong employees</li> </ul>
	Annual Physical Examination	<ul style="list-style-type: none"> <li>• Providing annual medical examination reimbursement for employees who have been employed for more than a year</li> <li>• Providing reimbursement of HKD3,000 for employees</li> </ul>
	Leaves	<ul style="list-style-type: none"> <li>• Providing employees with statutory leaves and different types of leaves to meet their needs</li> </ul>
	Transportation Allowance	<ul style="list-style-type: none"> <li>• Providing employees with transportation allowance arising from work, including applications for reimbursement of the Group's vehicles and transportation expenses</li> </ul>

The Group actively promotes the improvement of employee performance appraisal mechanism. In accordance with the Management Measures for Employees Performance Appraisal, the Group conducts regular quarterly employee performance appraisals to assess the personal competence and quality of employees and their work performance. The appraisal results will be applied to performance bonus distribution, promotion and salary adjustment of employees. The head of department will also help employee identify their strengths and weaknesses based on the assessment results, and work with them to develop their personal training and development plans for the next stage. Besides, the Group has implemented the share incentive plan during the Reporting Period to motivate senior executives and key employees of the Group.

Strengthening staff cohesion and enhancing their sense of belonging is at the core of sustainable, healthy and rapid corporate development. The Group actively organizes various staff sports and cultural activities to relieve the physical and mental stress of employees, enhance team emotional exchanges and improve the quality of life of employees. On holidays, the labour union or the General Management Department of the Company will organise the distribution of condolence items or consolation money; At the same time, we also convey warmth to retired employees. On the eve of the Spring Festival every year, the Group's leaders led a team to visit retired employees to organise condolences, and distribute consolation money and gifts.



## Health and Safety

The main workplace for the Group's employees is the office. In order to create a safe and healthy working environment and to ensure that employees are free from occupational hazards, the Group has formulated and implemented the management of safety target, defined the safety management responsibilities of the relevant responsible persons and adopted a series of safety management measures. The Group's safety management measures include:

- The person in charge of each department, as the responsible officer for safety management, directs regular safety inspections;
- Uniform maintenance and renovation of office areas that cannot meet office needs due to ageing equipment, etc., in order to eliminate safety hazards;
- Strengthening the safety management of flammable, explosive and other dangerous goods;
- The installation and use of all computer equipment must meet safety requirements, and special personnel are responsible for keeping the computer equipment;
- All employees can report individual violations of the Group's safety and security systems;
- Providing supplementary medical care insurance, annual physical examinations etc. to employees.



We also safeguard the health and safety of our crew through the daily safety management of the ship management company. Based on full compliance with the international requirements of the ship safety management system, we have formulated and implemented corresponding internal management measures. At the same time, the Group invites classification societies and relevant third parties to conduct annual spot checks on the management system and daily ship management of ship

management companies to ensure that problems in safety management can be timely identified and rectified. According to the typical dangers faced by ships and different levels of emergencies, the Group has formulated emergency manuals and emergency procedures through ship management companies, which are updated annually. In addition, we conduct 1-2 ship-shore joint drills with ship management companies every year to protect the health and safety of crew members to the greatest extent.





## Development and Training

The Group implements the strategy of “strong talents for companies” and builds up a staff development system to enhance the construction of a talent team, striving to fulfilling the career development needs of employees at different stages. The Group has established the Management Measures of Staff Training, which stipulates that both departments and employees have the right to voice out their training needs. The Group requires the Administration and Human Resources Department to collect the training needs of each department in December each year for the following year, and to formulate training plans for the following year accordingly; such training plans can only be implemented after they have been approved by the relevant management. At the same time, we formulate monthly training courses on different topics based on monthly learning plans. The Group continues to invest in a wealth of training resources and organizes a variety of training formats, including:

	<p><b>Internal Training</b> The Group arranges lecturers (external or internal lecturers) to train employees.</p>
	<p><b>External Training</b> Based on training needs, employees are assigned to participate in externally organised training.</p>
	<p><b>Rotation Training</b> Employees are trained across departments to accumulate and improve business skills and experience.</p>
	<p><b>Mentor Training</b> Instructors or leaders in the departments train employees and impart business knowledge, skills and experience.</p>
	<p><b>Employee Self-Learning</b> According to the needs of the position or career development, employees learn the necessary knowledge and skills on their own.</p>
	<p><b>Online Learning</b> The Group uses Internet and other modern information technology to provide training courses, making good use of big data, “Internet +” and other concepts and technical means to improve the level of training management informatization.</p>

The Group cherishes talents, and has formulated rich training plans for reserve cadres. Through daily training, cross-department exchanges, and outposting to subsidiaries, the Group increases training efforts, continuously promotes the growth of talent teams, and achieves a “win-win” situation between talents and the enterprise.

The Group conducts training effectiveness evaluation to assess the effectiveness of employees learning and the reasonableness of training programmes. The Administration and Human Resources Department conducts training evaluation and analysis in an appropriate manner for different training formats and contents, and further adjusts and optimizes training planning and course settings based on the evaluation and analysis results.

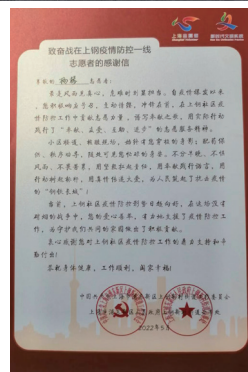


# Fulfilling Social Responsibilities & Promoting Rural Revitalization

The Group is actively involved in social welfare projects and carries out community construction activities in local communities. The Group attaches great importance to fulfilling its corporate social responsibility and sharing the fruits of corporate development by enhancing engagement and support of community. The Group insists on implementing effective principles of social investment during operation management and decision-making processes, including but not limited to:

- Supporting employees who are dedicated to serving the vulnerable groups in the communities;
- Encouraging employees to actively participate in volunteer activities after completing their work;
- Supporting the pandemic prevention and control; and
- Proactive exploration of investment in intelligent aquaculture industry in deep seabed areas, etc.

In the new era of building a moderately prosperous society in an all-round way, consumption assistance is an important way for us to contribute to social forces. During the Reporting Period, the Group followed the Opinions of the General Office of the State Council on Comprehensively Promoting Rural Revitalization in 2022, and combined with the 2022 Targeted Poverty Alleviation Work Plan of China State Shipbuilding Corporation Limited, and helped Mengla County in Xishuangbanna, Yunnan Province to consolidate the achievements of poverty alleviation and jointly overcome the difficulties of the pandemic through the consumer assistance. In terms of purchasing materials for conferences and receptions, and welfare materials for employees, the Group has made every effort to help Mengla County increase its income and promote the rural revitalization strategy, assuming the responsibility as a state-owned enterprise. As at the end of the Reporting Period, the Group spent a total of RMB38,315 on consumer assistance.





In addition, the Group has been actively promoting the green development of the aquaculture industry and is determined to implement the innovative development concept, protect the ecological environment of the waters, implement the rural revitalization strategy, ensure national food security and build the beautiful China. The world's first 100,000-tonne intelligent fishery large-scale aquaculture vessel "Guoxin No. 1" in which CSSC has a stake, has been delivered for operation. The vessel is equipped with 15 aquaculture pods and can produce 3,700 tonnes of high-quality fish per annum in the form of captive aquaculture on board. In the future, the Group will continue to play its role as a financial investment platform to "promoting industry through investment" and help the country expand its marine grain warehouse.





## Appendix 1 Performance of 2022

### Environmental and social related key performance indicators of 2022:

#### Environmental Aspect

Key Performance Indicators	Units	2022	2021	2020
<b>Air Emissions<sup>7</sup></b>				
NO <sub>x</sub>	Kg	0.17	0.59	0.42
SO <sub>x</sub>	Kg	0.02	0.04	0.02
CO	Kg	4.48	13.54	9.04
PM	Kg	0.03	0.07	0.04
<b>Greenhouse Gas Emission</b>				
Total Greenhouse Gas Emissions	tCO <sub>2</sub> e	137.93	153.14	106.65
Greenhouse Gas Emission Intensity	tCO <sub>2</sub> e/m <sup>2</sup>	0.06	0.07	0.05
<b>Scope 1</b>				
Direct Emissions from Mobile Sources with Operational Control <sup>8</sup>	tCO <sub>2</sub> e	2.37	5.57	3.76
<b>Scope 2</b>				
Indirect Emissions from Purchased Electricity <sup>9</sup>	tCO <sub>2</sub> e	100.19 <sup>10</sup>	69.70	64.67
<b>Scope 3</b>				
Business Air Travel by Employees <sup>11</sup>	tCO <sub>2</sub> e	35.37	77.87	38.22
<b>Hazardous Waste Generated</b>				
Total Amount of Hazardous Waste Generated	Tonnes	0.02	0.02	Not Applicable
Hazardous Waste Intensity	Kg/m <sup>2</sup>	6.8x10 <sup>-3</sup>	8.7x10 <sup>-3</sup>	Not Applicable
Waste Mercury-Vapour Lamps	Tonnes	0	0	3 (No.)
Wasted Batteries	Tonnes	1.13x10 <sup>-3</sup>	1.16 x10 <sup>-3</sup>	230 (No.)
Ink Cartridges/Tonner	Tonnes	0.016	0.017	26 (No.)
<b>Non-hazardous Waste Generated</b>				
Total Amount of Non-hazardous Waste Generated	Tonnes	1.07	1.29	1.34
Non-hazardous Waste Intensity	Kg/m <sup>2</sup>	0.43	0.60	0.63
Paper	Tonnes	0.97	1.19	1.30
Plastic	Tonnes	0.10	0.10	0.04
<b>Non-hazardous Waste Recycled</b>				
Total Amount of Non-hazardous Waste Recycled	Tonnes	0.04	0.62	Not Applicable
Paper	Tonnes	0.04 <sup>12</sup>	0.53	Not Applicable
Plastic	Tonnes	0 <sup>13</sup>	0.09	Not Applicable
<b>Use of Resources</b>				
Total Amount of Resources Consumption	kWh in 000's	173.53	131.45	106.24
Resources Consumption Intensity	kWh in 000's/ m <sup>2</sup>	0.07	0.06	0.05
Indirect Energy: Purchased Electricity Consumption	kWh in 000's	163.96 <sup>14</sup>	108.99	91.20
Purchased Electricity Consumption Intensity	kWh in 000's/ m <sup>2</sup>	0.07	0.05	0.04
Direct Energy: Petrol Consumption	kWh in 000's	9.58	22.46	15.21
Petrol Consumption Intensity	kWh in 000's/ m <sup>2</sup>	3.85x10 <sup>-3</sup>	0.01	7.11x10 <sup>-3</sup>
Water Resource Consumption	kWh in 000's	731 <sup>15</sup>	540 <sup>16</sup>	360 <sup>17</sup>
Water Resource Consumption Intensity	kWh in 000's/ m <sup>2</sup>	0.29	0.25	0.17

## Social Aspect

Key Performance Indicators	Units	2022	2021	2020
Employees	Person	87	81	74
Number of Employees by Region <sup>18</sup>				
Mainland China	Person	57	65	58
Hong Kong	Person	30	16	16
Number of Employees by Gender				
Female	Person	44	39	38
Male	Person	43	42	36
Number of Employees by Type				
Full-time	Person	87	81	74
Part-time	Person	0	0	0
Number of Employees by Age				
Below 30	Person	14	10	9
30 - 40	Person	43	51	50
41 - 50	Person	23	15	11
Above 50	Person	7	5	4
Employee Turnover	Percentage	13%	7%	9%
Employees Turnover Rate by Region				
Mainland China	Percentage	12%	9%	3%
Hong Kong	Percentage	13%	0	31%
Employees Turnover Rate by Gender				
Female	Percentage	9%	8%	11%
Male	Percentage	16%	7%	8%
Employees Turnover Rate by Age				
Below 30	Percentage	0	10%	11%
30 - 40	Percentage	16%	8%	8%
41 - 50	Percentage	17%	0	9%
Above 50	Percentage	0	20%	25%
Employee Training <sup>19</sup>				
Percentage of Trained Employees by Gender				
Female	Percentage	50.57%	48.33%	51.35%
Male	Percentage	49.43%	51.67%	48.65%
Percentage of Trained Employees by Employee Category				
High-level	Percentage	8.05%	8.33%	6.76%
Mid-level	Percentage	11.49%	15.00%	13.51%
Basic-level	Percentage	80.46%	76.67%	79.73%
Average Training Hours by Gender				
Female	Hour	30.66	14.26	8.50
Male	Hour	39.58	15.71	23.08
Average Training Hours by Employee Category				
High-level	Hour	70.93	21.00	17.60
Mid-level	Hour	80.55	16.83	75.50
Basic-level	Hour	24.99	13.58	5.24
Work Safety				
Work-related Fatalities	Person	0	0	2020: 0 2019: 0
Rate of Work-related Fatalities	%	0	0	2020: 0 2019: 0
Lost Days Due to Work Injury	Day	0	0	0
Number of Suppliers by Geographical Region				
Mainland China	No.	6	7	Not Applicable

## Appendix 2 The List of Laws and Regulations

The laws and regulations that have a significant impact on the Group's business operations in Mainland China and Hong Kong are as follows:

ESG Aspects	Laws and Regulations		Compliance Status
	Mainland China	Hong Kong	
Environmental	Environmental Protection Law of the People's Republic of China Environmental Impact Assessment Law of the People's Republic of China Environmental Protection Tax Law of the People's Republic of China Implementing Regulations on the Environmental Protection Tax Law of the People's Republic of China Atmospheric Pollution Prevention and Control Law of the People's Republic of China Water Pollution Prevention and Control Law of the People's Republic of China Solid Waste Prevention and Control Law of the People's Republic of China	Cap.311 Air Pollution Control Ordinance  Cap.354 Waste Disposal Ordinance	During the Reporting Period, the Group did not experience any violation of laws and regulations relating to the Group's air emissions and GHG emissions, discharges into to water and land, waste generation and disposal that had a significant impact on the Group.
Employment and Labour Standards	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Social Insurance Law of the People's Republic of China Minors Protection Law of the People's Republic of China Provisions on the Prohibition of Using Child Labour	Cap. 57 Employment Ordinance  Cap. 480 Sex Discrimination Ordinance  Cap. 487 Disability Discrimination Ordinance  Cap. 602 Race Discrimination Ordinance	During the Reporting Year, the Group did not receive any information about laws and regulations that had a significant impact on the Group and are related to employment, employment of child labour, and forced labour.
Work Health and Safety	Occupational Diseases Prevention and Treatment Law of the People's Republic of China Fire Control Law of the People's Republic of China	Cap. 509 Occupational Safety and Health Ordinance  Cap. 282 Employees' Compensation Ordinance	During the Reporting Year, the Group did not receive any complaints about occupational health and safety that had a significant impact on the Group.
Product Responsibility	Patent Law of the People's Republic of China Trademark Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China	Cap. 362 Trade Descriptions Ordinance  Cap. 486 Personal Data (Privacy) Ordinance  Cap. 559 Trademarks Ordinance  Cap. 571 Securities and Futures Ordinance	During the Reporting Year, the Group was not aware of any incidents of non-compliance with laws and regulations concerning the provision and use of the Group's products and services, which cover product and service information and labelling, privacy, marketing communications (including advertising, promotion and sponsorship), and property rights (including intellectual property rights) that had a significant impact on the Group.
Anti-corruption	Anti-Money Laundering Law of the People's Republic of China Interim Provisions on Banning Commercial Bribery	Cap. 201 Prevention of Bribery Ordinance  Cap. 204 Independent Commission Against Corruption Ordinance  Cap. 571 Securities and Futures Ordinance  Cap. 615 Anti-Money Laundering and Counter-Terrorist Financing Ordinance  Cap. 622 Companies Ordinance	During the Reporting Year, the Group did not receive any laws and regulations relating to the prevention of bribery, extortion, fraud, and money laundering, and did not receive any cases relating to internal employees involved in bribery, extortion, and money laundering.

## Appendix 3 Content Index

Provisions, Subject Areas, Aspects, General Disclosures and KPIs			
	Disclosure	Chapter	
<b>Mandatory Disclosure Requirements</b>			
Governance Structure	<p>A statement from the board containing the following elements:</p> <p>(i) a disclosure of the board’s oversight of ESG issues;</p> <p>(ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and</p> <p>(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses.</p>	“Corporate ESG Governance”	
Reporting Principles	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p>	<p><b>Materiality:</b> The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</p>	“About This Report”
		<p><b>Quantitative:</b> Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p>	“About This Report”
		<p><b>Consistency:</b> The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	“About This Report”
Reporting Boundary	<p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>	“About This Report”	
<b>“Comply or explain” Provisions</b>			
A. Environmental			
Aspect A1: Emissions	<p>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. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	<p>“Responding to Climate Change &amp; Supporting Green Shipping”</p> <p>“Appendix 2 The List of Laws and Regulations”</p>	
KPI A1.1	The types of emissions and respective emissions data.	“Appendix 1 Performance of 2022”	
KPI 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).	“Appendix 1 Performance of 2022”	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Appendix 1 Performance of 2022”	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	“Appendix 1 Performance of 2022”	
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	“Responding to Climate Change & Supporting Green Shipping”	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	“Responding to Climate Change & Supporting Green Shipping”	



## Provisions, Subject Areas, Aspects, General Disclosures and KPIs

Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		“Responding to Climate Change & Supporting Green Shipping”  “Appendix 2 The List of Laws and Regulations”
	KPI 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).	“Appendix 1 Performance of 2022”
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	“Appendix 1 Performance of 2022”
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	“Responding to Climate Change & Supporting Green Shipping”
	KPI 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.	“Responding to Climate Change & Supporting Green Shipping”
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable <sup>20</sup>
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.		“Responding to Climate Change & Supporting Green Shipping”
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	“Responding to Climate Change & Supporting Green Shipping”
Aspect A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		“Column: Ten-year Hard Work to Continue to Create Glory – Firmly Serving National Strategies”
	KPI 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.	“Corporate ESG Governance”  “Responding to Climate Change & Supporting Green Shipping”

## Provisions, Subject Areas, Aspects, General Disclosures and KPIs

	Disclosure		Chapter
B. Social			
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		“Focusing on people-oriented & Cherishing, Cultivating and Promoting Talents”  “Appendix 2 The List of Laws and Regulations”
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	“Appendix 1 Performance of 2022”
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	“Appendix 1 Performance of 2022”
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		“Focusing on people-oriented & Cherishing, Cultivating and Promoting Talents”  “Appendix 2 The List of Laws and Regulations”
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	“Appendix 1 Performance of 2022”
	KPI B2.2	Lost days due to work injury.	“Appendix 1 Performance of 2022”
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	“Focusing on people-oriented & Cherishing, Cultivating and Promoting Talents”

Provisions, Subject Areas, Aspects, General Disclosures and KPIs			
Aspect B3:  Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		"Focusing on people-oriented & Cherishing, Cultivating and Promoting Talents"
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	"Appendix 1 Performance of 2022"
	KPI B3.2	The average training hours completed per employee by gender and employee category.	"Appendix 1 Performance of 2022"
Aspect B4:  Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		"Focusing on people-oriented & Cherishing, Cultivating and Promoting Talents"  "Appendix 2, The List of Laws and Regulations"
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	"Focusing on people-oriented & Cherishing, Cultivating and Promoting Talents"
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	"Focusing on people-oriented & Cherishing, Cultivating and Promoting Talents"
Operating Practices			
Aspect B5:  Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		"Adhering to Stable Operation & Strengthening Safe Operation"
	KPI B5.1	Number of suppliers by geographical region.	"Appendix 1 Performance of 2022"
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	"Adhering to Stable Operation & Strengthening Safe Operation"
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	"Adhering to Stable Operation & Strengthening Safe Operation"
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	"Adhering to Stable Operation & Strengthening Safe Operation"
Aspect B6:  Product Responsibility	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.		"Adhering to Stable Operation & Strengthening Safe Operation"
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable <sup>21</sup>
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
	KPI B6.4	Description of quality assurance process and recall procedures.	
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	"Adhering to Stable Operation & Strengthening Safe Operation"
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.		"Adhering to Stable Operation & Strengthening Safe Operation"
	KPI 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.	"Adhering to Stable Operation & Strengthening Safe Operation"
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	"Adhering to Stable Operation & Strengthening Safe Operation"
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	"Adhering to Stable Operation & Strengthening Safe Operation"
Community			
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.		"Fulfilling Social Responsibilities & Promoting Rural Revitalization"
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	"Fulfilling Social Responsibilities & Promoting Rural Revitalization"
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	"Fulfilling Social Responsibilities & Promoting Rural Revitalization"

## (Footnotes)

- 1 The calculation of air emissions is based on the Technical Guide for the Preparation of Road Vehicle Air Pollutant Emission Inventory published by the Ministry of Ecology and Environment of the People's Republic of China.
- 2 The calculation method refers to the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Land Transportation Industries (Trial) and the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Industrial and Other Industry published by the National Development and Reform Commission of the People's Republic of China.
- 3 The emission factors used in 2022 calculation are with reference to the Notice on the Preparation of the Greenhouse Gas Emission Reporting and Management Work for Electricity Generation Industry in 2023-2025 issued by the Ministry of Ecology and Environment of the People's Republic of China, and the Sustainability Report 2021 published by HK Electric Investments Limited.  
The emission factors used in 2021 calculation are with reference to the Guidelines for Accounting Methodology and Reporting of Greenhouse Gas Emissions by Enterprises - Power Facilities issued in 2022 by the Ministry of Ecology and Environment of the People's Republic of China, and the Sustainability Report 2019 published by HK Electric Investments Limited. The emission factors used in 2020 calculation are with reference to the Notice on the Establishment of 2018 Carbon Emission Reporting and Verification and Emission Monitoring Plan issued in 2019 by the Ministry of Ecology and Environment of the People's Republic of China and the Sustainability Report 2019 published by HK Electric Investments Limited.
- 4 The relocation of the Group's offices in Guangzhou and Shanghai during the Reporting Period resulted in an increase in electricity consumption due to the increase in office space, in response to the increase in indirect greenhouse gas emissions caused by the purchase of electricity.
- 5 The data on Scope 3 emissions generated by business air travel by employees are based on the calculation of CO<sub>2</sub> emissions from air travel developed by the International Civil Aviation Organization (ICAO), an agency of the United Nations, and can be found at <https://www.icao.int/environmental-protection/CarbonOffset/Pages/default.aspx>.
- 6 The Group promotes paper conservation by reusing all paper that has been used on one side and recycling all paper that has been used on both sides, of which the amount of paper recycled in the Guangzhou and Shanghai offices cannot be estimated at this time and therefore has not been included in this Reporting Period. The Group plans to continue to improve its waste recycling efforts in the future in line with the action plan on waste recycling set out in the ESG targets.
- 7 The Group's plastics, which are mainly sourced from plastic water bottles used in offices, are not yet accounted for in 2022 as they are collected by a third party on a consolidated basis.
- 8 The relocation of the Group's offices in Guangzhou and Shanghai during the Reporting Period resulted in an increase in electricity consumption due to the increase in office space.
- 9 As the Group operates mostly at office, it is difficult to collect water consumption. For the Shanghai office, water consumption cannot be split as it is included in the property charges. The Hong Kong office follows the "1.5 cubic metres per person per month" method of estimation, which is consistent with the statistics and estimation methods of previous years.
- 10 As the Group mainly operates in offices, it is difficult to collect the amount of water consumption. Shanghai office cannot collect the amount of its water consumption as its property fee covers water consumption fee. Hongkong office and Guangzhou office calculate the water consumption based on the estimation that one person consumes 1.5 m<sup>3</sup> of water every month.
- 11 The amount of water consumption in 2020 was revised as 360 m<sup>3</sup> and it only covers the amount of water consumption of Hongkong office, based on the estimation that one person consumes 1.5 m<sup>3</sup> of water every month.
- 12 In 2020 and 2021, the Group's employee statistical breakdowns by region are "from Mainland China" and "from Hong Kong", which are updated to "working in Mainland China" and "working in Hong Kong" from 2022 onwards.
- 13 Percentage of employees trained in a specific category = Total number of employees trained in the specific category divided by the total number of employees trained.
- 14 The major business activities of the Group are leasing services, ship brokerage services and loan services of which the business process, the use of packaging materials for finished products are not involved. Therefore, the indicator is not applicable.
- 15 The Group understands the importance of publicity for the benefit of companies. However, the Group's current business strategy does not rely on advertising for publicity. The Group's main business is the provision of financial services and does not involve any health and safety issues related to the services, does not involve the issues of quality assurance and product recalls, intellectual property rights and customer complaints. As there are no actual product sales in the Group's direct operations, no matters related to product labeling are involved.
- 16 As the Group mainly operates in offices, it is difficult to collect the amount of water consumption. Shanghai office cannot collect the amount of its water consumption as its property fee covers water consumption fee. Hongkong office and Guangzhou office calculate the water consumption based on the estimation that one person consumes 1.5 m<sup>3</sup> of water every month.
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- 18 In 2020 and 2021, the Group's employee statistical breakdowns by region are "from Mainland China" and "from Hong Kong", which are updated to "working in Mainland China" and "working in Hong Kong" from 2022 onwards.
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- **Professionalism**
- **Focus**
- **Innovation**
- **High efficiency**

