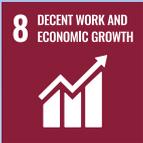


## CHAPTER 8

# GOVERNANCE



### Material topics covered:



Corporate  
governance



Business  
ethics



Data privacy protection  
and cybersecurity



Economic  
performance\*



Tax

COSCO SHIPPING Ports believes that integrity and win-win cooperation are the cornerstone of building a trustworthy and sustainable business model. Through continuous improvement in risk management, the Company aims to create a business environment of integrity and enhance the confidence of its stakeholders.

\* Please refer to Chapter 5 – About COSCO SHIPPING Ports in this Report

## PERFORMANCE HIGHLIGHTS IN 2023

In 2023, the Company issued various management regulations, including the Rules of Procedures of the Board of Directors, the Working Rules of the Board Secretary and the Rules of Procedures of Board Committees. In the meantime, the Company issued the Management Policy on the Responsibilities for Cybersecurity and Information Technology Equipment of the Headquarters (Trial Implementation) and amended the Requirements on Informatisation Management and Assessment to continuously improve the development and management of informatisation projects and the relevant assessment regulations.

The Company continues to intensify its efforts in fostering a culture of integrity. During the year, all directors of the Company completed anti-corruption training. The Company's headquarters in Hong Kong and Shanghai and all Subsidiaries organised and conducted anti-corruption training and education programmes for employees.

In addition, the Company has linked ESG indicators to the business performance assessment of the management, and arranged ESG training for all directors and senior management during the year to continuously reinforce the Company's management capability and capacity in sustainable development.

## MANAGEMENT APPROACH

The Company is committed to maintaining a high standard of corporate governance by having a well-defined governance structure and clear management policies and procedures in place, and continuously optimising its risk management and internal control systems.

In compliance with applicable laws and regulations, and ethical standards, the Company strictly prohibits illegal and unethical behaviour such as corruption, bribery, fraud, and money laundering, and provides regular anti-corruption training to employees to strengthen the Company's culture of integrity and honesty.

As the development of smart ports progresses, the Company has published and continuously improved multiple management policies regarding data privacy protection and cybersecurity to provide institutional norms and guidelines for related work.

## CORPORATE GOVERNANCE

Good corporate governance is the key for COSCO SHIPPING Ports to promote high-quality and sustainable development. The Company has always adhered to the highest ethical standards and builds a business environment of integrity through continuous improvement of risk management mechanisms to achieve sustainable business operations and increase corporate value.

During the year, the Company and its Subsidiaries did not make any monetary contributions to any political campaigns, political organisations, lobbyists or lobbying organisations.

A series of ESG indicators, such as safe production, energy saving and emission reduction, and ecological and environmental protection, is included in the performance appraisal of the Company's management. The annual performance of the Company's management is linked to the achievement of such ESG indicators and the appraisal results.

For details on corporate governance, please refer to the section headed "Corporate Governance Report" in the 2023 Annual Report of the Company.

## CORPORATE GOVERNANCE STRUCTURE

The Board of the Company maintains oversight of the overall business performance, leading corporate strategies and managing the allocation of resources to lay a solid foundation for the Company's long-term development. As at 28 March 2024 (the date on which the Board approved this report), the Board consisted of ten members, including three executive directors, two non-executive directors and five independent non-executive directors. There are seven committees under the Board, including the Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee, ESG Committee, Investment and Strategic Planning Committee and Risk Management Committee. Each committee specifies in writing its terms of reference and its relevant powers and responsibilities to assist the Board in management and governance, enabling it to play an effective leadership role.

The Board has delegated the ESG Committee to oversee the Company's ESG-related work and promote the effective implementation of relevant policies and measures. The ESG Committee comprises three members, the majority of whom (including the chairman of the committee) are independent non-executive directors of the Company. The ESG Committee, under the leadership of the Board, is responsible for introducing and proposing relevant principles concerning corporate governance, providing professional and diversified recommendations on the development and implementation of corporate social responsibility and sustainable development measures, to promote the Company's continuous improvement in corporate governance. The Company arranges training for the Board on ESG-related topics on a regular basis to enhance the professional knowledge of the Board members in the area of sustainable development. During the year, all directors and senior management of the Company attended ESG training, which covered global ESG development trends and relevant international regulatory requirements (such as the ISSB Standards and the recommendations of the Task Force on Climate-related Financial Disclosure ("TCFD")), key focus areas of the industry (such as climate risks and financial impacts).

COSCO SHIPPING Ports acknowledges that a diversified Board can help enhance the Company's overall performance. The Company has established the [Board Diversity Policy](#), which ensures the Board would not consist solely of members of the same gender and shall have diversified perspectives. When considering candidates for directors, the Nomination Committee takes full consideration into the objective conditions of candidates, including, but not limited to, gender, age, skills, cultural background, knowledge and professional experience, adequately taking the structure and diversity of the Board into account, to further optimise corporate governance and enhance the Company's competitiveness.

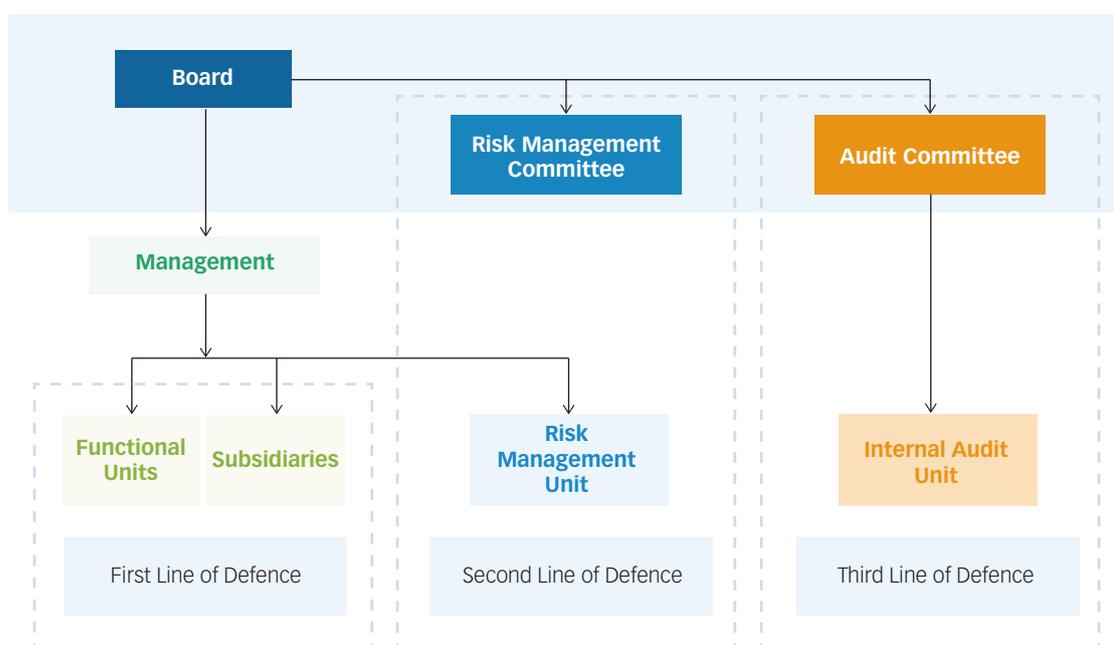
For details on the Board committees, please refer to the section headed "Corporate Governance Report – Delegation by the Board" in the 2023 Annual Report of the Company.

## RISK MANAGEMENT

The Company has established the Compliance Management Policy to further standardise the operational and management standards of the Company, its Subsidiaries and employees, comply with the requirements of relevant laws and regulations, international treaties, regulatory requirements, industry standards, corporate articles of association, and rules and regulations, and strengthen risk management and improve the level of legal and compliant operation and management to ensure the continuous and healthy development of the Company. During the year, the Group did not incur any risk incidents.

To ensure a prudent risk management strategy, the Company has developed the “three lines of defence” risk management and internal control system based on control environment, risk assessment and measures against risks, to identify, analyse and respond to potential risks in its business. The Company also makes reference to nationally and internationally recognised guidelines<sup>7</sup> to develop the risk management framework which covers five dimensions, namely corporate strategy, market, finance, law, and operations. The Board delegates the Risk Management Committee to oversee, review and improve the Company’s risk management system, with the aim of preventing all kinds of risks and challenges.

### RISK MANAGEMENT STRUCTURE



### RISK MANAGEMENT PROCEDURES



7 Including the COSO Framework established by the Committee of Sponsoring Organisations of the Treadway Commission of the United States of America, the “General Risk Management Guidelines for State-owned Enterprises” issued by the State-owned Assets Supervision and Administration Commission of the State Council, the “Basic Norms of Internal Control for Enterprises” and complementary guidelines issued by the Ministry of Finance and four other ministries and commissions of the People’s Republic of China, and the guide on internal control and risk management issued by the Hong Kong Institute of Certified Public Accountants.

The Company conducts risk assessments and responds in accordance with the risk management procedures, in order to ensure sustainable development, and analyse any risks that may be involved in future operations and business development, including, but not limited to, risks related to sustainable development issues such as safe production, customer relationship management, human resources and climate-related issues. The Company plans ahead from all aspects to formulate risk response measures one by one, enabling the Company to better cope with and prevent risks encountered in the course of operations. The Company evaluates and updates potential risks based on the “severity of risk” and “possibility of risk occurrence” to monitor and manage the impacts on the Company’s operating costs and other financial impacts caused by related risks.

For details on the risk management system and risk evaluation assessment, please refer to the section headed “Corporate Governance Report – Risk Management and Internal Control” in the 2023 Annual Report of the Company.

## BUSINESS ETHICS

The Company upholds high standards of business ethics and integrity, which are regarded as the foundation of the business. The Company has formulated the [Anti-corruption Policy](#) to regulate the Company and its Subsidiaries to maintain a corporate culture of honesty and integrity at all times, strictly abide by applicable laws and regulations, and prevent all forms of improper behaviour such as suspected corruption and bribery. The Company maintains a zero-tolerance approach in handling all relevant situations. The Company stipulates in the Employee Handbook its anti-corruption principles and regulations, stating that seeking personal benefits in the name of the Company or personal authority is strictly forbidden, in order to ensure that all employees respect and comply with the corporate ethical standards and business ethics, and maintain the core values of law-abiding and honest business.

The Company strengthens the promotion of a corporate culture of integrity and honesty through regular anti-corruption training to enhance the integrity standards of the management and employees. In 2023, all directors of the Company completed anti-corruption training, which included the Training Package on Business Ethics for Listed Companies produced by the Independent Commission Against Corruption of Hong Kong (the “ICAC”), covering Anti-corruption Programme – A Guide for Listed Companies and Toolkit on Director’s Ethics. In addition, the Company invited the ICAC to provide a professional training seminar on integrity for the employees of its headquarters in Hong Kong and the management personnel of Hong Kong Terminals. The training provided an introduction to the anti-corruption legislation, handling of conflict of interest, and the duties of the management staff, aiming to strengthen their awareness of anti-corruption issues and build up a strong defence against integrity practices.

Meanwhile, the Company’s headquarters in Shanghai and its Subsidiaries launched the “Month of Business Integrity Education” and deepened the anti-corruption culture at all levels through activities such as visits to integrity education bases, quizzes on anti-corruption knowledge and integrity education conferences. In addition, the Company requires overseas Subsidiaries to, taking into consideration the local situation, provide anti-corruption training by way of seminars, special lectures, promotional and educational video sharing or online courses, to strengthen the prevention and control of overseas corruption risks.



*During the year, Lianyungang New Oriental Terminal launched the “Month of Business Integrity Education” and held integrity reminder talks to strengthen employees’ awareness of integrity and self-discipline.*

The Company has formulated the [Whistleblowing Policy](#), to standardise the reporting procedures and investigation measures of the Company and its subsidiaries. It provides a formal and confidential reporting channel for all members of the Company or others who do business with the Company, such as customers and suppliers.

During the year, the Group did not receive any report or complaint on corruption.

### **DATA PRIVACY PROTECTION AND CYBERSECURITY**

The Company attaches great importance to data security and privacy protection, striving to build a secure environment that protects both the Company’s and its customers’ information. The Company has formulated the Management Policy on Cybersecurity and initiated relevant amendments at the end of 2023. The Management Policy on Cybersecurity regulates the cybersecurity management of the Company and its Subsidiaries and prevents attacks, intrusions, interference, destruction, illegal use and accidents on the network, ensuring the stability and reliability of network operation as well as the integrity and confidentiality of network data.

The Company continuously coordinates its Subsidiaries in China to fully promote the unified security systems. Through regular monitoring and scanning, security vulnerabilities are identified and dealt with immediately, so as to effectively prevent various types of intrusions and attacks such as viruses, Trojan horses and remote control. During the year, the Company completed the unified deployment of network boundary security devices for its Subsidiaries in China. By leveraging a unified platform and the expertise of third-party professionals, the Company has significantly strengthened the headquarters' oversight of cybersecurity across various units and improved the ability to identify risks and vulnerabilities, leading to effective rectification and enhanced capabilities for continuous security operations and incident handling. In accordance with overseas compliance requirements, the Company has coordinated overseas Subsidiaries to carry out the sorting of digital assets, implemented immediate notification of early warning, investigation and rectification, provided regular reports and review on the security work. In addition, the Company arranged the migration of relevant systems of its Subsidiaries in China to an exclusive cloud pool during the year, aiming to enhance the Group's level of the application security protection by leveraging the capability offered by the exclusive cloud pool.

To raise the awareness of all employees of the Company and its Subsidiaries on cybersecurity and data privacy protection, the Company regularly organises cybersecurity publicity campaigns to publicise the latest cybersecurity knowledge and best practices to help employees cope with common security threats such as phishing emails and cyber-attacks. During the year, the Company organised cybersecurity border training to raise employees' awareness and management capabilities on cybersecurity. In 2023, Lianyungang New Oriental Terminal organised a cybersecurity emergency exercise to improve employees' emergency response abilities and their response time. At the same time, specific and standardised practices were developed for key positions and groups of people, enabling them to identify and deal with threats.

In addition, the Company coordinates its Subsidiaries to perform cybersecurity vulnerability patching to prevent potential risks in system security and ensure that the information of the companies and customers is protected. The Company shares information with its Subsidiaries to defend against malicious attacks and manage vulnerability information.

During the year, the Group was not involved in any cases of leakage of customer data, nor did it encounter any cybersecurity incidents.



*Lianyungang New Oriental Terminal organised a learning session on cybersecurity knowledge around the "Things you should know and understand about cybersecurity" published by the Company.*



*Guangzhou Terminals, the Nansha Police Station and the Comprehensive Management Office of Longxue Street jointly organised a training session on internet fraud to help terminal workers improve their ability to identify and prevent internet fraud.*

During the year, CSP Valencia Terminal organised cybersecurity training to enhance employees' awareness of risk prevention, enable them to learn from best practices, and provide specialised training for employees in relevant job positions or those responsible for handling sensitive information.

## TAX

The Company files tax returns and pays taxes on time and is committed to fully complying with all applicable tax laws and regulations. The Company has formulated the Tax Management Policy to clearly define tax management procedures and responsibilities and regulate tax reporting, planning, and file management in order to strictly prohibit any form of tax evasion and tax avoidance. Financial personnel must comply with applicable tax laws, fulfill tax obligations in a legal and compliant manner, and file tax returns and make payments of relevant taxes in a timely manner.

During the year, the Group did not experience any financial or tax-related illegal or non-compliant incidents.

