



2024

Environmental, Social and Governance Report

CSSC (HONG KONG) SHIPPING COMPANY LIMITED

Stock code:3877



2024ESG

CSSC (HONG KONG) SHIPPING COMPANY LIMITED

CONTENTS

1 ABOUT THIS REPORT

REPORTING PERIOD
REPORTING BOUNDARY
BASIS FOR REPORT PREPARATION
REPORT ACQUISITION METHOD
RESPONSE TO THIS REPORT
APPROVAL AND CONFIRMATION

2 CHAIRMAN'S STATEMENT

3 ABOUT US

CORPORATE CULTURE
MAJOR BUSINESS
DEVELOPMENT AND VALUE
BUSINESS STRATEGIES

7 SYSTEM CONSTRUCTION, PROMOTING ESG TO GO DEEP AND SOLID

ESG DEVELOPMENT CONCEPT
ESG GOVERNANCE STRUCTURE
STAKEHOLDER COMMUNICATION
ASSESSMENT OF MATERIAL ISSUES

10 DEEPENING REFORM WITH A FOCUS ON VALUE CREATION

COMPREHENSIVELY DEEPEN REFORM
IMPROVE RISK MANAGEMENT
ADHERE TO BUSINESS ETHICS
POLICY INFLUENCE
TAX STRATEGY
MAINTAIN INFORMATION SECURITY

15 TOPIC: INTEGRATION OF INDUSTRY AND FINANCE – “GREEN FINANCE” PROMOTES “GREEN SHIPPING”

SEIZE GREEN FINANCING OPPORTUNITY AND DEVELOP GREEN SHIP ASSETS
SUPPORTING STRATEGIC EMERGING INDUSTRIES TO FOSTER PARTNERS' GREEN TRANSITION
STRENGTHENING PARTNERSHIPS WITH FINANCIAL INSTITUTIONS TO INNOVATE PURE ELECTRIC SHIP INSURANCE

17 ADVANCING LOW-CARBON TRANSITION AND CO-CREATING GREEN ENVIRONMENTS

RESPONDING TO CLIMATE CHANGE
REDUCE ENVIRONMENTAL IMPACT
BUILDING AN ENVIRONMENTALLY FRIENDLY WORKPLACE
24 INCLUSIVE AND MUTUALLY BENEFICIAL, ADVANCING TOGETHER WITH EMPLOYEES
EMPLOYMENT AND RIGHTS
HEALTH AND SAFETY
DEVELOPMENT AND TRAINING

32 FOSTERING SHARED RESPONSIBILITY FOR MUTUAL VALUE CHAIN DEVELOPMENT

BUILDING A RESPONSIBLE SUPPLY CHAIN
IMPROVE CUSTOMER SATISFACTION
COMMITMENT TO SOCIAL RESPONSIBILITY

35 APPENDIX 1 PERFORMANCE OF 2024

ENVIRONMENTAL ASPECT
SOCIAL ASPECT

37 APPENDIX 2 LIST OF LAWS AND REGULATIONS

38 APPENDIX 3 CONTENT INDEX

About this Report

This Environmental, Social and Governance (“ESG”) Report (this “**Report**”) provides the latest sustainability-related information of CSSC (Hong Kong) Shipping Company Limited (“**CSSC**”, or “**the Company**”) and its subsidiaries (collectively referred to as “**the Group**” or “**we**”) in 2024, as well as issues of concern 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 *2024 Annual Report* (especially the *Corporate Governance Report* contained therein) for a comprehensive understanding of our Company’s performance.

Report acquisition method

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: <https://csscshipping.com/>

Response to This Report

If you have any comments or suggestions on this Report or the Company’s sustainability performance, please contact us through the following means:

Email: 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 internal documents and public information of the Group. This Report was reviewed and approved by the Board in March 2025.

■ 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 January 1 2024 and December 31 2024 (the “**Reporting Period**”). Due to data continuity and comparability, the timeframes of some of the content have been adjusted where necessary.

■ Reporting Boundary

The reporting boundary of this Report is consistent with the Company’s *2024 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* (“**ESG Reporting Guide**”) contained in Appendix C2 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 the 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 measured and, where applicable, information on the standards, methodologies, assumptions, and/or calculation tools used, and the sources 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.

¹ This Report is prepared based on the “ESG Reporting Guide”, which is valid from December 31 2023 to December 31 2024. The Group will prepare its ESG report for the year 2025 in accordance with the “ESG Reporting Code” that will come into effect on January 1 2025.

Chairman's Statement



2024 marks the 12th year since the establishment of CSSC, and it has been a year for us to forge ahead and achieve growth in the complex and ever-changing market environment. In this year, the world has been turbulent and transformative, with geopolitical games and regional conflicts continuously stirring up global unrest. The new round of technological revolution and industrial transformation driven by artificial intelligence has developed rapidly. The changes in the world, the times, and history are unfolding in unprecedented ways. Against this backdrop, the Board has actively fulfilled its core responsibilities of “formulating strategies, making decisions, and preventing risks”. The Group continues to deepen the dual-wheel drive of green shipping and green finance, seizing opportunities in the face of risks. Not only has it achieved stable economic benefits, but also it has made significant progress in the field of sustainable development.

We closely follow the national strategy of “carbon peaking and carbon neutrality” and continue to cultivate the green shipping track. With regulatory bodies such as the International Maritime Organization (IMO) further tightening greenhouse gas (GHG) emission standards for ships, the pressure for low-carbon transformation in the shipping industry is increasing day by day. As a leading enterprise in the industry, we have made a breakthrough in the field of liquefied natural gas (LNG)² transportation, commencing the construction of two 175,000 cubic meter LNG carriers. This brings the total number of large-scale joint venture LNG carriers under construction to 7, further consolidating our leading position in the global clean energy ship market.

We actively expand the green industry chain, deepen cooperation with partners, and serve the equipment upgrading and product needs for the development of new quality productive forces. This helps promote the development of strategic emerging industries such as offshore wind power and photovoltaics, and demonstrate our responsibility and commitment to green and low-carbon transformation. During the Reporting Period, we completed the financing and leasing of new energy equipment by Xi'an Aerospace City Development Holding Group Co., Ltd, supporting the high-quality development of the photovoltaic industry. We also leased 11 key lifting devices to our long-term partner Guangxi Wenchuan Heavy Industrial Co., Ltd. (“Guangxi Wenchuan”), successfully supporting the delivery of their large-scale offshore wind power pile leg orders and propelling them into the ranks of the world's leading wind power foundation suppliers. By continuously deepening collaborative cooperation with green and strategic emerging industries, the Group has demonstrated its responsibility and commitment to serving the national strategy, providing a strong impetus for the green transition of shipping and related industries.

We continue to deepen our strategic layout of sustainability finance and promote the deep integration of green finance and green shipping. Our previously issued sustainability-linked Panda bonds have successfully achieved the sustainability performance targets, which further consolidates the Group's leading position in green finance within the industry. We are also actively exploring innovations related to new energy ships and have signed a Green Ship Insurance Consortium Cooperation Agreement to support the high-quality development of the industry.

We consistently deepen cooperation with various stakeholders, actively fulfill our social responsibilities, and lead the sustainable development of the value chain. During the Reporting Period, we further strengthened our communication and connections with various stakeholders through diverse offline communication activities. In terms of employee care, we continued to enhance our employee welfare and development systems and organized multiple employee activities to effectively boost employee cohesion and sense of belonging, achieving mutual growth between employees and the Group. With regard to supply chain management, we worked closely with partners to build a responsible supply chain system. On the customer service front, we conducted a customer satisfaction survey during the Reporting Period, with a commitment to enhancing the quality of customer service. Additionally, we actively engaged in rural revitalization, and community welfare initiatives, contributing to the harmonious development of society.

Looking ahead, we will continue to implement national strategies, steadfastly advance the dual drive of green shipping and green finance, actively address the challenges of climate change, and drive the industry's low-carbon transformation. At the same time, we will deepen our ESG governance framework, significantly enhance our risk management capabilities, further improve management efficiency, and strengthen our sustainable development capabilities.

Twelve years of trials and tribulations, 12 years of steadfast progress. In the new year, the Board is confident in leading all employees to join hands with various stakeholders to share the same aspirations and to work together in solidarity. Together, we will continue to write a new chapter of high-quality and sustainable development for CSSC.

Li Hongtao
Chairman

² Liquefied natural gas (LNG), which is primarily composed of methane, is a relatively advanced clean energy source. As a ship power fuel, LNG can achieve zero emissions of sulfur oxides and a 25% reduction in carbon dioxide (CO₂) emissions compared to traditional ship fuels. It is particularly suitable for international ocean-going vessels that require large transport capacities and long operating distances.

3

About Us



Corporate Culture

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

As the sole leasing company under the China State Shipbuilding Corporation Limited (the "CSSC Group"), the Company benefits from the close relationship between itself and the CSSC Group (one of the controlling shareholders of the Company). The Company believes that the background of the shareholders has distinguished the Company from its competitors and enhanced its competitiveness in the ship leasing industry.

CSSC focuses on creating value and driving development with innovation and persists in the "specialized, market-oriented, and internationalized" development roadmap:

Specialized

The first shipyard-affiliated leasing company under the CSSC Group

Market-oriented

By offering a higher financing ratio and lower financing costs, and fully engaging in market-oriented competition, CSSC helps shipowners renew their capacity at a lower cost, ensure sustainable operations, and alleviate operational pressures

Internationalized

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

The Group is dedicated to advancing green finance and serving green shipping, committed to promoting the widespread adoption of low-carbon and environmentally friendly ships and equipment. During the Reporting Period, witnessed by the Shanghai Regulatory Bureau of the National Financial Regulatory Administration and the Shanghai Municipal Financial Office, we signed the Green Ship Insurance Consortium Cooperation Agreement with the People's Government of Pudong New Area and the Green Ship Insurance Consortium to support the high-quality development of green ship business.

Major Business

The Group provides integrated shipping services (including operating lease services and shipbroking services) and financing services (including finance lease services and loan borrowing services).

Integrated Shipping Services

Integrated shipping services include operating lease services to the Group's customers and shipbroking services to shipbuilders and charterers. 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 for periodic lease payments. Shipbroking services to shipbuilders include recommending shipbuilders to interested purchasers and advising interested purchasers on vessel types, specifications and capabilities. Shipbroking services to charterers include advising interested charterers to lease the vessels in the form of finance lease and operating lease and advising interested charterers on vessel types, specifications and capabilities.

Financial Services

Financing services include finance lease services and loan borrowing services to the Group's customers. Finance lease refers to a leasing model whereby the lessor purchases an asset according to the lessee's specific requirements and choice of supplier or the lessor purchases an asset from the lessee, and then leases it to the lessee for periodic lease payments. Loan borrowings mainly include pre-delivery loans and secured loans. Pre-delivery loan services are offered as part of leasing services and to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. Secured loan services are offered to customers to satisfy their funding needs and are generally secured by customers' vessels or assets.

Development and Value

The diversified vessel asset allocation is the guarantee for the Group's business stability and sustainable development. As of the end of the Reporting Period, the fleet size of the Group (including joint ventures and associates) reached 138 vessels, of which 122 were under lease and 16 were under construction. In terms of the contract value, in the Group's fleet portfolio, offshore clean energy equipment, container ships, tankers, bulk carriers, and special ships account for 15.8%, 16.5%, 20.1%, 23.7%, and 23.9% respectively. We will cautiously allocate, adjust, and optimize the proportion of various types of vessels, taking into account national strategies, policy trends, industry trends, and customer demand.

Development Milestones

- The Group has been awarded an "A" credit rating by Fitch and an "A-" credit rating by S&P Global for five consecutive years.
- The Company was awarded the "Hong Kong Stock Golden Bull Award" by China Securities Journal.
- The Group issued the company's first and China's first sustainability-linked Panda Bond.
- The Company was awarded the Outstanding Green and Sustainable Bond Issuer and Outstanding Green and Sustainable Loan Issuer by HKQAA in the field of green finance.

- The Group issued US\$500 million green and blue dual-certified bonds due 2026
- Cooperating with the Standard Chartered Bank and obtained a 10-year vessel secured term loan in an aggregate amount of US\$96 million. This loan adopted the sustainable development indicator-linked structure.
- The Group was included in the MSCI China Small Cap Index
- The Group won the "Global Green Finance Innovation Awards" by International Finance Forum (IFF)

- The Group undertook "the 2019 High Quality Development Forum and Signing Ceremony of Billions of Orders" of CSSC Group.
- CSSC was successfully listed in SEHK.

- The Group invested in the world's largest 85,000 cubic meter fully-cooled very large LPG carrier (VLGC) to serve China's clean energy supply.

- The Group and Gloor, the world's leading LNG industry chain equipment operation company, signed for the world's first retrofit floating LNG production and storage unit (FLNG) construction financing and sale-leaseback project.
- The Company entered into a financial lease transaction for seven 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company.

- The Company was incorporated in Hong Kong as the sole leasing company under CSSC Group.

2023

2021

2019

2016

2014

2012

2024

2022

2020

2017

2015

2013

- The Group successfully issued RMB800 million worth of Panda Bond, achieving a new historical low for the Company's RMB financing costs and domestic bond coupon rates. This milestone marks the successful completion of the initial issuance of RMB3 billion in the onshore market.
- The Group has been awarded an "A" credit rating by Fitch and an "A-" credit rating by S&P Global for six consecutive years.
- The Group is committed to leveraging "green finance" to promote "green shipping". In recognition of these efforts, the Group has been honored with the "IFF Global Green Finance Award".

- The Group was awarded the "Benchmark" in the specialized assessment of "Double Hundred Enterprises" of central enterprises by SASAC in 2021.
- The Group's financing cost control was effective and the Group was rated "A" by Fitch and "A-" by S&P Global for four consecutive years.
- The Group carried out power plant transformation for four liquefied petroleum gas carriers (i.e. VLGC), which was the first trial dual-fuel upgrade project in China.
- Signed the "LNG Ship Leasing Cooperation Principles Agreement" with well-known central enterprises to jointly promote national energy security.

- The Group released the first ESG report (2019).
- The Group issued USD 400 million bonds due 2025 and US\$400 million bonds due 2030.
- The Group entered into a financial leasing project for four 86,000 cubic meter dual-fuel of VLGC with Southwest Marine Limited.

- The Group and Dynagas, a world-renowned LNG carrier operator, signed an agreement for two 174,000 cubic meter floating LNG storage and regasification units (LNG-FSRU) financing and leasing project. This is the first domestic large-scale LNG-FSRU order received.

- The Company entered into a sale-and-leaseback transaction for a FLNG vessel with a subsidiary of a LNG shipping company.

- The Company entered into an operating lease transaction for three 18,000-TEU container vessels with a leading global shipping group.
- The Company entered into a financial lease transaction for three 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company.

Value Growth

The Group conforms to market dynamics, upholding the principle of “seeking progress while maintaining stability, improving quality while progressing”. We amass capabilities in “risk mitigation, stable development, refined management, and overall planning”. By mitigating the volatility of the shipping cycle, we ensure high-quality and sustainable development.

Undertaking the strategic mission of “combination of industry and finance, serving the major business, innovation and development”, the Group attaches great importance to the investment and operation of ship assets, continuously improves the operational efficiency of shipping businesses, strengthens the market development of green and intelligent vessels, and continuously optimizes the fleet structure. The Group comes from a shipyard background and a key feature of its asset portfolio is the large fleet of self-operated and joint-venture vessels.

Combination of Industry and Finance, Serving the Major Business, Innovation and Development



A Balancer for Business

The Group implements the cross-cycle strategy to create value for shareholders and investors during market downturns and industry recovery periods.

In the past few years when the ship market was sluggish, the Group's new shipbuilding orders have continued to increase; When the market was in a period of rapid recovery and prosperity, and ship prices rose rapidly, the Group sold the ships it holds to realize asset dividends.



An International Window

The Group actively explores international markets and participates in international maritime exhibitions and forums. The Group maintains relationships with shipowners on a daily basis and establishes communication channels with Hong Kong Shipowners Associations and the Hong Kong General Chamber of Commerce. Currently, over 90% of the Group's customers are from overseas markets.



Creativity in New Products

The Group keeps up with industry development trends and leads innovation.

Focusing on the clean energy sector, the Group will continue to develop the ship types and equipment in the LNG transportation industry chain, and actively arrange the launch of new energy-powered ship types. The Group will also deepen the business development model of “equity cooperation + long-term charter”.



Managing Good Customer Relationships

The Group maintains customer loyalty, increases customer coverage, and focuses on managing customer relationships. With the synergistic advantages of integrated shipping services and financial services, the Group can provide customers with full-cycle ship operation services and establish long-term stable customer relationships.

ESG Awards

While pursuing business development, the Group has actively embraced ESG responsibilities and strives to enhance its ESG influence and brand value. The table below highlights some ESG awards that the Group has received during the Reporting Period.

Awarding agencies	Awards
Fortune China Finance Magazine	ESG Impact List 2024 Evergreen Award - Sustainable Development Green Award ESG Financial Annual Awards
Shanghai Cailian Society Financial Technology Co., Ltd	2024 IFF Global Green Finance Award - Annual Award Central Enterprise ESG · Pioneer 100
International Financial Forum State-owned Assets Supervision and Administration Commission of the State Council (SASAC)	DEI in Greater China – Kindness and Loving Workplace China ESG 50 Companies to Watch List Green and Sustainable Finance Awards China ESG Listed Companies Yangtze River Delta Pioneer 50 China's ESG Listed Companies Pioneer 100
Bloomberg Green Bloomberg Green Hong Kong Quality Assurance Agency China Media Group	
China Media Group	



Business Strategies

CSSC has leveraged its robust professional advantages in the marine business and its well-established and innovative business mode to fully seize new opportunities and respond to new challenges. The Group provides leasing services to leading partners in various market segments of the marine industry, thereby establishing long-term strategic cooperative relations. Under the ever-changing 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 business stability and sustainable high-quality development.

Major Operating Strategies:

1 Provide Professional One-stop and Customized Leasing Services

- 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 to provide professional one-stop and customised leasing services to our customers.
- The CSSC Group 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 the CSSC Group, also benefit from the practice of a "combination of industry and finance".

2 Capture Development Opportunities in Various Industries and Regional and National Policies

- As the global economy continues to improve, the demand for energy is also growing. The rapid development of the global LNG and LPG³ markets plays a crucial role in promoting the development of the marine industry and ship leasing industry.

3 Continue to Develop a Clean Energy Industry to Serve the Development of Green and Intelligent Shipping

- 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.
- The Group has a deep understanding of the trend of low-carbon transformation in the shipping industry, focusing on the development of the clean energy industry. During the Reporting Period, the Group commenced the construction of two 175,000 cubic meter LNG carriers, bringing the number of large-scale joint venture LNG carriers under construction to seven. During the Reporting Period, CSSC also signed a tripartite strategic cooperation agreement and a cooperation intention for green methanol refuelling ships with its partners, helping to promote the new quality development of Shenzhen's marine economy.
- CSSC signed the Green Ship Insurance Consortium Cooperation Agreement with the People's Government of Pudong New Area and the Green Ship Insurance Consortium to support the high-quality development of green ship business.
- 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.



4 Build an Experienced and Professional Management Team

- Our management team has rich 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.
- As our employees are located in important shipping hubs such as Hong Kong and Shanghai, it is beneficial for the Group to seize the industry opportunities and actively seek and develop new business opportunities in the marine economy.

³ 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.

4

System Construction, Promoting ESG to Go Deep and Solid

The Group strictly complies with the laws and regulations in its operating sites and has established internal governance policies and business codes to ensure operational compliance. During the Reporting Period, the Company has adopted the *Corporate Governance Code* contained in Appendix C1 to the Listing Rules as its code of corporate governance.

ESG Development Concept

The Group is fully aware that a sound ESG governance mechanism is conducive to the stable development of enterprises. Therefore, the Group fully integrates ESG principles into its business operations and decision-making processes and requires all units to comply with ESG-related laws and regulations, to promote the achievement of the Group's goals and strategies and promote the sustainable development of the Group.

ESG Governance Structure

The board of directors serves as the highest governing body for the ESG governance structure of the Group. It oversees the ESG & Sustainability Committee, ESG Leading Group, and ESG Working Group. The responsibilities of each organization in ESG matters (including climate change) are as follows:

Board of Directors

- Responsible for ensuring that ESG-related risks are fully considered in daily operations and management;
- Incorporate ESG principles into the overall strategy through decision-making processes;
- Responsible for reviewing and overseeing ESG policies;
- Responsible for reviewing and confirming the formulation of ESG objectives;
- Responsible for reviewing and approving the Group's ESG report, TCFD report and other ESG-related disclosures.

ESG Leading Group

- Participate in the materiality assessment of ESG issues during the Group's operation;
- Supervise and inspect the implementation of ESG-related goals in accordance with the requirements of the Board and the ESG & Sustainability Committee;
- Review and confirm important ESG-related issues (including but not limited to materiality assessment, ESG risks and opportunities, and ESG targets) and report to the Board and the ESG & Sustainability Committee;
- Quarterly report to the ESG & Sustainability Committee on key ESG issues (including but not limited to written reports or work sessions, etc.).

ESG & Sustainability Committee

- Guide, review, and formulate management policies, strategies, principles, objectives, and other related matters;
- Oversee the formulation and implementation of the Company's ESG objectives;
- Guide and review the identification and prioritization of the Group's ESG material issues;
- Identify and evaluate the Group's ESG risks and opportunities, and report to the Board.

ESG Working Group

- Assist in formulating the Group's ESG management policies as the ESG work contact person of each department.
- Organize and coordinate various departments to implement ESG-related work (including but not limited to implementing and assisting in monitoring the ESG performance of the Group's new energy projects, green finance, ship discharge, etc.).
- Assist in communication with ESG stakeholders;
- Conduct ESG rating and selection-related work.

The Group has established ESG targets and conducted ESG risk identification, identification, assessment, and management in accordance with the ESG Reporting Guide. Please refer to the chapter "Deepening Reform with a Focus on Value Creation" and the chapter "Advancing Low-Carbon Transition and Co-Creating Green Environment" in this Report. In addition, the Board has been involved in the assessment, prioritization, and management of ESG issues, as detailed in the "Stakeholder Communication" and "Assessment of Material Issues" sections.

Stakeholder Communication

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

Assessment of Material Issues

The Group conducted the materiality assessment in accordance with the ESG Reporting Guide issued by SEHK. To ensure the relevance of material issues, the Group conducts materiality assessment annually by means of a questionnaire survey or a review of the previous year’ s issues. At the same time, the Group has adopted the Basic Management System on ESG and Sustainable Development to incorporate the materiality assessment results into its internal overall risk management process.

During the Reporting Period, the Group invited internal and external stakeholders (including employees, media, sustainability experts, etc.) to review the results of the 2023 materiality assessment by means of a questionnaire survey. Based on that, we updated the 2024 material issues. The results of the materiality assessment have been reviewed and confirmed by the Board and the management. Under the environmental and social aspects, we have identified 5 and 4 material issues, respectively. Compared to the material issues for 2023, the environmental issue of “Green Finance” has been added, while other material issues remain consistent with the results of 2023. The 9 material issues identified during the Reporting Period are shown in the table below. This Report will focus on disclosing these 9 material issues, which will also serve as key directions for the Group’ s future ESG work.

Questionnaire survey and assessment of the material ESG issues

Through a questionnaire survey covering internal and external stakeholders of CSSC, we collected their opinions and suggestions on various issues. During this process, the directors and management of the Group actively participated in the survey, reviewing and evaluating the materiality of various issues from the perspectives of impact materiality and financial materiality. At the same time, to understand the expectations of external stakeholders, we also invited external stakeholders, such as the press, to participate in the questionnaire survey.

We comprehensively evaluate the opinions of both internal and external stakeholders on various issues based on the results of the questionnaire survey, to review the materiality assessment results for 2023.

Review and confirmation of material issues

The Board reviewed and confirmed the results of the materiality assessment and ultimately identified 9 important issues for the Reporting Period (including 5 environmental issues and 4 social issues).

The following table presents the results of the materiality assessment for the Reporting Period:

Aspect	Level of materiality	ESG issues
Environmental	Material issues	GHG Emissions Energy Use Responding to Climate Change Environment and Natural Resources Green Finance
	Other issues	Responsible Ship Recycling Air Emissions Waste Production Water Use
Social	Material issues	Serving National Strategies Corporate Governance Health and Safety Anti-Corruption
	Other issues	Labor Standards Supply Chain Management Development and Training Information and Customer Privacy Protection Customer Relationship and Communication Community Engagement Employment



5 Deepening Reform with a Focus on Value Creation

This section focuses on addressing the following material issues:

Corporate Governance

Anti-Corruption

Comprehensively Deepen Reform

During the Reporting Period, the Group continued to optimize its corporate governance structure. We have established a “1+2+N” system, which is founded on the Articles of Association, supplemented by two core regulations – Rules of Procedure of the Board of Directors and the Regulations on the Authorization Management of the Board of Directors, and supported by a series of complementary operational systems for the Board. This integrated system provides robust institutional support for precise authorization and efficient exercise of powers by the Board. Additionally, we have purchased director’s liability insurance for all directors to protect the rights and interests of directors, especially independent directors, and further optimize internal business management. At the same time, this initiative can facilitate the role of investors as shareholders in supervising directors.

As a model demonstration and successful example of state-owned enterprise reform under CSSC Group’s deepening reform, our reform achievements have been included in the Three-Year Action Cases of State-Owned Enterprise Reform published by SASAC. In the 2023 special assessment of “Double Hundred Enterprises” under SASAC, we were rated as “Excellent”. Additionally, in the 2023 Board Construction Evaluation and Assessment of member units conducted by the CSSC Group, we also received an “Excellent” rating.

Improve Risk Management

The Group attaches great importance to risk management and internal control. Through the implementation of the Comprehensive Management Measures for Risk, we identify, assess, monitor, respond to and manage risks across our operational and management activities. This integrated approach is designed to enhance the standardization of the Group’s management and operations, bolster the ability to mitigate related risks and ensure stability and sustainable development of the business. In addition, the Group has integrated risk quantification assessment and digital management throughout the entire lifecycle of its operations. We have designed and developed a risk quantitative assessment tool with independent intellectual property rights, and established a customer credit evaluation model.

Risk Management Structure

The Company’s risk governance structure covers the Board to its business divisions. The Board assumes ultimate responsibility for risk management and is mainly responsible for approving the Company’s risk management objectives and strategies, overseeing the implementation and effectiveness of risk management policies as well as assessing the Company’s overall risk exposure. The Board has established an Audit Committee comprising three independent non-executive Directors and two non-executive Directors, which is responsible for monitoring the implementation of internal control procedures, reviewing financial information and assessing financial conditions, overseeing the internal audit functions, and providing the Board with independent advice on financial reporting, risk management and internal control. To strengthen our risk prevention capability, the Company has established a comprehensive risk prevention model:

Business Divisions

- Each business division is the primary responsible entity for risk prevention. They are tasked with implementing specific risk management measures and managing risks in daily operations.

Senior Management

- Responsible for overseeing the quality of comprehensive risk control and the implementation of the risk management system.
- A dedicated role has been established within the senior management to oversee and support the implementation of risk management processes and measures, execute risk management strategies, supervise daily risk management operations, and regularly report overall risk status and significant risk events to the Board.

Audit and Risk Management Department

- Primarily responsible for guiding, coordinating, supervising, and inspecting the effective operation of the company’s risk management system.
- As the core risk management department, it is primarily responsible for implementing internal control management, compliance management, comprehensive risk management, internal audit management and other related tasks.
- Responsible for ensuring the authenticity, legality, and effectiveness of the company’s various business management activities. This includes organizing and arranging audit work to promote the improvement of corporate governance, leading the audit rectification efforts and establishing a long-term supervision mechanism.

Risk Appetite and Management Process

The Group established its risk appetite in accordance with its strategic objectives and risk tolerance capacities. Based on the risk appetite, the Group formulates risk indicators such as risk tolerance levels and risk limits. It allocates resources appropriately and makes timely adjustments based on the Group’s strategic objectives and in response to changes in the market. Risk indicators must be approved by the Board, the management or their authorized units, and then cascaded down to each department for implementation.

The Group has adopted a prudent risk appetite strategy. In terms of industry selection, the Group prefers industries and fields with mature business models, economies of scale, and excellent asset quality; in terms of customer selection, the Group prefers large enterprises, leading enterprises in the industry, or quality listed companies; in terms of leased asset management, the Group will take into account the business strategy, market environment, and characteristics of the leased objects, and will scientifically classify, analyze the value of, and professionally manage and accelerate the turnover of the leased assets. The Group’s management of leased assets will take into account the operating strategy, market environment, and characteristics of the leased objects. The Group will continue to improve our corporate governance system and risk prevention and control mechanism by firmly guarding the three lines of defence, including the operating cash flow of the leased assets, the creditworthiness of the lessee guarantees, and the coverage of the outstanding principal and interest by the asset value of the leased assets.

The Group integrates risk management processes throughout the entire project operation lifecycle, including project review, loan disbursement, post-loan management, etc. The Audit and Risk Management Department conducts regular risk exposure assessment reviews annually, combining internal and external audits to continuously consolidate and optimize the risk management system. Additionally, we have established a “risk warning” system to encourage employees to proactively identify and report any risks discovered and to provide timely recommendations for corrective measures to enhance the risk management process.

The following figure illustrates the risk management process of the Group. During the “Supervision and Inspection” phase, the Audit and Risk Management Department conducts irregular audits and inspections of the Group’s risk management work, evaluates the adequacy and effectiveness of the risk management system, and proposes improvement suggestions based on the evaluation results. In response to the issues identified during the internal audit process, the Group will urge the relevant responsible departments to rectify these issues and track the implementation of rectification measures.



To further enhance risk management, the Group has established a risk assessment system that involves all employees. It has integrated the key risk management metric of the “non-performing asset ratio” into the performance incentive evaluations for senior management and department heads. Additionally, the Group has incorporated risk compliance requirements into its employee performance evaluation and assessment framework to ensure that all employees strictly adhere to relevant norms and standards in their daily work.

Engage a third-party organization to conduct a comprehensive risk assessment

During the Reporting Period, the Group engaged a third-party organization to conduct a comprehensive risk assessment of our risk management system. This initiative aims to effectively manage various risk exposures and enhance the prevention and response to significant risks. In this risk assessment, the third-party organization helped identify the high, medium, and low risks within the Group, providing risk preference benchmarks and appropriate risk mitigation strategies for medium and high risks.

Furthermore, we conduct an annual evaluation of our internal control system. During the Reporting Period, we carried out a self-assessment of our internal control system, encompassing all wholly-owned subsidiaries and some non-controlling entities. This effort is dedicated to strengthening the internal control system, improving process controls, and refining risk management mechanisms.



Risk Training

To ensure the effective implementation of the Group’s risk management system, we offer comprehensive risk and compliance onboarding training and relevant materials to newly appointed directors. Additionally, we regularly schedule seminars for all directors to train them on legal regulations, policies, and supervisory systems. The training encompasses the latest developments and changes in listing rules and other pertinent laws, aiding directors in standardizing their execution of risk management duties. At the same time, in accordance with legal regulations and internal policies, we regularly conduct training sessions on risk management, compliance, and legal affairs for all employees, thereby continuously enhancing their risk prevention awareness. The table below outlines some of the risk management-related training courses that the Group has conducted during the Reporting Period:

Training Program	Number of Participants
Special Inspection Briefing and Training	31
Seminar on Loan Payment Terms Arrangement and Risk Prevention in After-sales Leaseback Transactions	27
Sharing Session on Typical Risk Analysis and Preventive Measures in Contract Management	23
Report on Comprehensive Risk Assessment	6
Special Training Course on Enhancing the Professional Competence of Auditors	1

Identify, Assess, and Manage Significant ESG Risks

The Group has carried out the identification, assessment, and determination of ESG risks, and has submitted the relevant results to the Board for review and approval. At the same time, we have developed appropriate control strategies and action plans to advance their implementation. We have listed the identified ESG risks and corresponding control strategies and plans as follows, as shown in the table below:

ESG risks	Impacts on the Group	Management and Control Strategies and Plans
Data Security	Cybersecurity incidents may arise from cyber-attacks, data fraud or theft, information infrastructure failures, etc.	<ul style="list-style-type: none">Further refine the organizational structure for data security risk management to establish a top-down guidance body for information security. The management will lead and ensure that all departments are responsible for data security.Further improve data security procedures, and develop comprehensive management policies aligned with these processes.
Policy&legal changes	The introduction or update of local government policies may lead to increased operation or management costs. Under stricter regulations, failure to establish effective internal mechanisms could result in potential litigation risks, fines, and judgements that increase costs and/or reduce demand for products and services.	<ul style="list-style-type: none">In response to the relevant policies and guidelines of the SASAC on state-owned enterprise reform, CSSC has successfully implemented a series of market-oriented reforms.The Group strictly complies with national laws and regulations as well as the governance policies of its operational locations to ensure compliance and avoid litigation.In response to the inclusion of the shipping industry in the European Union Emissions Trading System (EU ETS), the Group has taken measures, such as incorporating carbon tax provisions into model contract texts, and providing employees training on the theme of “The Impact of the EU Carbon Emissions Trading System on the Ship Leasing Industry”.

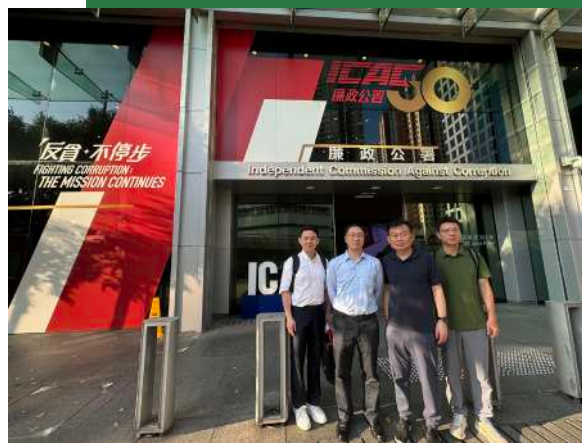
Adhere to Business Ethics

The Group is dedicated to enhancing governance and internal controls and establishing a robust system of business ethics. The Group has formulated and implemented a series of internal management policies, including 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 Specialized Supervision and Inspection (Trial)*, the *Regulations on Anti-Corruption Coordination (Trial)*, and the *Implementation Opinions on Establishing an Integrated Approach to Deterrence, Prevention, and Disincentives Against Corruption*. These policies cover a wide range of areas such as anti-corruption, anti-bribery, information confidentiality, conflict of interest, unfair competition, money laundering, insider trading, whistleblowing, political donations, and charitable contributions, setting forth clear standards and requirements.

Anti-corruption and anti-fraud are crucial elements of a robust business ethics system. We have established an anti-corruption working group to address the needs of the Group's integrity building and to combat corruption and fraud. This working group aims to create information sharing, facilitate efficient communication, and establish a standardized and orderly coordination mechanism for anti-corruption efforts, which effectively advance the Group's initiatives against corruption and fraud.



Specialized training on ethical conduct in the workplace



Employees participation in the "50th Anniversary Open Day of the ICAC"

The Group has explicitly defined its internal anti-fraud governance and internal control mechanisms in the *Management Measures for Anti-Fraud Work*, including establishing channels for reporting and litigation, implementing control measures, and adopting appropriate and effective remedial actions against the harm caused by fraudulent activities. The Board serves as the supreme authority for the anti-fraud efforts within the Group, and these efforts operate within the framework of the anti-corruption working group. Furthermore, the Group's Supervision Department, as a permanent body for anti-fraud work, is responsible for establishing reporting mechanisms, investigating incidents, and reporting findings. The Group encourages employees and other stakeholders to report, either anonymously or under their real names, through channels such as email and reporting boxes. The Supervision Department regularly collects and documents the relevant information and conducts investigations, with the results being reported to the management and Board. To protect whistleblowers, the Group stipulates that personnel handling anti-fraud cases must not disclose any information regarding the whistleblower or the content of the report to any department or individual without proper authorization.

We encourage all employees to actively engage in the development of the Group's business ethics and compliance culture. Additionally, we consider compliance as one of the key indicators in employee performance assessments. Employee performance evaluation outcomes are tied to bonuses, and any violations of internal regulations will be disciplined by the Human Resources Department and the Supervision Department.

We attach great importance to integrity education and conduct diverse educational and training activities. The Group has established and implemented the *Integrity Education Work System (Trial)*, which stipulates the provision of anti-fraud training, legal and regulatory education, and integrity and ethics education for new employees. Furthermore, we regularly offer relevant training to directors and employees, and at the end of each month, we distribute the latest learning materials on anti-corruption and fraud to all employees via the internal platform "Integrity Engagement Education Corner".

During the Reporting Period, we enhanced the awareness of integrity among management and employees through various activities, including the launching of Integrity Education and Publicity Month, organizing specialized training on ethical conduct in the workplace, and organizing employee participation in the "50th Anniversary Open Day of the Independent Commission Against Corruption (ICAC)". During the Reporting Period, we conducted four anti-corruption and fraud training sessions for all employees and offered one such training session specifically for the directors.

During the Reporting Period, the Group was not aware of any corporate or employee violating the Code of Conduct on corruption and bribery, discrimination and harassment, customer privacy breaches, conflicts of interest, money laundering, and insider trading.

Policy Influence

As of the end of the Reporting Period, the Group has never been involved in contributing to any political campaigns, lobbying organizations or trade organizations or provided any form of gift. Additionally, the Group is committed to reducing greenhouse gas emissions from its ships, and our climate-related policies are consistent with the Paris Agreement.

Tax Strategy

The Group has formulated tax management regulations including the *Tax Risk Management Operational Guidelines* to ensure that the Group complies with the tax laws of the countries in which it operates and the spirit of those laws; and does not transfer value created to low-tax jurisdictions; does not use tax structures that have no commercial substance; determines transfer pricing regulations in accordance with the principle of independent transactions; does not use tax havens for tax avoidance; and reviews and approves its tax policies through the Board. At the same time, the Group also employs tax consultants to closely monitor and research changes in tax policies, and promptly revise internal tax operating guidelines to ensure compliance. Since 2023, the Group has been benefiting from tax exemptions on ship leasing revenue in accordance with the newly introduced tax incentives for ship leasing in Hong Kong.

Maintain Information Security

The Group's operations span multiple countries or regions, both domestically and internationally. To ensure the security and confidentiality of vital information of stakeholders, the Group strictly complies with all applicable laws and regulations concerning sales and credit management, privacy and confidentiality, and information security across its various operating locations.

At the board level, the Audit Committee is responsible for reviewing internal monitoring and risk management systems, including those related to information and network security, and assessing the sufficiency of related procedures. At the executive level, the management of CSSC is responsible for the governance of information and network security. The Planning Department (Information Office), serving as a dedicated entity, is fully accountable for the execution and implementation of the Company's information security initiatives.

We have formulated the *Information Security Management Regulations* based on the *ISO/IEC 27001:2022 Information Security* and other relevant national standards. The regulation applies to CSSC and its subsidiaries. All employees have internal access to the document and receive corresponding information security training. The *Information Security Management Regulations* specify the following matters:

- The Planning Department (Information Office) is responsible for executing the daily affairs of the Group's information security work, as well as organizing the training and dissemination of information system security knowledge. The security administrator is responsible for developing a security training plan for all employees and arranging security training sessions.
- In the event that an employee discovers an information security incident, they are required to report the incident to the Planning Department (Information Office) promptly. The Planning Department (Information Office) will then activate the security incident response procedures and proceed with incident handling in accordance with the relevant plans.
- In the event that an employee breaches the information security-related management systems or strategies, the employee will be subject to an appropriate disciplinary measure based on the severity of the violation. If a supervisor fails to fulfil one's supervisory duties, they will be held jointly and severally liable. In cases where a security violation involves legal issues, the employee may be held legally responsible.

To enhance our confidentiality efforts, we have established the *Management Measures of Confidentiality* which stipulate a series of procedures including the departure and declassification of personnel handling sensitive information. When entering business-related contracts, we mandate that all relevant parties sign confidentiality agreements to prevent the revelation of confidential data or proprietary information to any third party. We attach great importance to the protection of intellectual property and outcomes of scientific research and have specified the confidentiality requirements for intellectual property and related information within our internal system document *Management Measures of Research Project*.



Highlights of Internal Information Management System:

In terms of ship information systems, we have been a pioneer in the industry by adopting intelligent management techniques to exert intelligent control over our fleet, which spans across the globe. Furthermore, we have upgraded this system to mitigate the risk of cyber fraud for ship owners and safeguard the interests of the vessels.

To effectively manage information security and confidentiality, we have established an efficient information management system. Security administrators are required to perform routine security checks that encompass daily system operations, user accounts, system vulnerabilities, data backups, and system audits. The Planning Department (Information Office) is responsible for organizing and conducting annual information system security reviews, which assess the effectiveness of current security technologies, the alignment of security configurations with policies, and the enforcement of security management protocols. Following any significant changes to the information system, the Planning Department (Information Office) may, as needed, engage a third-party assessment agency to evaluate the system's security level and identify potential information security risks. Furthermore, the Audit and Risk Management Department conducts independent audits of the information confidentiality practices.

The Group also actively organizes educational activities related to legal education and promotion, displays signs and continuously plays promotional videos in public areas to enhance employees' awareness of information security and confidentiality, effectively safeguarding the Group's information security.

During the Reporting Period, we conducted practical network attack and defence drills and engaged third-party organizations to assess our internal information management system. Third-party organizations evaluated the data integrity, confidentiality, and backup capabilities of the system through vulnerability analysis, simulated hacker attacks, and other methods. After the assessment, our information management system obtained the "Second-Level Information Security Protection" certification. Referring to the security issues identified by third-party organizations and their proposed rectification suggestions, we are systematically advancing the enhancement and improvement of our information system.

6

Topic: Integration of Industry and Finance – “Green Finance” Promotes “Green Shipping”

This section focuses on addressing the following material issues:

Serving National Strategies

Responding to Climate Change

Green Finance

As a leading participant in the global ship leasing industry, we align with the CSSC Group’s mission to serve the national strategies. We aspire to benchmark ourselves against top-tier international shipping enterprises and expedite our journey towards green and low-carbon development. The Group actively supports national strategies and objectives such as “Strong Nation of Ocean” and “Carbon Peaking and Carbon Neutrality”, and implements policy requirements and plans including “Strong Nation of Shipbuilding”, “Inland Vessels’ Green and Intelligent Development”, “Financial Services for the Real Economy”, and the *Action Plan for Green Development in the Shipbuilding Industry (2024-2030)*. To this end, we capitalize on our strengths in both the shipping and financial sectors, resolutely executing the approach of “combination of industry and finance, serving the major business, innovation and development”. We are committed to innovation, actively exploring opportunities to leverage “green finance” to foster “green shipping.” Additionally, we continuously broaden our support for strategic emerging industries and “new quality productive forces”, persisting in sustainable investment and financing activities to drive and guide the green transition and upgrading of China’s manufacturing and shipping sectors.



Seize Green Financing Opportunity & Develop Green Ship Assets

In the context of accelerating China’s dual-carbon strategy, the Group has capitalized on opportunities provided by sustainable financing policies, innovating sustainability financing models and establishing a foothold in sustainability financing business. We have successfully issued dual-certified blue and green bonds, as well as sustainability-linked Panda bonds. These notable initiatives align with the demand for green and intelligent ship development, providing ample financial support for future ship deliveries, optimizing our debt maturity structure, and contributing to the industry’s low-carbon transformation and sustainable development, setting a new benchmark for the sector. By the end of the Reporting Period, the Company had a fleet of 138 vessels, of which 51% were green vessels in terms of contract value.

In 2023, CSSC successfully issued its inaugural sustainability-linked panda bond, also marking the first of its kind in the Chinese market. The three-year bond raised RMB1 billion and received an “AAA” credit rating. The sustainability performance target for this issuance was that the proportion of green ship assets in our total ship assets should not be less than 24%. The funds raised will be used to purchase various types of ships, including those powered by clean energy. The target for this period has been successfully achieved.

The Group is a pioneer in the leasing industry in establishing a comprehensive offshore clean energy storage and transportation system. During the Reporting Period, we maintained a focus on the “clean energy sector” as our primary direction, signing contracts for two additional 175,000 cubic meter LNG carriers, bringing the number of large-scale joint venture LNG carriers under construction to seven. This further enhances our high-tech fleet characterized by clean energy maritime equipment.

Supporting Strategic Emerging Industries to Foster Partners’ Green Transition

The Group actively expands the upstream and downstream equipment and equipment leasing of the ship and maritime industry chain and has achieved significant achievements in serving the real economy and promoting the green upgrading of industries.

During the Reporting Period, the Group completed the deployment of a new financing lease project for Xi’an Aerospace City Development Holding Group Co., Ltd, involving the leasing of production equipment within the LONGi 3GW Industrial Park at Xi’an Aerospace Industrial Base. Xi’an Aerospace Industrial Base has been recognized by the National Energy Administration as a key development area for photovoltaics. This financing lease not only yielded substantial returns but also aligned with the requirements of supporting the development of national strategic emerging industries, driving industrial upgrading, and empowering high-quality industrial growth.

Additionally, during the Reporting Period, the Group provided two batches of 11 critical lifting devices to our long-term partner, Guangxi Wenchuan. This support enabled Guangxi Wenchuan to complete a large-scale offshore wind turbine foundation order on schedule, propelling it into the ranks of leading global wind power foundation suppliers. It is noteworthy that China’s *Action Plan for Carbon Dioxide Peaking Before 2030* emphasizes the vigorous development of new energy sources and the comprehensive advancement of large-scale and high-quality wind and solar power generation. The manufacturing of wind power equipment and the offshore wind power sector are strategic emerging industries strongly supported by the country.



Green Ship Insurance Consortium Cooperation Agreement Signed On-Site

Strengthening Partnerships with Financial Institutions to Innovate Pure Electric Ship Insurance

On June 19, 2024, at the 15th Lujiazui Forum, CSSC, the People’s Government of Pudong New Area and the Green Ship Insurance Consortium jointly signed the Green Ship Insurance Consortium Cooperation Agreement. This initiative aims to leverage the advantages of multiple parties such as the government and industry, to implement the “Carbon Peaking and Carbon Neutrality” strategy, cultivate new business models, create new driving forces, and jointly improve the green and low-carbon levels of the entire life cycle of ships. The three parties will focus on a range of new energy vessel projects currently being advanced by CSSC, which encompass battery power, electric propulsion, LNG, methanol, ammonia, and hydrogen fuel technologies. They will innovate in the areas of new energy vessel insurance products, regulatory oversight, and premium rates, encompassing all stages from ship financing and construction to operation and maintenance. The initial batch of insurance innovation projects will offer specialized coverage, including electric vessel insurance, operator liability protection, and comprehensive insurance for containerized power batteries, tailored for pure electric ship financing and the “battery bank” business model. These initiatives will be promoted to international shipping bodies to advocate for the establishment of “Chinese Clauses” in electric vessel shipping insurance, thereby ensuring the high-quality development of green shipping operations.

Advancing Low-Carbon Transition and Co-Creating Green Environments

This section focuses on addressing the following material issues:

GHG emissions

Energy Use

Responding to Climate Change

Environment and Natural Resources

The Group is committed to promoting green development within the industry, actively responding to national policies and global trends. We integrate environmental protection and the transition to low-carbon energy into our business operations and management, to reduce the environmental impact of our activities.

The Group strictly implements relevant environmental governance principles in its operational management and decision-making processes in compliance with the laws and regulations of the relevant operating locations. At the same time, we continuously enhance our environmental management practices to ensure the long-term and sustainable development of the enterprise.



Responding to Climate Change

In accordance with the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), the Group released the TCFD Report during the Reporting Period. The TCFD Report provides a comprehensive overview of the Group's management and performance in climate-related areas, including governance, strategy, risk management, metrics and targets. It also references the relevant guidance from the SEHK and utilizes the Network for Greening the Financial System (NGFS) scenarios to identify potential physical and transition risks across short-term (1-2 years), medium-term (3-5 years), and long-term (6-10 years). We have implemented compliance management for identified climate-related risks and conducted rigorous reviews and management of the implementation and results of related initiatives. For more detailed information on the climate risks identified, our response strategies, and the assessment and management processes related to climate risks, please refer to the Group's TCFD Report.

During the Reporting Period, international regulatory bodies such as IMO and the EU further tightened their requirements for GHG emissions from the shipping industry. Relevant planning measures were progressively implemented, presenting both challenges and opportunities for the industry's low-carbon transition. Following the adoption of the 2023 IMO Strategy on Reduction of GHG Emissions from Ships by the 80th session of the IMO Marine Environment Protection Committee in July 2023, the *2024 Guidelines on the Life Cycle Greenhouse Gas Intensity of Marine Fuels* were reviewed and approved at the 81st session in March 2024. Additionally, a draft of the "IMO Net Zero Framework" was also formulated. This framework encompasses relevant elements such as greenhouse gas fuel intensity (GFI) targets, flexible implementation mechanisms, pricing mechanisms, and revenue distribution management systems as parts of the proposed mid-term measures. The Group remains closely aligned with industry development trends, adheres to the IMO's decarbonization roadmap, and complies with international conventions and laws such as the *International Convention for the Prevention of Pollution from Ships* to ensure that our fleet meets requirements such as the operational carbon intensity indicator (CII)⁴ and the Energy Efficiency Existing Ship Index (EEXI)⁵. In response to EEXI requirements, the Group has conducted inspections of the International Energy Efficiency Certificate (IEEC) of each vessel and confirmed their compliance.

The Group continues to optimize its fleet size, driving its existing fleet towards a greener, higher-value, and younger profile. At the same time, it continuously refines the operational management measures of its self-operated fleet, expanding technological upgrade pathways, and increasing the adoption of low-carbon fuel propulsion systems. We have also enhanced cooperation with ship management companies and charterers, gradually establishing and improving CII records, committed to enhancing the CII performance of ships. The Group strives to build a greener and low-carbon fleet, expand its market presence, enhance its reputation, and pursue additional development opportunities.



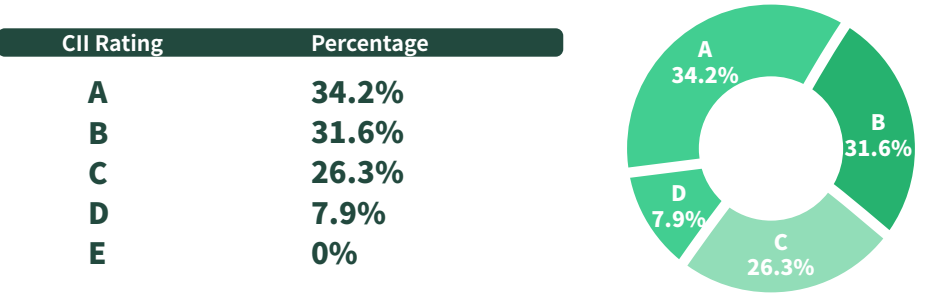
Dual fuel upgrade and renovation

During the Reporting Period, the Group completed the dual-fuel upgrade and retrofitting of its entire fleet of very large liquefied gas carriers (VLGC) and further intensified the application of alternative fuels such as LPG. Specifically, two vessels, GAS LIBRA and GAS SCORPIO, underwent a dual-fuel upgrade of their main engines during the Reporting Period and began using LPG as an alternative to traditional fuels for their main engines. Compared to conventional ship fuels like marine gas oil (MGO) or heavy fuel oil (HFO), LPG offers superior environmental performance, significantly reducing air pollutant emissions. It meets all current regulations related to ship emissions while enhancing operational efficiency and economic benefits. LPG can reduce sulfur oxide emissions by up to 97% compared to MGO, ensuring full compliance with emission requirements in all global regions. It also reduces particulate matter emissions by approximately 90%, CO₂ emissions by about 18%, and nitrogen oxide emissions by about 15%.

⁴ The operational carbon intensity indicator (CII) is one of the short-term measures adopted by the IMO to achieve the shipping industry's GHG emission reduction targets. From January 2023, applicable ships are required to gradually reduce their carbon emission intensity through operational measures and undergo annual ratings. The rating requirements will become increasingly stringent over time. Ships rated D will have a grace period of three years, while those rated E will have a one-year grace period to implement measures aimed at achieving a C rating or higher.

⁵ The Energy Efficiency Existing Ship Index (EEXI) is one of the short-term measures introduced by the IMO. It was certified during the first inspection following January 2023, requiring applicable ships to achieve the minimum energy-efficiency standards.

As of the end of the Reporting Period, among the 38 vessels for which the Group received the 2023 CII rating results, none were rated at the lowest level, E. The distribution of ratings is as follows:



Starting January 1, 2024, the EU ETS was officially extended to the shipping industry, requiring all ships docking at EU ports to declare and pay carbon allowances based on their carbon emissions. During the Reporting Period, the Group communicated with clients of existing projects and clarified the responsibilities and obligations of all parties regarding the declaration and payment of EU allowances through measures such as signing commission agreements. For new development projects, corresponding clear provisions have also been made in the contract.

In addition, we actively support our clients’ low-carbon transition initiatives. During the Reporting Period, a client from one of our financial leasing projects proposed the idea of installing carbon capture devices on their leased 1,400 TEU⁶ container ship, and we fully support this initiative. The installation of the carbon capture devices is expected to take place during the vessel’ s dry-dock maintenance period in 2026.

To encourage the alignment of employee interests with the Group’ s strategy, CSSC has introduced climate-related compensation incentives in both green finance and green shipping. Since its inception, this mechanism has operated effectively, with specific assessment indicators tailored for employees at different levels. For example, the management focuses on “financing costs”, while employees responsible for specific projects focus on operational metrics such as “certification of sustainability-related bonds” and “green financing”. This approach enhances the relevance and effectiveness of incentive measures. Feedback from relevant assessments indicates that these incentives have effectively increased employees’ enthusiasm and participation in green and low-carbon development, driving the Group’ s progress in green finance and green shipping initiatives.

⁶TEU stands for Twenty-foot Equivalent Unit, a standard unit used to measure the loading capacity of container ships.
⁷Based on the current availability of data, this Report presents the environmental performance data for 45 vessels in the Group's fleet for 2024 and 35 vessels for 2023. The fleet composition for the two years are not entirely consistent. As a result of the increased number of vessels included, the total emissions of atmospheric pollutants, GHG, and the total amount of hazardous waste generated, have increased.
⁸We have revised the 2023 ship environmental performance data disclosed in the 2023 ESG report, referencing the documents such as the “Corporate Value Chain (Scope 3) Accounting and Reporting Standard” and applying updated parameters.
⁹Air pollutant emissions come from the combustion of fuel in ship engines and boilers. The calculation is based on the “Fourth IMO GHG Study 2020” published by the IMO. The emission factors refer to the “EMEP/EEA Air Pollutant Emission Inventory Guidebook 2023”.
¹⁰The GHG emissions from vessels are mainly generated from the combustion of vessel engines and boilers. The calculation is based on the “Fourth IMO Greenhouse Gas Study 2020” published by IMO, and the emission factors refer to the “Lifecycle Greenhouse Gas (GHG) Emission Intensity Calculation and Certification Guidelines for Marine Fuels”.

The environmental performance indicators of the Group's vessels⁷ during the Reporting Period are presented in the table below:

Environmental Performance Indicators for Ships	Unit	2024	2023 ⁸
Air pollutants⁹			
Nitrogen oxides (NOx)	tonnes	17,403.13	14,715.98
Sulfur oxides (SOx)	tonnes	2,524.34	3,724.33
Carbon monoxide (CO)	tonnes	2,183.90	938.19
Particulate matter (PM)	tonnes	1,144.41	979.33
GHG scope 3¹⁰			
Total GHG emissions	tCO ₂ e	1,059,264.60	706,279.52
GHG emission density	kg/kiloton nautical mile	2.92	9.37
Hazardous waste			
Hazardous waste generated	cubic meter	11,648.64	9,916.20
Intensity of hazardous waste generated	cubic meter/ kiloton nautical mile	0.03	0.13
Waste oil generated	cubic meter	4,102.84	2,839.54
Intensity of waste oil generated	cubic meter/ kiloton nautical mile	0.01	0.04
Oily sewage generated	cubic meter	7,545.80	7,076.66
Intensity of oily sewage generated	cubic meter/ kiloton nautical mile	0.02	0.09
Non-hazardous waste			
Domestic waste generated	cubic meter	895.56	1,044.73
Domestic waste recycled	cubic meter	500.71	714.26
Intensity of domestic waste generated	cubic meter/ kiloton nautical mile	2.47 × 10 ⁻³	0.01
Use of Resources			
Water usage	tonnes	122,052.71	87,036.05
Intensity of water usage	kg/kiloton nautical mile	0.34	1.16
Direct energy (fuel oil) consumption	MWh	2,390,075.94	2,039,994.61
Intensity of fuel oil consumption	kWh/kiloton nautical mile	6.59	27.07
Direct energy (diesel) consumption	MWh	355,824.79	336,616.06
Intensity of diesel consumption	kWh/kiloton nautical mile	0.98	4.47
Direct energy (LNG) consumption	MWh	1,240,326.00	154,078.53
Intensity of LNG consumption	kWh/kiloton nautical mile	3.42	2.04
Direct energy (LPG) consumption	MWh	108,332.72	16,633.28
Intensity of LPG consumption	kWh/kiloton nautical mile	0.30	0.22

Reduce Environmental Impact

To further advance the operation and management of green ships, reduce emissions of various waste, pollutants and GHG, and conserve energy use, the Group has established the following environmental targets, measurement indicators, and action plans for its fleet. We have also disclosed the actions taken during the Reporting Period and reviewed the progress of relevant environmental targets.

Aspect	Environmental Targets	Measurement Indicators	Action Plan	Completion Timeline for Action Plan ¹¹	Actions Taken and Progress Status During the Reporting Period
 Air Pollutant Emissions	Reduce air pollutant emissions during ship operations	100% compliance rate of sulfide emissions from ships.	Fully adopt low-sulfur fuel with a sulfur content not exceeding 0.5%, or install a ship desulfurization device.	Short-term	All ships have achieved the use of fuel oil with less than 0.5% sulfur content or have been installed with a desulfurization device.
		Increase the installation ratio of denitrification equipment for new shipbuilding to not less than 80%.	Increase the installation rate of denitrification equipment for new shipbuilding.	Medium-term	Ships delivered during the Reporting Period were fully equipped with denitrification equipment.
		Increase the frequency of clean energy usage.	Continue to promote oil-to-gas conversion projects for large LPG carriers to achieve full coverage of VLGC dual-fuel vessels, and increase the use of biofuel in the MINI-CAPE fleet.	Medium-term	During the Reporting Period, the Group completed the dual-fuel upgrades of the main power units of two VLGC ships, achieving full coverage of dual-fuel applications across the VLGC fleet. The Group has continuously promoted the use of biofuels in the MINI-CAPE fleet.
Aspect	Environmental Targets	Measurement Indicators	Action Plan	Completion Timeline for Action Plan	Actions Taken and Progress Status During the Reporting Period
 GHG Emissions	Reduce GHG emissions from ship operations	Reduce CO ₂ emissions from self-owned ships.	Gradually improve the use of alternative sustainable fuels such as clean energy; And reduce emissions through ship technology transformation and upgrading.	Long-term	The Group continuously promoted cooperation with charterers on the use of biofuels. The Group completed the dual-fuel upgrades of the main power units of two VLGC ships.
		Improve the disclosure of CO ₂ emissions during ship operations.	Actively record and report the CO ₂ emissions during the ship operations, and compare emissions across different stages to better identify opportunities for emission reduction and improvement.	Medium-term	The Group has gradually established ship CII records through ship management companies.
Aspect	Environmental Targets	Measurement Indicators	Action Plan	Completion Timeline for Action Plan	Actions Taken and Progress Status During the Reporting Period
 Energy Use	Reduce energy use in ship operations and improve energy efficiency	Reduce the use of ship fuel.	Control the fuel budget, monitor the entire navigation process, conduct cost analysis, and optimize fuel use.	Long-term	As the owner of ship assets, CSSC has promptly monitored ship emissions, implemented intervention measures, and established an alert mechanism in accordance with IMO requirements. Due to the operating mode of our self-owned fleet, where fuel and voyage schedules are arranged by terminal lessees, the Company cannot currently intervene in fuel budget, voyage plans, and fuel cost comparisons. Based on existing monitoring capabilities, CSSC plans to further control the fuel budget and monitor the entire navigation process when feasible in the future.
		Increase the penetration rate and frequency of energy conservation awareness campaigns.	Conduct energy-saving awareness campaigns and disseminate energy-saving knowledge through various training activities.	Medium-term	The Group has regularly promoted and popularized energy-saving knowledge and conducted energy-saving and environmental protection campaigns during holidays and festivals.

¹¹ The short-term corresponds to a time frame of 1-2 years; the mid-term corresponds to 3-5 years; the long-term corresponds to 6-10 years.

Building an Environmentally Friendly Workplace

As a ship leasing enterprise, we practice green management not only in ship operations but also in our daily office activities. We are committed to reducing various emissions and pollutants, including greenhouse gases, by integrating the principles of “green, low-carbon, energy-saving, and environmental protection” into our office operations. During the Reporting Period, we further advanced our goals of energy conservation and emission reduction within the office in line with the *Green Office Guidelines*.



During office operations, air pollutants and GHG primarily come from the vehicles used by employees, electricity consumption, and business travel by air. The Group has established the *Management Measures of Vehicles* to encourage employees to use public transportation for daily commuting and promote remote meetings as an alternative to reduce travel, thereby reducing GHG emissions. Additionally, to mitigate GHG emissions from electricity use, we have implemented measures such as posting energy-saving signs in the office, ensuring lights are turned off after working hours, and sending email reminders to employees to switch off all the power sources before holidays. These initiatives collectively contribute to our goals of energy conservation and emission reduction.

The Group’s water supply is sourced from the municipal pipeline network and managed by the property management. During the Reporting Period, the Group has not encountered any difficulties in obtaining water. Additionally, the Group encourages employees to conserve water and reduce water consumption in their daily work.

In terms of waste management, the non-hazardous waste generated by the Group primarily consists of office paper and a small number of plastic bottles. A small amount of hazardous waste is ink cartridges and batteries. We encourage employees to adopt electronic communication for office work and to use double-sided printing to conserve paper. Except for essential documents, we have largely transitioned to a paperless office environment. Additionally, we actively promote measures to reduce waste at the source, recycle waste materials, and reuse resources. All waste ink cartridges are collected and disposed of by suppliers, while other hazardous waste is managed by the property management.

To further advance green and environmentally friendly office practices, respond to the energy-saving call from CSSC Group, and better implement and manage the energy-saving and environmental protection targets set by CSSC Group for the Company, we have established a series of ESG targets and related action plans focusing on GHG emissions, waste generation, and energy use (as shown in the table below). We also reviewed the progress of relevant ESG targets during the Reporting Period.



Aspect	Environmental Targets	Measurement Indicators	Action Plan	Completion Timeline for Action Plan	Actions Taken and Progress Status During the Reporting Period
 GHG Emissions	Reduce GHG emissions	Reduce the overall fuel consumption and/or use of official vehicles	Strengthen the management of official vehicles; Record the fuel consumption of official vehicles; Regular maintenance of official vehicles.	Short-term	Every time an employee used an official vehicle, the energy usage was recorded. Vehicle fuel consumption was assessed regularly. Official vehicles were regularly maintained.
		Increase the penetration rate of clean energy/new energy/hybrid vehicles	When phasing out old official vehicles, priority will be given to purchasing new ones such as electric or hybrid vehicles.	Long-term	During the Reporting Period, we reduced the use of official vehicles and replaced some of the new ones.
		Increase the proportion of online meetings	Encourage online meetings to reduce travel, especially for cross-regional meetings where online meetings are preferred.	Short-term	We will consider hybrid and new energy vehicles in our future procurement plans. The office has established an online meeting system, with cross-regional meetings prioritizing online formats.
	Promote carbon offset initiatives	Increase the number of trees planted	Consider planting trees or supporting afforestation through charitable activities, with potential applications in carbon offset projects, including carbon trading.	Medium-term	Due to factors such as company size, we have not yet identified a suitable afforestation project that meets our needs. Given industry-specific consideration, our Hong Kong and Shanghai offices will continue to explore promoting carbon neutrality through the procurement of green electricity and other means.
	Enhance employees' awareness of low-carbon office practices	Increase the frequency of low-carbon office awareness campaigns and training sessions	Conduct low-carbon training and awareness campaigns and promote low-carbon knowledge through posting posters in office areas and increasing the frequency of relevant training sessions.	Short-term	The Group has continuously conducted internal communications and actively participated in external forums and events.
Aspect	Environmental Targets	Measurement Indicators	Action Plan	Completion Timeline for Action Plan	Actions Taken and Progress Status During the Reporting Period
 Waste Generation	Improve the waste statistics system	Improve the statistics coverage of waste	Each office has established a unified waste statistics system, clarified the statistical criteria, and enabled year-on-year performance comparisons.	Short-term	The office has established a statistical database covering all daily office supplies and will establish a standardized waste statistics system when feasible in the future.
	Improve the utilization rate of waste resources	Increase the percentage of offices implementing waste classification	Each office implements waste classification and is equipped with waste classification equipment, etc.	Short-term	Due to varying waste disposal standards enforced by the property management of the office, a unified waste sorting measure has not yet been implemented.
		Increase the frequency of waste classification training and awareness activities	Promote waste recycling. Regularly carry out publicity and education on waste classification. Encourage employees to participate in waste separation at the source.	Medium-term	The office has promoted waste classification awareness among employees during holidays and festivals.
	Reduce waste generation	Reduce the use of disposable items	Refrain from providing disposable paper cups in daily office operations.	Short-term	The office has discontinued the provision of disposable paper cups.
		Implement paperless office	Comprehensively promote paperless office practices, such as conducting daily meetings entirely without paper, encouraging employees to print on both sides of the paper and preferring paper products with FSC certification labels.	Medium-term	Except for necessary documents, the office has largely transitioned to a paperless environment.
		Choose brands of sustainable office supplies	Procure office equipment and supplies that are durable, reusable, renewable, recyclable, and biodegradable to minimize single-use items.	Medium-term	The office prioritizes the procurement of supplies made from durable, environmentally friendly, and recyclable materials.



Aspect	Environmental Targets	Measurement Indicators	Action Plan	Completion Timeline for Action Plan	Actions Taken and Progress Status During the Reporting Period
	Reduce energy use in office operations and improve energy efficiency	Reduce electricity consumption	Turn off office equipment promptly. Turn off the lights when leaving the conference room and office. Maintain air-conditioned rooms at no lower than 26°C in summer and no higher than 20°C in winter.	Medium-term	The office public area lights should be turned off promptly after working hours. Employees are encouraged to adhere to the recommended air conditioning temperatures when using air conditioning.
		Increase the penetration rate of energy conservation awareness and/or the frequency of related campaigns	Conduct energy-saving awareness campaigns. Promote energy-saving knowledge by posting posters in the office areas.	Medium-term	The office has promoted energy-saving awareness among employees during holidays and festivals.





Inclusive and Mutually Beneficial, Advancing Together with Employees

This section focuses on addressing the following issues:

Health and Safety

Development and Training

Employment

“Talent-driven enterprise” is one of the key strategies of the Group. The Group attaches great importance to attracting, retaining and cultivating talents to drive the enterprise’s further development. By offering generous welfare benefits, regularly reviewing employee salaries, establishing a clear performance management policy, and creating a comprehensive training mechanism, the Group is dedicated to fostering a vibrant, harmonious, and fair working environment for its employees. At the same time, the Group strictly complies with the laws and regulations of each operating location, establishes standardized and comprehensive human resources policies, and continuously improves employment management measures, aiming to build an efficient and outstanding talent pool.



Employment and Rights

The Group has established and continuously improved an effective human resources management system in accordance with relevant laws and regulations and internal realities, covering management of employee recruitment, labor contracts, promotion mechanisms, compensation and benefits, working hours, holidays, termination, retirement, and other aspects. The Group clarifies employee rights, responsibilities, compensation, termination, and other matters by signing labor contracts with employees.

Human Rights Commitments

The Group is committed to strictly adhering to labor standards and safeguarding human rights. We are dedicated to preventing the employment of child labor, forced labor, discriminatory treatment, and resisting human trafficking. Additionally, we encourage our suppliers and partners to make the same commitment. Should any violations be identified, we will promptly address them in accordance with relevant laws and regulations. During the recruitment and employment process, the Group strictly conducts verification of the valid identification information of applicants and employees to prevent the employment of individuals under the age of 16. Should false or forged information be discovered, the Group reserves the right to refuse employment or terminate employment in line with local labor regulations. Furthermore, the Group fully respects and upholds the personal freedom and rest rights of employees. We sign employment contracts or labor contracts with new employees upon joining to establish employment relationships. The Group has stipulated that employees should not work more than 40 hours per week to eliminate forced labor. In addition, the Group upholds the principles of equality, diversity, and anti-discrimination, ensuring that no discrimination based on gender, age, nationality, race, or any other grounds occurs. We place a strong emphasis on gender equality and diversity in the workforce.

Employment Management

The Group has implemented the *Management Measures for Recruitment and Employment* to effectively standardize the employment management process and achieve the scientific and rational allocation of human resources. Adhering to the talent recruitment principles of “open recruitment, fair competition, person-job fit, and merit-based enrolment”, the Human Resources Department formulates an annual recruitment plan based on demand and attracts talents through diverse channels such as internal recommendations, campus recruitment, media recruitment, job fairs, and intermediary agencies. Looking ahead, we plan to enhance the introduction and cultivation of high-level international business talents, establish a salary management mechanism tailored to the needs of international business, optimize employee localization management, and increase the proportion of overseas employees.

During the Reporting Period, CSSC formulated the *Employee Retirement, Renewal, and Re-employment Management Measures*, revised the *Employee Attendance and Leave Management Measures* and *Position Setting and Management Measures*, and further optimized the organizational structure and departmental responsibilities. These initiatives strengthen the management of employee retirement, re-employment, attendance, and position setting to adapt to the constantly changing external environment and internal reform needs.



Remuneration and Performance Management

The remuneration of the Group's employees consists of basic salaries and performance bonuses. The Group strictly complies with the *Mandatory Provident Fund Schemes Ordinance* (Chapter 485 of the Laws of Hong Kong) and relevant labor standards in mainland China. The Group has set up social security retirement plans for eligible employees in Mainland China and contributed to them through the corresponding subsidiaries, 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 mechanisms to align with wage marketization, with specific measures as follows:

- **Continuously exploring market-oriented salary reforms and establishing a scientific and reasonable mechanism for determining total wages;**
- **Utilizing the incentive and constraint effects of performance management;**
- **Implementing medium and long-term incentive mechanisms and promoting equity incentive reform.**

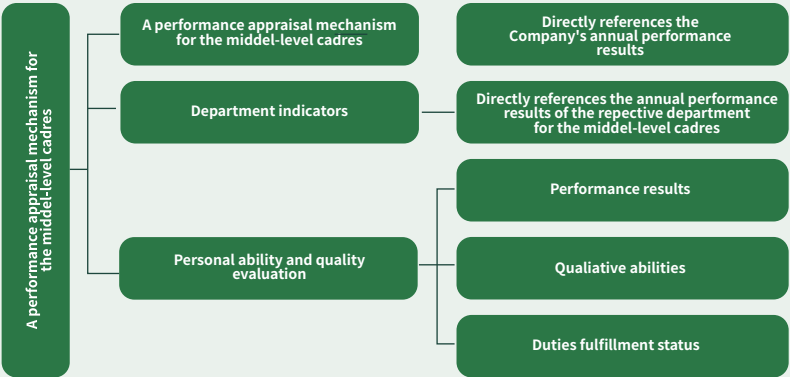
The Group offers long-term incentive mechanisms, including a share option scheme, to align the interests of shareholders, senior management, and core talents. These mechanisms aim to attract, retain, and motivate outstanding management personnel and core technical backbone employees within the Group. The participants of the share option scheme include the executive directors and senior management members of the Company, as well as core technical personnel and backbone management who the Board believes will have a direct impact on the Group's overall business performance and sustainable development. In the granting conditions and open exercise conditions for the incentive individuals, performance appraisal including sustainable development performance indicators, are taken into consideration. During the Reporting Period, the number of employees eligible for the share option scheme was 23. Of these, 16 were employees below the senior management level, representing 21% of the total number of employees below the senior management level.



The Group has formulated and continuously refined the *Management Measures for Employees Performance Appraisal*, which are applicable to middle-level cadres and employees. A performance appraisal mechanism has been established, combining primarily quantitative and supplementary qualitative assessments. The assessment cycle includes quarterly and annual appraisals. Quantitative indicators translate the Company’s development strategy into specific operation and management metrics. These are classified and set according to job responsibilities, with appropriate weights assigned to different indicators. Qualitative indicators focus on behavioral assessment, emphasizing performance evaluation while also considering the evaluation of abilities and attitudes. The appraisal results serve as important considerations for employee performance bonuses, honors and awards, career development, salary adjustments, training and improvement, and performance enhancement. Starting from 2024, the Group has fully implemented term-based and contractual management for middle-level cadres. Contractual relationships are established in accordance with laws and regulations, clarifying term limits, job responsibilities, performance goals, and accountability. During the Reporting Period, the proportion of middle-level cadres who signed the “Contract Agreement” reached 100%.the performance of the management personnel.

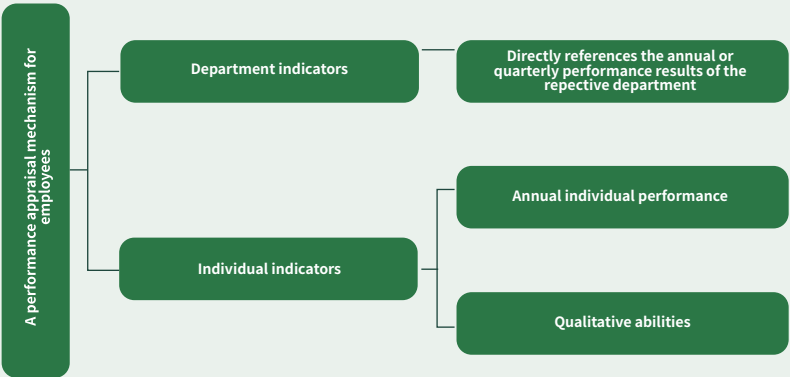
The annual performance assessment indicators for middle-level cadres

The annual performance assessment indicators for middle-level cadres consist of three main components: company performance results, department performance results, and personal ability and quality evaluation. The personal ability and quality evaluation cover several critical dimensions, including ESG issues that are essential for the Company’s sustainable development. These dimensions encompass comprehensive qualities (e.g., serving national strategies), professional abilities (e.g., non-performing asset ratios), leadership and management, reform and innovation (e.g., green finance, clean energy industry chain innovations), and work style and discipline (e.g., compliance). The scores for the ability and quality evaluation are determined through assessments and ratings conducted by the Company’s management, middle-level cadres, and employees. In this process, different evaluators—such as superiors, peers, and subordinates—are assigned varying weights to reflect their unique perspectives on the performance of the management personnel.



The criteria for junior employees

The criteria for junior employees include both departmental and individual performance results. Individual performance also involves evaluating the aforementioned individual competency quality. Employees are expected to work together with department heads to develop personal performance goals and development plans, maintain continuous and agile communication, and propose suggestions for improvement in performance management. The performance appraisal team and the Human Resources Department should organize regular communication with individuals, and aid with performance improvement when required.



In the event that an employee is held accountable for a major accident arising from personal circumstances, commits an error in their work that results in significant losses, or contravenes the company's rules and regulations and has caused adverse consequences, the appraisal results for the year may be deemed unqualified.

Welfare and Security

The Group is dedicated to upholding a comprehensive suite of employee benefits and continuously enhancing the employee welfare system. The Group strictly complies with the laws and regulations of the locations in which it operates regarding employee benefits, including marriage leave, maternity leave, and parental leave. For example, female employees with infants under one year of age are entitled to one hour of breastfeeding time per day, and parents with children three years of age or younger are entitled to five or ten days of paid parental leave per year. For employees with children, they receive subsidies on Children’s Day based on the number of children they have. Furthermore, all office buildings housing our company are equipped with lactation rooms.

The Group organizes annual medical checkups to comprehensively assess occupational health and safety risks and provides benefits such as traffic accident insurance, medical insurance, and mental health support for employees. During the Reporting Period, CSSC introduced long-term critical illness insurance as an additional benefit for its employees, thereby further enhancing the protection of their health and safety.

Benefits Overview	
Statutory Social Welfare	<ul style="list-style-type: none">• Mandatory Provident Fund.• Social Security Pension.
Complementary Medical Insurance	<ul style="list-style-type: none">• Provide group medical insurance for employees to meet their basic needs such as outpatient, inpatient surgery, dental treatment, etc.• Provide employees with critical illness insurance and life insurance, among which, the Mainland Critical Illness Supplementary Medical Insurance product offers lifelong protection.• Enhance medical coverage for the children of mainland employees.
Annual Physical Examination	<ul style="list-style-type: none">• Provide annual medical examination reimbursement for employees who have been employed for over one year.• Provide employees with a reimbursement of HKD 3,800 per person.
Leaves	<ul style="list-style-type: none">• Provide employees with statutory leaves and different types of leaves to meet their needs.
Transportation Allowance	<ul style="list-style-type: none">• Provide transportation allowance for employees due to work, including application for reimbursement of the Group’s vehicles and transportation expenses.

Strengthening employee cohesion and a sense of belonging is crucial for the stable development of an enterprise. The Group actively organizes and encourages participation in a variety of sports and cultural activities to alleviate employees’ physical and mental stress, foster team communication, and enhance their quality of life. Adhering to the principle of “Frugality and efficiency”, we provide financial support for daily cultural and sports activities, group outings, participation in sports competitions, and other team-building events.

The trade union proactively extends care and support during holidays, employees’ birthdays, and significant life events such as weddings, funerals, illnesses, and childbirths, offering gifts and/or financial assistance in compliance with regulations. We also reach out to retired employees with warmth and care. Each year ahead of the Spring Festival, the management of the Group leads visits to offer well-wishes and distribute financial assistance and gifts.

During the Reporting Period, we organized a variety of employee activities. For instance, on International Women’s Day in March, we arranged for female employees to participate in a preserved flower craft workshop. In October, we held a “Family Day” event for employees and their families, which included a visit to the Shanghai Submarine Museum. Furthermore, at the end of October, CSSC, along with other Hong Kong-based enterprises under the CSSC Group, formed a joint team to participate in the 9th Sports Games of the Hong Kong Chinese Enterprises Association. Several managers and employees took part in track and field competitions such as the 4x100m relay, shot put, and high jump, fully showcasing the spirit of our employees’ determination, unity, and striving for excellence.



Organize female employees to participate in the Preserved Flower Craft activity on 2024 Women’s Day



CSSC participates in the 9th Sports Games of the Hong Kong Chinese Enterprises Association



Visit Shanghai Submarine Museum during the “Family Day” event

Health and Safety

The primary workplace of the Group's employees is the office. We are committed to creating a safe and healthy working environment, ensuring that employees stay away from occupational hazards. At the same time, we also encourage all businesses and employees, as well as contractors under the supervision of The Group, to comply with corresponding occupational and safety management policies, which are formulated in consultation with employees and employee representatives.

The primary workplace for employees of the Group is the office environment. We are dedicated to fostering a safe and healthy workplace and safeguarding our employees from occupational risks. Additionally, we promote compliance with relevant occupational health and safety management policies among all our business units, employees, and contractors under the Group's supervision. These policies are developed in collaboration with employees and their representatives to ensure their input and agreement.

The Group has designated the Chairman as the direct responsible party for safety management and has established quantitative targets to enhance occupational health and safety. A comprehensive set of safety management measures has been implemented, including

- **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., 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 and being managed by a dedicated person.**
- **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**

During the Reporting Period, CSSC organized a company-wide study of the *2024 Key Points for Safety Production Work of CSSC Group*. The study focused on several critical areas: standardizing occupational health management, enforcing relevant laws and regulations, monitoring and addressing occupational disease hazards, conducting rigorous pre-employment, in-service, and post-employment health examinations, enhancing employee health records, strengthening oversight, and ensuring legal and compliant management of occupational health.



Development and Training

The Group is steadfastly advancing the “talent empowering enterprise” strategy, continuously improving the employee development system, and building a top-tier talent pool. The Group has established the *Management Measures of Staff Training*, which clarifies that both departments and individual employees have the right to propose training needs. We continuously enhance the job grade system and improve the scientific and standardized approach to job positioning and management. The Group's job hierarchy primarily consists of management positions, professional roles, and support roles. We formulated the *Measures for the Setting and Management of Positions*, which specify job qualifications, staff allocation and adjustment, and job rotation and exchange, thereby providing employees with a clear career development path.



The “Monthly Training Program” is the most widely applicable development program in the Group, with 100% of full-time employees participating in the program. The objective of the program is to satisfy the career development needs of employees and to build a first-class talent team. In accordance with the *Management Measures of Staff Training*, we have formulated a categorized training outline for different types of employees, with particular consideration given to the capacity requirements of key positions. The Human Resources Department gathers training demands for the following year from each department in December of each year and develops the monthly training programs accordingly. The training content is aligned with the Company’s development strategy, production and operational needs. It is integrated with the establishment of the talent team and focuses on strategic culture, knowledge and skills, style and attitude. This approach aims to broaden and enhance the capacity of the talent team.

Regarding training formats, the Group consistently dedicates substantial training resources and conducts a variety of training programs, which encompass:



Internal training

Training sessions conducted by the Group for employees, facilitated by a team of instructors, which includes both external and internal lecturers.



External training

Based on training needs, employees are assigned to participate in externally organized training.



Rotation training

Employees are trained across departments to accumulate and improve business skills and experience.



Mentor Training

Instructors or leaders in the departments train employees and impart business knowledge, skills and experience.



Employee Self-Learning

According to the needs of the position or career development, employees learn the necessary knowledge and skills on their own.



Online Learning

The Group uses the 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.



Fostering Shared Responsibility for Mutual Value Chain Development

This section focuses on addressing the following issues:

Supply Chain Management

Community Engagement

As a responsible central enterprise, CSSC has always kept in mind its original intention, and mission, actively fulfilled its social responsibilities, and led the sustainable development of the upstream and downstream of the value chain. In terms of supply chain management, the Group adheres to the concept of sustainable development and collaborates with partners to create a green, efficient, and responsible supply chain system. In terms of customer management, the Group continuously improves service quality through various means such as customer satisfaction surveys. In terms of social services, the Group actively participates in rural revitalization work, supporting regional economic development and improving local living standards. At the same time, we deeply integrate into local communities, carry out public welfare activities, and give back to society with practical actions, thus exemplifying the commitment of a central enterprise.



Building A Responsible Supply Chain

The major suppliers of the Group are those who provide shipbuilding services. As of the end of the Reporting Period, the Group had a total of 10 qualified shipbuilding service providers.

The Group has formulated and implemented the *Guidance of Supplier Management* to clarify the requirements for hiring and evaluating suppliers providing shipbuilding services. The Group evaluates suppliers based on their performance and past cooperation and determines a list of qualified suppliers. Every year, relevant departments conduct an annual evaluation of qualified suppliers. In addition to assessing their performance, design and development, and production and construction capabilities, we evaluate the environmental and social risks of suppliers by considering the environmental and safety production situation of projects that have been put into operation and are under construction, as well as whether significant safety production accidents have occurred in the past two years. After the annual evaluation, if there are any changes to the list of qualified suppliers, the list will be submitted to the management for approval. In the hiring process, the Group adheres to the three principles of “Great performance credit, Reasonable price, Convenient services”, and comprehensively considers factors such as the supplier’s main ship type, performance indicators of the required ship type, and delivery time. During the Reporting Period, all cooperative suppliers hired by the Group were approved by the General Manager Office.



Under the strategic guidance of developing green ships, the Group mainly cooperates with the shipbuilding service providers which are shipbuilding 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-powered ships, committing to reducing the resource consumption of products and the impact on the ecological environment. The Group also attaches great importance to the safe operating conditions of shipbuilding service providers. For example, for the shipbuilding service providers of LNG ships, the Group requires the suppliers to have internal health, safety, and environmental (HSE) policies and dedicated personnel responsible for HSE matters.

The management of occupational health and safety within ship management companies is a crucial aspect of our efforts to construct a responsible supply chain. Each year, 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.

The Group has developed a comprehensive training plan for reserve cadres, including management trainees. Through daily training, cross-department exchanges, and outposts to subsidiaries, the Group intensifies efforts in talent cultivation, continuously promotes the growth of talent teams, and achieves a “win-win” situation between talents and the enterprise. At the same time, the Group initiates the evaluation of the effectiveness of training and analyses the training results to continuously optimise training planning and curriculum.

The Group has established the Regulations on the Training of Management Trainees to enable management trainees to acquire the professional knowledge and practical experience required for their positions through task experience and mentor-assisted learning. We have adopted centralized training, mentor training and job rotation training to provide comprehensive training to management trainees. This strategy aims to stimulate their innovative capabilities and achieve a continuous cycle of talent development and deployment.

Centralized Training	The content of the training covers the company’s organizational structure, strategic objectives, industry knowledge, etc. The forms of training include special lectures, online training, and outbound training.
Mentor Training	Newly onboarded management trainees are assigned mentors by their respective departments for one-on-one guidance, aimed at equipping them to independently handle their job responsibilities.
Rotation Training	After a certain period, the trainees can be rotated according to the development of their positions and the company’s business needs, which can be divided into the following categories: intra-departmental rotations, interdepartmental rotations, and shipyard internships.

The “Rotation Program” is designed to facilitate regular exchanges of positions in accordance with the needs of business development, talent echelon construction and the growth of talents. It regularly organizes specific personnel, including management trainees, to engage in job rotation and exchange activities. The program aims to optimize the allocation of human resources, enhance the overall quality of employees, and improve their business skills and experience. During the Reporting Period, four individuals participated in the program, accounting for approximately 4.8% of the total number of full-time workforce.

During the Reporting Period, the Group sustained its increased investment in employee training and development. We have offered a diverse range of training programs for our employees, encompassing safety training, legal and regulatory training, management training, skill training, and integrity training. The training participation rate for all full-time employees reached 100%. The average expenses per employee on training was RMB1,498.8, and the average training hours per employee was 42.1 hours.

The average training expenses per full-time employee, categorized by training type, are detailed as follows:

Type of Training	Per capita training expenses for full-time employees (RMB)
Management Training	833.6
Skill Training	346.1
Safety Training	101.2
Legal and Regulatory Training	16.4
Integrity Training	0
Others	201.5

Improve Customer Satisfaction

The Group is dedicated to enhancing customer service through ongoing refinement of service procedures, strengthening customer communication, and providing comprehensive support to elevate the overall customer experience. In the Reporting Period, we conducted a customer satisfaction survey to gain deeper insights into the feedback and expectations our customers have regarding our services.

The recent customer satisfaction survey targeted all clients of our Group for the year 2023. We achieved a 100% participation rate from invited customers, with a final effective response rate of 65%. This high level of engagement not only signifies the trust and support our customers place in us but also underscores the strong partnership we share.

The survey findings indicate that the overall customer satisfaction rate achieved 94.1%, surpassing our target of 90% by 4.1 percentage points. None of the surveyed customers expressed dissatisfaction or disagreement, including “dissatisfied/disagree”, “very dissatisfied/strongly disagree”, or any other negative comments regarding the topics surveyed. Additionally, during the Reporting Period, the Group received no customer complaints.

Commitment to Social Responsibility

Our Group is dedicated to fulfilling its social responsibilities and places great emphasis on charitable endeavours. We aim to give back to the public and the communities in which we operate in innovative ways. By enhancing community engagement and support, the Group shares the benefits of its corporate development with society. We consistently implement effective social investment principles in our management and decision-making processes. Our specific initiatives include, but are not limited to:

- Promoting rural revitalization and consumption-based poverty alleviation.
- Offering support to employees engaged in volunteer service within their local communities.

During the Reporting Period, our efforts in rural revitalization were centred on reinforcing and broadening the outcomes of poverty alleviation initiatives. We diligently pursued activities related to consumption-based poverty alleviation to aid in expanding the sales channels for rural products. During the Reporting Period, the Group allocated RMB26,500 to initiatives focused on consumption-based poverty alleviation.

As a Chinese enterprise in Hong Kong, CSSC actively engages in the local community. We encourage our employees to engage in community service activities themed “Chinese Enterprises Serving the Community”. Through volunteering and other means, we offer volunteer services to residents in Hong Kong. At the same time, our employees leverage their extensive networks in the shipping and financial sectors to facilitate exchanges between Hong Kong and mainland enterprises, aiding in the deepening cooperation between Guangdong Province and Hong Kong, and effectively promoting Hong Kong’s integration into the national development strategy. Additionally, we actively share the stories of China and Hong Kong through mainstream media outlets, fostering social harmony and development.



Appendix 1 Performance of 2024

Environmental and social-related key performance indicators of 2024:

Environmental Aspect¹²

Key Performance Indicators¹³

	Units	2024	2023	2022
Air Pollutants¹⁴				
NO _x	kg	0.24	0.52	0.17
SO _x	kg	0.02	0.04	0.02
CO	kg	5.48	12.56	4.48
PM	kg	0.03	0.07	0.03

Greenhouse Gas Emission

Total GHG Emissions	tCO ₂ e	256.03	283.50	137.93
GHG Emission Intensity	tCO ₂ e/million HK\$	0.06	0.08	0.04
Scope 1				
Direct Emissions from Mobile Sources with Operational Control ¹⁵	tCO ₂ e	2.43	5.64	2.37
Scope 2				
Indirect Emissions from Purchased Electricity ¹⁶	tCO ₂ e	103.03	90.94	100.19
Scope 3				
Business Air Travel by Employees ¹⁷	tCO ₂ e	150.56	186.92	35.37

Hazardous Waste Generated

Total Amount of Hazardous Waste Generated ¹⁸	tonnes	11.18x10 ⁻³	2.79 x10 ⁻³	0.02
Hazardous Waste Intensity	kg/million HK\$	2.77x10 ⁻³	0.77x10 ⁻³	5.26x10 ⁻³
Waste Batteries	tonnes	9.82x10 ⁻³	1.89 x10 ⁻³	1.13x10 ⁻³
Ink Cartridge/Toner	tonnes	1.36x10 ⁻³	0.90 x10 ⁻³	0.016

Non-hazardous Waste Generated

Total Amount of Non-hazardous Waste Generated	tonnes	1.45	1.30	1.07
Non-hazardous Waste Intensity	kg/million HK\$	0.36	0.36	0.33
Paper	tonnes	1.33	1.18	0.97
Plastic	tonnes	0.12	0.12	0.10

Key Performance Indicators

	Units	2024	2023	2022
Non-hazardous Waste Recycled				
Total Amount of Non-hazardous Waste Recycled ¹⁹	tonnes	0.07	0.04	0.04
Paper ²⁰	tonnes	0.07	0.04	0.04

Use of Resources

Total Amount of Resources Consumption	MWh	189.27	171.85	173.53
Resources Consumption Intensity	MWh/million HK\$	0.05	0.05	0.05
Indirect Energy: Purchased Electricity Consumption ²¹	MWh	179.43	149.10	163.96
Purchased Electricity Consumption Intensity	MWh/million HK\$	0.04	0.04	0.05
Direct Energy: Petrol Consumption	MWh	9.84	22.75	9.58
Petrol Consumption Intensity	MWh/ million HK\$	2.44x10 ⁻³	6.27x10 ⁻³	2.98x10 ⁻³

¹²The key performance indicators for the environmental aspect cover the Group's offices located in Hong Kong, Shanghai, and Guangzhou. The Guangzhou office ceased operations and returned its leasehold at the end of June 2024. Consequently, this Report only includes environmental performance data for the Guangzhou office up to the date of lease termination. Furthermore, as the water usage of each office is managed by the property management, the Group is currently unable to provide an accurate annual water consumption of each individual office.

¹³To illustrate the correlation between the environmental intensity indicators and business growth of the Group, the annual consolidated revenue of the Group serves as the denominator in all calculations of these intensity metrics.

¹⁴The 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.

¹⁵The calculation method refers to the Guidelines for Accounting and Reporting of GHG Emissions of Land Transportation Industries (Trial) and the Guidelines for Accounting and Reporting of GHG Emissions of Industrial and Other Industry published by the National Development and Reform Commission of the People's Republic of China.

¹⁶The emission factors used in the 2024 calculation are based on the Announcement on the 2022 Electricity CO₂ Emission Factors issued in 2024 by the Ministry of Ecology and Environment of the People's Republic of China and the 2023 Sustainability Report published by HK Electric Investments Limited. The 2023 emission factors refer to the Notice on the Preparation of the GHG Emission Reporting and Management Work for the Electricity Generation Industry in 2023-2025 issued in 2023 by the Ministry of Ecology and Environment of the People's Republic of China and the 2022 Sustainability Report published by HK Electric Investments Limited. Similarly, the 2022 emission factors refer to the aforementioned 2023-2025 Notice issued in 2023 and the 2021 Sustainability Report published by HK Electric Investments Limited.

¹⁷The Scope 3 emissions data generated by employees' business air travel is based on the calculation of CO₂ emissions from air travel developed by the International Civil Aviation Organization (ICAO), an agency of the United Nations. For more details, please refer to <https://www.icao.int/environmental-protection/CarbonOffset/Pages/default.aspx>

¹⁸The Group is continuously enhancing its environmental data collection system across all offices. The 2024 data on the amount of waste batteries generated includes the data from three offices, whereas in previous years, this data was only cover the Hong Kong office.

¹⁹The total amount of non-hazardous waste generated in 2023 has been revised.

²⁰The paper recycling data for 2024 covers both the Hong Kong and Shanghai offices, while previous years' data only covered the Hong Kong office.

²¹Owing to the unusually high temperatures during the summer of 2024 and the renovation activities undertaken in certain offices, the consumption of externally purchased electricity has increased significantly compared to previous years.

Social Aspect

Key Performance Indicators	Units	2024	2023	2022
Employees	Person	83	87	87
Number of Employees by Region²²				
Mainland China	Person	53	71	57
Hong Kong	Person	30	16	30
Number of Employees by Gender				
Female	Person	43	44	44
Male	Person	40	43	43
Number of Employees by Type				
Full-time	Person	83	87	87
Part-time	Person	0	0	0
Number of Employees by Age				
Below 30	Person	12	13	14
30 - 40	Person	40	44	43
41 - 50	Person	22	21	23
Above 50	Person	9	9	7
Employee Turnover Rate	%	7	13	13
Turnover Rate by Region				
Mainland China	%	4	3	12
Hong Kong	%	13	13	13
Turnover Rate by Gender				
Female	%	2	7	9
Male	%	13	2	16
Turnover Rate by Age				
Below 30	%	8	23	0
30 - 40	%	0	0	16
41 - 50	%	9	0	17
Above 50	%	33	11	0

Key Performance Indicators	Units	2024	2023	2022
Employee Training²³				
Percentage of Trained Employees by Gender				
Female	%	51.81	50.57	50.57
Male	%	48.19	49.43	49.43
Percentage of Trained Employees by Employee Category				
High-level	%	8.43	8.05	8.05
Mid-level	%	13.25	11.49	11.49
Basic-level	%	78.31	80.46	80.46
Average Training Hours by Gender				
Female	Hour	40.17	14.73	30.66
Male	Hour	44.18	30.84	39.58
Average Training Hours by Employee Category				
High-level	Hour	64.64	72.29	70.93
Mid-level	Hour	80.00	34.80	80.55
Basic-level	Hour	33.26	16.00	24.99
Work Safety				
Work-related Fatalities	Person	0	0	0
Rate of Work-related Fatalities	%	0	0	0
Lost Days Due to Work Injury	Day	0	0	0
Number of Suppliers by Geographical Region²⁴				
Mainland China	No.	10	7	6

²² The Group's employee statistics based on regional segmentation are "working in mainland China" and "working in Hong Kong".

²³ The 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.

²⁴ The primary suppliers of the Group are those who provide shipbuilding services. The supplier data here refers to the number of qualified shipbuilding service providers.

Appendix 2 List of Laws and Regulations

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

Environmental

ESG Aspects	Laws and Regulations - Hong Kong	Laws and Regulations - Mainland China	Compliance Status
Environmental	Cap.311 Air Pollution Control Ordinance Cap.354 Waste Disposal Ordinance	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	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 water and land, waste generation and disposal that had a significant impact on the Group.
Employment and Labor Standards	Cap.57 Employment Ordinance Cap.480 Sex Discrimination Ordinance Cap.487 Disability Discrimination Ordinance Cap.602 Race Discrimination Ordinance	Labor Law of the People's Republic of China Labor 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 Labor	During the Reporting Period, 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 labor, and forced labor.
Work Health and Safety	Cap.509 Occupational Safety and Health Ordinance Cap.282 Employees' Compensation Ordinance	Occupational Diseases Prevention and Treatment Law of the People's Republic of China Fire Control Law of the People's Republic of China	During the Reporting Period, the Group did not receive any complaints about occupational health and safety that had a significant impact on the Group.
Product Responsibility	Cap.362 Trade Descriptions Ordinance Cap.486 Personal Data (Privacy) Ordinance Cap.559 Trademarks Ordinance Cap.571 Securities and Futures Ordinance	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 Intellectual Property Law of the People's Republic of China	During the Reporting Period, 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	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	Anti-Money Laundering Law of the People's Republic of China Interim Provisions on Banning Commercial Bribery	During the Reporting Period, 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

Mandatory Disclosure Requirements

Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board’s oversight of ESG issues; (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 (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.		System Construction, Promoting ESG to Go Deep and Solid
			Advancing Low-Carbon Transition and Co-Creating Green Environments
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:	Materiality: 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.	“About This Report”
		Quantitative: 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.	“About This Report”
		Consistency: 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.	“About This Report”
Reporting Boundary	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.		“About This Report”

Provisions, Subject Areas, Aspects, General Disclosures and KPIs		
A.Environmental	Disclosure	Chapter
“Comply or explain” Provisions		
Aspect A1: Emissions	General Disclosure	
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Advancing Low-Carbon Transition and Co-Creating Green Environments
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Appendix 2 List of Laws and Regulations
	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.	
	KPI A1.1 Types of emissions and related emission data. KPI A1.2 Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions (in tons) and (if applicable) density (in units of production and per facility). KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). KPI A1.5 Description of emission target(s) set and steps taken to achieve them.	Appendix 1 Performance of 2024 Appendix 1 Performance of 2024 Appendix 1 Performance of 2024 Appendix 1 Performance of 2024 Advancing Low-Carbon Transition and Co-Creating Green Environments Advancing Low-Carbon Transition and Co-Creating Green Environments
	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.	
Aspect A2: Use of Resources	General Disclosure	Advancing Low-Carbon Transition and Co-Creating Green Environments Appendix 2 List of Laws and Regulations
	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.	
	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 2024
	KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Not Applicable ²⁵
	KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Advancing Low-Carbon Transition and Co-Creating Green Environments
	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.	Advancing Low-Carbon Transition and Co-Creating Green Environments
Aspect A3: The Environment and Natural Resources	General Disclosure	Advancing Low-Carbon Transition and Co-Creating Green Environments
	Policies on minimising the issuer’ sss significant impact on environment and natural resources.	
	KPI A3.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Advancing Low-Carbon Transition and Co-Creating Green Environments
Aspect A4: Climate Change	General Disclosure General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Topic: Integration of Industry and Finance – “Green Finance” Promotes “Green Shipping”
	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.	Advancing Low-Carbon Transition and Co-Creating Green Environments

²⁵ As the water usage of each office is managed by the property management, the Group is currently unable to provide an accurate annual water consumption of each individual office. Therefore, this indicator is not applicable.

²⁶ 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.

Provisions, Subject Areas, Aspects, General Disclosures and KPIs		
B. Social	Disclosure	Chapter
“Comply or explain” Provisions		
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, another benefits and welfare.	Inclusive and Mutually Beneficial, Advancing Together with Employees Appendix 2 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 2024
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Appendix 1 Performance of 2024
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.	Inclusive and Mutually Beneficial, Advancing Together with Employees Appendix 2 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 2024
	KPI B2.2 Lost days due to work injury.	Appendix 1 Performance of 2024
	KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Inclusive and Mutually Beneficial, Advancing Together with Employees
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.	Inclusive and Mutually Beneficial, Advancing Together with Employees
	KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix 1 Performance of 2024
	KPI B3.2 The average training hours completed per employee by gender and employee category.	Appendix 1 Performance of 2024
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 labor.	Inclusive and Mutually Beneficial, Advancing Together with Employees Appendix 2 List of Laws and Regulations
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	Inclusive and Mutually Beneficial, Advancing Together with Employees
	KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Inclusive and Mutually Beneficial, Advancing Together with Employees

Provisions, Subject Areas, Aspects, General Disclosures and KPIs		
B. Social	Disclosure	Chapter
“Comply or explain” Provisions		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risk of supply chain.	Fostering Shared Responsibility for Mutual Value Chain Development
	KPI B5.1 Number of suppliers by geographical region.	Appendix 1 Performance of 2024
	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.	Fostering Shared Responsibility for Mutual Value Chain Development
	KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Fostering Shared Responsibility for Mutual Value Chain Development
	KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Fostering Shared Responsibility for Mutual Value Chain Development
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.	Fostering Shared Responsibility for Mutual Value Chain Development Appendix 2 List of Laws and Regulations
	KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable ²⁷
	KPI B6.2 Number of products and service-related complaints received and how they are dealt with.	Fostering Shared Responsibility for Mutual Value Chain Development
	KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	Deepening Reform with a Focus on Value Creation
	KPI B6.4 Description of quality assurance process and recall procedures.	Not Applicable
	KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Deepening Reform with a Focus on Value Creation
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.	Deepening Reform with a Focus on Value Creation Appendix 2 List of Laws and Regulations
	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.	Deepening Reform with a Focus on Value Creation
	KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Deepening Reform with a Focus on Value Creation
	KPI B7.3 Description of anti-corruption training provided to directors and staff.	Deepening Reform with a Focus on Value Creation
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.	Fostering Shared Responsibility for Mutual Value Chain Development
	KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Fostering Shared Responsibility for Mutual Value Chain Development
	KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	Fostering Shared Responsibility for Mutual Value Chain Development

²⁷ The Group understands the importance of publicity for the benefit of the company. 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 which does not involve any health and safety issues related to the services, issues of quality assurance and product recalls. As there are no actual product sales in the Group's direct operations, no matters related to product labeling are involved.

Verification Statement

Scope and Objective

Hong Kong Quality Assurance Agency ("HKQAA") was commissioned by CSSC (Hong Kong) Shipping Company Limited ("CSSC") to conduct an independent verification for its Sustainability Disclosures (the "Selected Disclosures") stated in its 2024 Environmental, Social and Governance (ESG) Report ("the Report"). The selected disclosures covered the period from 1 January 2024 to 31 December 2024 and represented the sustainability performance of CSSC.

The objective of this verification is to provide an independent opinion with a limited level of assurance on whether the selected disclosures are prepared in accordance with the following reporting criteria:

- the Environmental, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix C2 of the Listing Rules of The Stock Exchange of Hong Kong Limited (version effective from 31 December 2023, which remains applicable to annual reports for financial years commencing before 1 January 2025).

Level of Assurance and Methodology

HKQAA's verification procedure has been conducted with reference to the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000") issued by the International Auditing and Assurance Standards Board. The evidence gathering process was designed to obtain a limited level of assurance as set out in the ISAE 3000 by using a risk-based approach.

Our verification procedure included, but not limited to:

- Sampling the sustainability information stated in the Report, e.g. claims and performance data for detail verification;
- Verifying the raw data and supporting information of the selected samples of the sustainability information;
- Interviewing responsible personnel; and
- Checking the internal control mechanism

Roles and Responsibilities

CSSC is responsible for the organization's information system, the development and maintenance of records and reporting procedures in accordance with the system, including the calculation and determination of sustainability information and performance. HKQAA verification team is responsible for providing an independent verification opinion on the selected disclosures provided by CSSC for the reporting period. The verification was based on the verification scope, objectives and criteria as agreed between the CSSC and HKQAA.

Independence

HKQAA did not involve in collecting and calculating data or compiling the reporting contents. Our verification activities were entirely independent and there was no relationship between HKQAA and CSSC that would affect the impartiality of the verification.

Limitation and Exclusion

The following limitations and exclusions were applied to this verification due to the service scope, nature of verification criteria, and characteristics of the verification methodology.

- I. Our verification scope is limited to verifying the transcription/transformation of the raw data or information into the selected disclosures, e.g., Claims and Performance Data stated in the Report. This Sustainability Information may be subject to inherent uncertainty.
- II. Evaluating the quality of execution and implementation effectiveness of the ESG practices, the appropriateness of the assumptions made, and the estimation techniques applied are outside the scope of our verification.
- III. The verification of raw data or information is based on the use of a sampling approach and reliance on the client's representation. As a result, errors or irregularities may occur and remain undetected.
- IV. Any information outside the established verification period has been excluded.

Conclusion

Based on the evidence obtained and the results of the verification process, it is the opinion of the verification team that, with a limited level of assurance, nothing has come to the team's attention that the Report has not been prepared, in all material respects, in accordance with the ESG Guide set out in Appendix C2 of the Listing Rules of The Stock Exchange of Hong Kong Limited (former version, which remains applicable to annual reports for financial years commencing before 1 January 2025).

Signed on behalf of Hong Kong Quality Assurance Agency



Teresa Leung
Director, Finance Business
23/04/2025
Ref: 14958731-VER



2024 Environmental, Social and Governance Report

CSSC (HONG KONG) SHIPPING COMPANY LIMITED

Stock code: 3877