



中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

*(Incorporated in Bermuda with limited liability)*

Stock Code : 00517



# PERSEVERANCE FOR A SUSTAINABLE FUTURE

Annual Report 2020



# Environmental, Social and Governance Report

## 1. ABOUT THIS REPORT

### 1.1 Reporting Scope

This report sets out the key impacts and achievements of the principal activities of COSCO SHIPPING International (Hong Kong) Co., Ltd. (“COSCO SHIPPING International” or the “Company”) and its subsidiaries (collectively, the “Group”) with regards to its commitments to environment, social and governance (“ESG”).

The reporting scope covers the main business segments of the Group, including ship trading agency services, insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of other related shipping products and services. The general disclosure in this report reflects the ESG related strategies, policies objectives, management approach and initiatives adopted by the Group, unless otherwise specified, and the key performance indicators (KPIs) cover all subsidiaries of the Group, and are presented in aggregate figures.

### 1.2 Reporting Period

Unless otherwise stated, this report covers the performance and measures of the Group’s sustainable development during the year ended 31 December 2020.

### 1.3 Reporting Standards

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“HKEx”). The disclosure of this report fulfils the “Comply or Explain” provisions and reports on all recommended disclosures of the Guide. The disclosure encompassed in this report follows the reporting principles of materiality, quantification, balance and consistency, and takes into account the impacts on the Group’s stakeholders and operations.

We seek to fulfil our duty as a responsible corporate social citizen by establishing a sustainable operating environment, building a solid foundation for enhancing long-term shareholder returns, and striving to contribute to the communities where we operate.

## 2. PHILOSOPHY AND POLICIES OF CORPORATE ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

### 2.1 Environmental, Social and Governance Structure

The Group keeps abreast of the rising expectations on corporate sustainable development with respect to the latest Guide issued by HKEx that puts great emphasis on the Board involvement in the governance of ESG issues. We remain anchored with our environmental and social commitments and have defined clear responsibilities for the Board and a governance structure amongst the Group that lays a solid foundation for our sustainable development.

ESG Committee (the “Committee”) is planned to be established to oversee the Group’s ESG-related strategies, policies and development plans. Delegated by the Board, the Committee is expected to comprise at least one Executive Director serving as the Committee chairman, a deputy general manager of the Company and a representative from each Divisions closely related to the Group’s ESG matters.

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The Committee will meet at least once a year and whenever necessary to closely monitor the implementation and effectiveness of ESG policies and initiatives, as well as to identify, assess and manage ESG-related risks, opportunities and topics material to our business operations on a regular basis. To set forth the overall direction in ESG, the Committee will also stipulate the Group's ESG vision, strategies and targets with efforts to assess the achievement progress. Being constantly aware of the regulatory requirements, the Committee will assume the responsibilities of coordinating the preparation of ESG reports and monitoring the Group's compliance to relevant laws and regulations. In regard of the above matters, the Committee is required to report to the Board and offer suggestions when applicable.

As the Group comprises a wide range of business segments, internal collaboration is essential to progress towards sustainable development as a whole. Subsidiaries submit their annual quantitative performance figures and highlights of their management approach, practices and initiatives to the headquarters while the Group sets out strategic directions for the overall business development and sustainability. To strengthen the collective efforts, implementation of strategies is kept closely in track and ESG matters are constantly reported.

## 2.2 Environmental, Social and Governance Management Approach

ESG factors are taken into careful considerations in the formulation of the Company's sustainable management approach and strategies. Given our diversified business operations, relevant policies are developed in correspondence to the business models and segments while assessments of ESG risks are conducted separately for our production segments and office operations. In view of the ever-changing business and social-economic environment, we continue to monitor and review our management approach and policies to maintain the alignment with the latest market trends, industry and regulatory requirements.

To address the surging concerns of the society and more stringent regulations on environmental protection, the Group's coating production and sales business units have established their respective environmental policies in compliance with the Environmental Management System Certification's management measures outlined by the International Organisation for Standardisation ("ISO"). Apart from reaching globally recognised standards, we also put tremendous efforts in monitoring and minimising the environmental impacts pertaining to our operations. We have continued to invest and upgrade the equipment to reduce Volatile Organic Compounds ("VOCs") emissions stemming from their operations. Jotun COSCO has also adopted an "One Factory One Policy" ("一廠一策") implementation plan that details the emergency procedures on tackling air pollutions in response to the regional contingency plan of Qingdao.

Apart from our environmental management efforts, we endeavour to promote occupational health and safety ("OHS") and product quality amongst our operations and to drive continuous management improvements in upholding stringent OHS and quality standards. We have continued our accreditations of Quality Management System Certification (ISO9001), Occupational Health and Safety Management Systems Certifications (ISO45001:2018) and Environmental and Energy Management System Certification (ISO14001).

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## 3. DETERMINATION OF MATERIALITY

### 3.1 Stakeholder Engagement

We value opinions from our stakeholder groups that have impacts and/or are potentially impacted by our operations, as well as those external organisations that have expertise in aspects that we consider material. We engage with them and collect their feedback through diverse channels on a regular basis, which is vital for our review and formulation of strategies and plans in relation to business and sustainable development.

Communication channels corresponding to the identified stakeholders at our daily operations are summarised as follow:

Stakeholder groups	Communication channels	Purposes	Frequency
Government authorities	<ul style="list-style-type: none"> <li>• Questionnaires</li> <li>• Meetings</li> <li>• Site visits</li> <li>• Information submission</li> </ul>	<ul style="list-style-type: none"> <li>• Compliant operation</li> <li>• Governance on the environmental management</li> <li>• Social aids</li> <li>• Tax compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Irregular</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Post-results roadshows</li> <li>• Company visits</li> <li>• Investment Summits</li> <li>• Telephone conferences, emails, WeChat, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• To communicate and report the Company's latest developments and future directions</li> </ul>	<ul style="list-style-type: none"> <li>• Semi-annual/annual</li> <li>• Real-time communication such as meetings, calls and emails</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Training and educational activities</li> <li>• Employee satisfaction survey</li> <li>• Annual staff meeting</li> <li>• Work meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce employee turnover</li> <li>• Enhance occupational safety and health awareness</li> </ul>	<ul style="list-style-type: none"> <li>• Annual</li> <li>• Weekly meetings, or monthly, quarterly or annual work summary</li> </ul>
Business partners, customers and suppliers	<ul style="list-style-type: none"> <li>• Company visits</li> <li>• Telephone conferences, emails and other electronic means</li> <li>• Social media</li> <li>• Inspection and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain stable and efficient supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>• Semi-annual/annual</li> <li>• Irregular meetings</li> </ul>
Local communities and Non-Government Organisations ("NGOs")	<ul style="list-style-type: none"> <li>• Community projects</li> <li>• Collaborative projects</li> </ul>	<ul style="list-style-type: none"> <li>• Create Social benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Annual</li> </ul>



# Environmental, Social and Governance Report

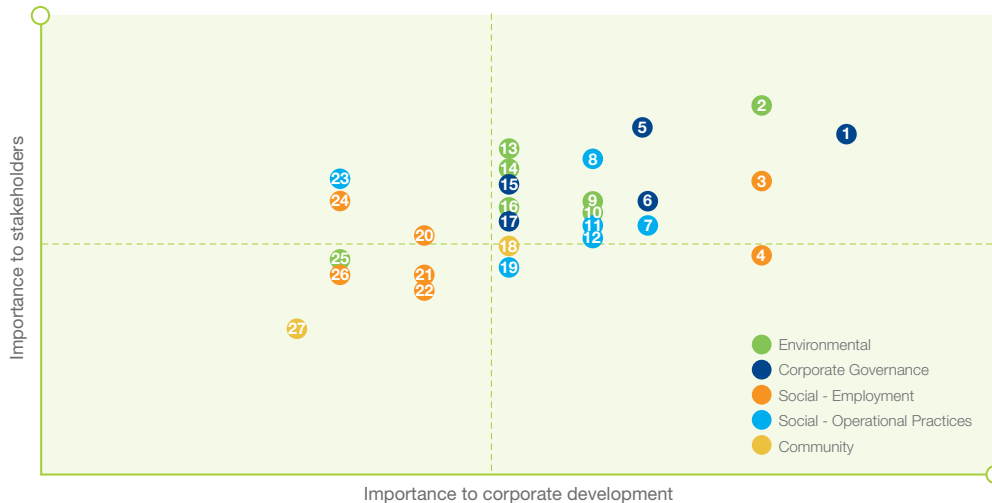
## 3.2 Materiality Assessment

To determine the material ESG issues, we commissioned an external professional consultancy to carry out a stakeholder engagement and materiality assessment for 2020. To maintain an objective judgement and measurement, we incorporated feedback from our internal stakeholders, the Group's employees with key ESG managing responsibilities, through interviews, together with continual observations on the changing regulatory requirements, industrial development, market trends and other insights gained from the regular stakeholder engagement exercises during the year.

The results of the materiality assessment were illustrated in two dimensions, namely "Importance to stakeholders" and "Important to corporate development" to prioritise the ESG issues identified. In view of the COVID-19 pandemic and changing regulatory environment, the Group put more emphasis on workplace health and safety and response to climate change by means of low-carbon operations and climate-related risk adaptation. The ranking of the 27 ESG topics, covering corporate governance, environmental, employment and operational practices, were thus reviewed and updated to reflect the latest development of our ESG considerations in conducting our business, and taken into thorough considerations for the preparation and compilation of this report.

The following list and materiality matrix summarise the material issues relevant to us.

2020 Materiality Matrix of ESG Topics of COSCO SHIPPING International



- |                                     |   |   |  |
|-------------------------------------|---|---|--|
| 1 Business compliance               | 8 Customer service                          | 15 Economic performance                   | 22 Employment welfare                        |
| 2 Environment compliance            | 9 Waste management                          | 16 Water resources management             | 23 Customer privacy protection               |
| 3 Occupational health and safety    | 10 Environmental and ecological protection  | 17 Business ethics                        | 24 Labour standards                          |
| 4 Product and technology innovation | 11 Operational efficiency of company assets | 18 Serving local economy                  | 25 Energy efficiency and energy saving       |
| 5 Anti-corruption                   | 12 Continuity and security of service       | 19 Differentiation of product and service | 26 Staff development and training            |
| 6 Supply chain management           | 13 Response to Climate Change               | 20 Equal rights of employees              | 27 Community communication and participation |
| 7 Sustainable procurement policy    | 14 Low carbon operation                     |   |  |



# Environmental, Social and Governance Report

## 4. ENVIRONMENTAL PROTECTION

As we strive to conduct our business in an environmentally sustainable manner, we are dedicated to minimising the adverse impacts induced by our business operations. We are mindful of our roles in promoting a green and healthy shipping industry to attain a sustainable future and long-term success. Going beyond legal compliance, the Group adopts proactive approaches in emission reduction, resource optimisation and biodiversity conservation. To achieve this, we continued to explore and introduce the application of innovative technologies and brought to the markets and customers our products with more environmentally friendly features and considerations. Besides, we strive to create an environment-conscious workplace and cultivate employees' awareness through regular training.

The Group strictly abides with the applicable environmental laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Promotion of Clean Production, the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Pollution by Environmental Noise Pollution and the Environmental Protection Tax Law of the People's Republic of China, as well as a range of local rules and standards concerning the prevention and control of environmental pollutions by discarded dangerous chemicals, standards of air pollutants and integrated wastewater discharge standards in its all operating locations. In 2020, there was no case of non-compliance concerning our operating practices.

Internally, the Group established a comprehensive environmental management system and a set of environmental policies in line with ISO 14001 requirements to guide its subsidiaries' considerations and adherence to the operating standards, as well as planning in continuous performance improvement. In 2020, COSCO Kansai Companies and Jotun COSCO remained certified with ISO 14001 for their respective environmental management systems. The Group's robust internal risk control and management framework adopts a top-down approach to identify environmental risks from daily business operations and ensure the risks are overseen by the management and properly addressed at operational levels.

In addition, we commissioned independent parties to perform regular audits on our performance and help identify improvement potentials of various environmental matters, including wastewater, exhaust gas, and noise. In this regard, COSCO Kansai Companies employed additional measures in response to the tightening pollutant discharge standards as required in the operating permits.

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## 4.1 Environmental-conscious Operations

### 4.1.1 Air Emission Reduction

The Group's major air emissions are VOCs originated from its coatings production businesses, which are in the forms of benzene, toluene and xylene volatiles, and particulate matters. In view of the tightening national and local emission standards, we continued to strengthen our control on emissions through different initiatives, from product development, material selection, production technologies and efficiency improvement to emission removal. Our transition from solvent-based to water-based coatings has contributed significantly to our VOCs emission reduction achievements.

COSCO Kansai Companies and Jotun COSCO enhance their production practices by adopting regenerative thermal oxidizers (RTO) technology. This technology allows for decomposition of VOCs from exhaust gas before emission, achieving a purification degree of 99.5%. In addition, COSCO Kansai Companies were equipped with multiple exhaust gas after-treatment facilities for a comprehensive emission control mechanism. For example, the bag-type dust collectors and integrated exhaust gas treatment equipment with spray, primary and medium filters, zeolite runner and catalytic oxidation features to help capture VOCs and particulate matters from the production exhaust.

COSCO Kansai Companies also reduce direct VOCs emissions to air by ensuring entrances of workshops are properly closed and all production systems are confined. By installing forklift induction automatic access control systems and activated carbon absorbers, it constantly maintained a VOCs level below the requirements in "Emission Control Standard of Volatile Organic Compounds for Industrial Enterprises (工業企業揮發性有機物排放控制標準)". In 2020, the COSCO Kansai Companies further invested and completed the installation of the online VOCs and Nitrogen Oxide (NOx) emission monitoring systems as required by the local authorities.

Jotun COSCO formulated corresponding implementation plans in Qingdao factory in response to the Governments' initiatives of "One Factory One Policy", in which it detailed the delegated working teams and emergency emission reduction measures for the factory under the pre-warning of the weather pollution conditions. Also, our factories are subject to the Government's periodic inspections or investigations. In 2020, the Jinshan factory passed a comprehensive inspection conducted by the Government agencies and scientific institutions for its compliance on VOCs emission standards.



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On the other hand, Jotun COSCO upgraded its VOCs abatement equipment. In 2020, Jotun COSCO installed five high-speed and automated rolling doors in production workshops to minimise VOCs emission arising through direct exposure to the air. About 198 kg of VOCs emission is expected to be further reduced upon the installation completion. In recognition of its continuous efforts, Jotun COSCO was awarded the “Green Factory of China Coating Industry” and “Advanced Enterprise of Low VOC Promotion” in 2020.

## 4.1.2 Waste management

The Group is aware of the impact of waste generated from its production operations and always strives to improve its waste management. COSCO Kansai Companies established a hazardous waste management plan with clear responsibilities to guide factories’ appropriate hazardous waste treatment, disposal and recycling.

To reduce the amount of waste sending landfills and impacts of hazardous waste to the environment and people, COSCO Kansai Companies and Jotun COSCO strive to utilise all materials and maximise its values. Among our factories, we adopted refined production models to reserve the materials use and practiced active recycling and reuse of materials and waste, including residues from exhaust gas treatment, wastes from manufacturing workshops and R&D laboratories, cleaning solvents, chemical raw materials and their packaging. This year, Jotun COSCO further introduced recyclable packaging drums to reduce packaging waste.

In addition to the waste reduction initiatives, COSCO Kansai Companies set up a specific on-site warehouse with anti-seepage and corrosion prevention design for temporary and classified hazardous waste storage to avoid mistreatment and unintended contact. Designated staff carry out regular management and counting on the waste collected and stored on-site, and qualified third parties are then engaged to arrange proper disposal of the hazardous waste. Meanwhile, non-hazardous waste is stored in a separate warehouse and handled on a monthly basis. Our Safety Management Department oversees the entire waste management process in line with all applicable laws and regulations. During the year, we organised training on waste management to familiarise the whole company with the Group’s expectations and updated waste handling practices.

## 4.1.3 Wastewater Management

Although we do not consume and discharge a significant amount of freshwater and wastewater respectively in our coating production operations, we are dedicated to managing our consumption and discharge consciously.

By recycling and reusing wastewater, we strive to minimise the use of freshwater and wastewater discharge. We conducted a quarterly wastewater analysis to ensure the wastewater discharge quality complies with the prescribed requirements listed in the relevant standards, such as “Integrated Wastewater Discharge Standard (污水綜合排放標準)”. We also commissioned qualified service agencies to facilitate our wastewater treatment before discharging into the environment.





# Environmental, Social and Governance Report

## Types and respective emissions data of coating manufacturing subsidiaries of the Group

	Unit	2020	2019	2018
<b>Wastewater</b>				
Wastewater	metric tons	23,726	27,374	20,227
<b>Waste gas</b>				
VOCs and Benzene <sup>Note 1</sup>	metric tons	3.91	3.38	10.88
Toluene <sup>Note 1</sup>	metric tons	0.53	0.13	0.37
Xylene <sup>Note 1</sup>	metric tons	0.65	0.19	0.73
Particulate matter <sup>Note 1</sup>	metric tons	2.31	1.38	1.71
Other exhaust gas emission	metric tons	3.91	0	0
<b>Wastes</b>				
Solid wastes (Hazardous)	metric tons	1,439	1,484	1,332
Solid wastes (Non-hazardous)	metric tons	246.4	277.5	274.9
<b>Package materials</b>				
Coating package materials <sup>Note 1</sup>	metric tons	5,442	5,100	4,014

Note:

1 The increase in the corresponding emissions resulted from the increase in production quantity in 2020.

### 4.1.4 Resources Optimisation

The Group is committed to ensuring its efficient use of resources. We consistently introduced energy-saving technologies and promoted the importance of efficient resource consumption to our employees. In particular, COSCO Kansai Companies formulated “Energy Resource Conservation Control Procedure (能源資源節約控制程序)” to provide employees clear guideline for optimal use of resources, including water, electricity, and steam in the production process, together with reward and accountability mechanism to encourage collaborative efforts.

In 2020, Jotun COSCO installed air compressors that recycle residual heat for operational use and, as a result, to reduce overall energy consumption. In addition, we also introduced machinery powered by renewable energy such as solar and wind energy, to gradually phase out traditional fossil-fuel powered electrical machinery.

Meanwhile in our non-production operations, we remain committed to creating a green office and working environment through various resource-saving measures. For example, the companies regulate air conditioners to maintain a comfortable indoor temperature and conduct inspections on a regular basis to switch off unused electrical appliances to avoid unnecessary consumption. In supporting green commuting, we encourage employees to make great use of digital communication technologies whenever possible. We also advocate traveling with public transport and managing business travel arrangement with considerations of the environmental impacts. Maintaining a clear record of vehicle fuel and other energy consumption also facilitates our identification of reduction potential. Also, we displayed educational posters on prominent locations to drive employees’ responsible consumption behaviours.

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## Energy Consumption of the Group

	Unit	2020	2019	2018
<b>Energy consumption</b>				
Total electricity consumption <sup>Note 1</sup>	kWh	6,409,646	6,437,058	6,124,244
Electricity consumption density per m <sup>2</sup> of floor area <sup>Note 1</sup>	kWh/m <sup>2</sup>	142.60	143.44	136.84
Electricity consumption density per employee <sup>Note 1</sup>	kWh/employee	7,694.65	7,144.35	6,991.15
Total diesel consumption <sup>Note 2</sup>	liter	66,620	80,805	N/A
Total petrol consumption <sup>Note 2</sup>	liter	26,060	45,271	N/A
Total natural gas consumption <sup>Note 2, 3</sup>	cubic meter	213,273	108,863	N/A
<b>Water consumption</b>				
Total water consumption <sup>Note 4, 5</sup>	metric tons	41,463	37,707	27,523
Water consumption density per m <sup>2</sup> of floor area <sup>Note 4</sup>	metric tons/m <sup>2</sup>	1.14	1.03	0.73

### Notes:

- 1 The office of Beijing COSCO SHIPPING Ship Trading had its power supply controlled by the local property management office or proprietors who did not provide sub-meters for the units occupied. Thus, the data relating to electricity consumption does not include Beijing COSCO SHIPPING Ship Trading.
- 2 The fuel consumption data is newly disclosed in 2020. Data prior to 2019 is not available.
- 3 The increase in total natural gas consumption resulted from the implementation of RTO technologies and the increase in production quantity in the COSCO Kansai (Zhuhai) plant in 2020.
- 4 The members of the Group had their water supply controlled by their respective property management offices who did not provide sub-meters for the units that they occupied. Thus, the data relating to water consumption and density in 2020 only covers COSCO Kansai Companies.
- 5 The increase in total water consumption resulted from the increase in production quantity in 2020.

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## Greenhouse gas (“GHG”) emissions data of the Group

	Unit <sup>#</sup>	2020	2019	2018
<b>Scope 1</b>				
Total emissions <sup>Note 1</sup>	metric tons	708.22	572.07	419.84
Petrol	metric tons	70.57	122.59	136.55
Diesel	metric tons	176.52	214.10	191.58
Natural gas <sup>Note 1</sup>	metric tons	461.14	235.38	91.71
<b>Scope 2</b>				
Total emissions <sup>Note 2</sup>	metric tons	5,218	5,457	5,206
Electricity <sup>Note 2</sup>	metric tons	5,218	5,457	5,206
<b>Scope 3</b>				
Total emissions <sup>Note 3</sup>	metric tons	448.05	597.10	625.27
Business travel <sup>Note 3</sup>	metric tons	190.50	336.11	290.57
Paper consumption	metric tons	257.55	260.99	334.70
<b>Total GHG</b>				
Total GHG emissions (Scopes 1, 2 and 3)	metric tons	6,374	6,626	6,251
GHG emissions per m <sup>2</sup> of floor area (Scopes 1, 2 and 3)	metric tons/m <sup>2</sup>	0.14	0.15	0.14
GHG emissions per employee (Scopes 1, 2 and 3)	metric tons/employee	7.65	7.35	7.14

<sup>#</sup> GHG emissions data are presented in carbon dioxide equivalent.

### Notes:

- 1 The increase in total natural gas consumption and respective GHG emissions resulted from the implementation of RTO technologies and the increase in production quantity in the COSCO Kansai (Zhuhai) plant in 2020.
- 2 The office of Beijing COSCO SHIPPING Ship Trading had its power supply controlled by the local property management office or proprietors who did not provide sub-meters for the units occupied. Thus, the data relating to electricity consumption and respective GHG emissions does not include Beijing COSCO SHIPPING Ship Trading.
- 3 The emissions data relating to business travel excludes the business travel of management nominated by Japanese shareholder of COSCO Kansai Companies.



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## 4.2 Biodiversity and Marine Environment Conservation

The Group is dedicated to conserving the marine environment and biodiversity as it is where we create values for our customers and the world as a shipping service company. Our products strictly comply with all applicable laws and regulation, including the Performance Standard for Protective Coatings (PSPC) by the International Maritime Organization (IMO), the International Convention on the Control of Harmful Anti-fouling Systems on Ships (the “AFS Convention”) and the International Convention for the Prevention of Pollution from Ships (MARPOL). We closely monitor the development updates on relevant legislations or product standards. The GB 30981 Limit of Harmful Substances of Industrial Protective Coatings has been a focus for us since its latest implementation in 2020. We arranged seminars to communicate the regulations for our R&D departments and revisited the formula of our products to ensure they are up to standards.

COSCO Kansai Companies offer fine-free proof coating products with detailed and comprehensive material safety data sheet (MSDS) for shipping companies’ detailed considerations and use with confidence. It also appoints professional environmental agencies to conduct annual VOCs inspections and risk assessments on its coating products to ensure the effectiveness and protective features do minimal harms to the marine lives. Meanwhile, Jotun COSCO previously introduced Sea Quantum — the green hydrolysing antifouling coatings containing no biocides or metal toxins with solvent-free and low VOCs materials and gained significant recognitions as one of the leading green anti-fouling coatings globally. This year, it launched a brand-new solvent-free and VOCs-free universal primer Jotacote Universal S120, aiming to cause zero impact on the marine environment.

To reaffirm our commitments to biodiversity conservation, COSCO Kansai Companies and Jotun COSCO both signed the “Responsibility for Prevention and Control of Soil Pollution (土壤污染防治責任書)” and engaged third party organisations to formulate the corporate land use survey plans and conduct ground-water quality testing to prevent any adverse impacts induced by our operations to the surrounding environment. Furthermore, Jotun COSCO also conducted assessments with respect to the “JCMC Soil Self-Testing Scheme (中遠佐敦土壤自行監測方案)” to identify and mitigate any potential risks of soil pollutions.

## 4.3 Green Products and Services Innovation

The Group strives to make good use of its growing and prolonged presence in the market landscape to provide customers sustainable solutions and to facilitate sustainable development of the shipping industry.

Jotun COSCO offered Hull Performance Solutions (HPS) supported by advanced big data analysis, real-time ship hull monitoring system and high-tech antifouling coating technology to maximise hull performance. Since 2011, the solution has been applied to over 1,100 vessels, contributing to over 40 million tons of CO<sub>2</sub> reduction. Motivated by the impressive result achieved above, Jotun COSCO further launched Hull Skating Solutions (HSS) in 2020, featuring the latest antifouling coating technology, big data applications and underwater cleaning robotics to help achieve significant energy saving and emissions reduction.

At the same time, we also provide environmental liability insurance and professional consultation services in our insurance brokerage services segment, which help build customers’ capacity in pursuing continuous improvement of environmental performance. Further, we organised seminars hosted by the Protection and Indemnity Club and lawyers for ship owners to gain insights into the development of international policies and industry best practices.



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## 4.4 Climate-related Risk Adaptation

As threats related to climate change are more evident and have become one of the major challenges to our business, we continue to study the impacts and to enhance our internal capacity in adapting to the environment with increasing climate-related risks, particularly with extreme weather like frequent typhoon and abnormal precipitation. As such, we strive to build up our business climate resilience and adopt precautionary measures to get our business prepared for any potential impact.

Our coating production businesses have been closely monitoring the climate-related risks that may impact our business operations. COSCO Kansai Companies and Jotun COSCO stipulated a set of emergency management plans and a natural disaster contingency plan respectively. We also conduct annual emergency drills to improve the preparedness of our plant operation and to facilitate effective internal communication in response to different natural disasters. For example, the Tianjin plant formulated flood prevention and extreme cold weather response plans, while the Zhuhai plant established response plans on storm, flood and heatstroke prevention. COSCO Kansai Companies also delegated emergency response teams for the effective implementation of plans and monitoring of the climate situations.

## 5. HEALTH AND SAFETY PROTECTION

The Group attaches the utmost importance to the health and safety of its employees. To this end, we have a set of safety production and supervision management policies in place. The policies adhere to two basic principles, namely “Share Responsibilities in One Post, Joint Management and Accountability for Delinquency (一崗雙責、齊抓共管、失職追責)” and “Safety as an Essential Component in Managing the Industry, Business, as well as Manufacturing and Operation (管行業必須管安全、管業務必須管安全、管生產經營必須管安全)”. We promote accountability among employees and divisions. All employees are responsible for cultivating a safe workplace culture and all departments are accountable to ensure production safety. The heads of corresponding divisions and the Group’s headquarters will further oversee safety production.

We comply with applicable safety laws and regulations, such as “Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases”, “Production Safety Law of the People’s Republic of China” and “Fire Control Law of the People’s Republic of China” and Hong Kong’s Occupational Safety and Health Ordinance, etc.. During the reporting period, we did not violate any relevant laws and regulations regarding occupational health and safety.

### 5.1 Safety Committee

Under the well-established management system, the Group formed the Safety Committee in 2006 with an aim of promoting “Safety First, Precaution as Crucial and Consolidated Governance (安全第一、預防為主、綜合治理)”. The Committee comprises of the Company’s senior management. The committee is headed by the Group’s director responsible for the production safety and consists of general managers from various divisions of the headquarters, including human resources, finance & accounting and audit & supervision, as members.

The primary responsibilities of the Safety Committee are as follows:

- Oversee the safety-related issues, formulate overall production safety plan and provide safety production guidance for the Group;
- Review and determine the Group-level annual production safety goals, make recommendations on major production safety measures and resolve major production safety issues; and
- Oversee and advise the Group on key progress in executing the safety production plan.





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## 5.2 Production Safety Management

The Group believes that a robust production safety management system is the key to drive long-term business success. We uphold the long-term safety goal of achieving “zero casualties” and continuously measure our OHS performance. We review and update internal OHS targets annually. This year, we have successfully achieved 2020 targets with zero significant fire accidents, traffic accidents, equipment accidents and work-related fatality, and annual work-related injury rate less than 5%.

The operations of COSCO Kansai Companies and Jotun COSCO, which are mainly engaged in manufacturing activities, are exposed to relatively significant safety concerns. COSCO Kansai Companies have formulated “Occupational Health and Safety Management Procedure” to stipulate the accountability for safety production in different divisions and to ensure the effective implementation of safety policies and standards. It also provides guidelines for the correct occupational health and safety procedures for various business activities. To further minimise OHS risk, COSCO Kansai Companies conduct regular OHS risk identification aiming to identify and control OHS hazards at an early stage. Besides, the local Government and appointed third parties pay regular visits and conduct safety inspections at our factories. Upon the inspections completed, the government authority would send us enforcement documents on safety production, requiring the plants to address the risk points. In 2020, the identified hazards include fire protection measures, brightness, accessibility and separation distance of equipment and facilities, etc.. COSCO Kansai Companies took immediate corrective measures and summarised the rectifications into a report submitted to the relevant authority.

In the meantime, both COSCO Kansai Companies and Jotun COSCO certified their production facilities with the latest ISO45001:2018 standards, to guide our daily practices up to international standards. We also formulated an OHS manual to prevent and control foreseeable workplace accidents. The management identifies and assesses potential OHS risks and then set out precautionary measures in the OHS manual. We compiled an OHS risk control handbook that set out measures to prevent employees from exposing to hazards including chemicals, dust, noise, extreme temperature, hygiene and manual lifting.

Employees working in manufacturing plants are at higher risks of chemical and toxic substances exposure. In addition to providing appropriate personal protective equipment, we also adopted a “STOP” principle to minimise the adverse health impacts on our employees. The principle comprises four distinct aspects, namely Replacement, Engineering Control, Management Measures and Individual Protection.

# Environmental, Social and Governance Report



## Replacement

- Use alternative materials with less hazardous substances or materials with low physical contact risk, such as liquid materials or pastes, instead of powder



## Engineering Control

- Enclosed operation is preferred
- Sites are equipped with ventilation facilities and specify technical requirements in accordance with characteristics of the substances



## Management Measures

- Provide training to employees to better understand the risks associated with hazardous chemicals
- Regularly assess the exposure level of chemical substances
- Provide risk-related health assessments for employees in specific positions



## Individual Protection

- Provide personal protective equipment (PPE) based on risk exposure and risk assessment
- Require employees to fully comply with PPE protection rules and requirements

### 5.2.1 Production Safety

The Group pays extra attention to protecting the employees working in manufacturing plants. Jotun COSCO has formulated the “Chemical Safety Technical Specification” which provides detailed information on chemical hazards and records the potential risks of chemicals used in our production operations to the environment and humans. Employees are provided with clear instruction on the production procedures in accordance with guidelines, such as limiting the exposure to xylene and ethylbenzene, to ensure hazardous chemical and toxic substances are handled in a professional and proper manner. We also require our plants to develop comprehensive control measures including a high-degree engineering control and personal protection. Besides, we formulated emergency response plans for handling different incidents such as first-aid for chemical contact, fire protection, chemicals leakage and waste handling. We formulated our operational specifications in compliance with international standards, such as International Maritime Dangerous Goods Code (IMDG Code) of the United Nations, International Air Transport Association (IATA) and International Maritime Organisation to ensure appropriate paint transportation requirements.



○ Inspection on Safety Standards



## Environmental, Social and Governance Report

Meanwhile, COSCO Kansai Companies appointed an internal safety investigation team to conduct safety inspections quarterly. It is composed of professionals in relevant fields such as electrical, mechanical and operational. In case of any safety hazards identified, the team reports to the relevant management departments and ensures appropriate follow-up measures are taken to improve address the concerns. Our senior management also guides regular safety inspections at plants to further ensure production safety. During the year, the factories of COSCO Kansai Companies have conducted over 300 inspections on OHS. To highlight, the Zhuhai plant achieved a 100% rectification rate by addressing all of the 381 risk points identified across the year.

Since 2012, the Group has adopted the Safety Management Self-Assessment System (“SMSA”) for its coating business companies to measure the effectiveness of safety measures. The SMSA was developed in accordance with the national safety technical specification of coating industry such as the “Production Safety Law of the People’s Republic of China”, the “Regulation on the Safety Management of Hazardous Chemicals”, “General Norms for Safety Standardization of Hazardous Chemical Enterprises”, “Guidelines for Work Safety Standardisation of Coating Enterprises” and “The Safety Technical Specification of Coating Manufacturer”.

Particularly, the SMSA helps monitor the major 10 safety management aspects, namely governance structure, risk and environmental factors control, laws and regulations and management policy, training and education, production facilities, operation safety, product safety and hazard notification, OHS hazards, accident and emergency response as well as inspection and self-assessment. The Group conducts SMSA examinations biannually based on the Likelihood Exposure Consequences (“LEC”) method. If any potential hazards are found during the inspection, the relevant departments must formulate corresponding remedial measures or corrective measures within the specified time.

Particularly, the VOCs level of our production areas has drawn our attention and inputs for continuous improvement. This year, Jotun COSCO has adjusted certain production specifications in order to reduce VOCs level in the working area. We initiated the use of 50% medical alcohol to replace xylene solvents for cleaning equipment and ground operations. The VOCs level has dropped sharply by more than 85% as a great result, providing employees with more confidence and protection. Meanwhile, COSCO Kansai Companies invited external experts to examine on their production procedures. The level of VOCs was one of the graded criteria and subject to in-depth measurement. We took the suggestions given by the experts seriously to further improve our workplace environmental quality.

On the other hand, COSCO Kansai Companies procured numbers of explosion-proof trucks with higher protective features. These trucks do not produce any spark during operations and thus eliminate the risks of explosion and fire hazards inside our factories. Meanwhile, we require all employees to hold relevant certificates or to attend training before operating any machineries, including but not limited to the certificates for operating trucks, electricians and electric welders.





# Environmental, Social and Governance Report

## SMSA Evaluation of COSCO Kansai Companies

### Summary Sheet of SMSA Evaluation of COSCO Kansai Companies in Previous Years

Year	Tianjin plant		Shanghai plant		Zhuhai plant	
	First half of the year	Second half of the year	First half of the year	Second half of the year	First half of the year	Second half of the year
2020	139	141	139	140	140	139
Average value for the assessment from 2012 to 2020	135	135	136	134	137	137

### Work-related fatalities and injury cases during the reporting year of the Company

	For the year ended 31st December		
	2020	2019	2018
Work-related fatalities (No. of person)	Nil	Nil	Nil
Work injury cases (No. of case)	Nil	3	Nil

## 5.2.2 Occupational Health and Safety

The Group strives to ensure the health of employees and cultivate their awareness of maintaining safe operating practices. In addition to the general medical care, we offer all employees annual physical examinations. Employees engaged in duties with higher OHS risks are provided with a specific medical assessment, aiming for early diagnosis of occupational diseases and potential injuries. When abnormal examination results obtained, responsible departments will offer the employee a follow-up examination for a refined assessment on the particular issues. Meanwhile, new joiners and transferred employees are required to undergo health check-ups prior to their onboarding day. As a responsible employer, we also offer post-employment medical examinations for employees leaving their positions.

To ensure employees are fully aware of the potential OHS risks at work and corresponding measures, we provide them with extensive safety training. The training content covers fire safety, use of firefighting equipment, occupational hygiene, medical emergency, safety laws and regulations, accident cases sharing, hazardous chemical safety, special equipment safety and more. Through training, we aim to equip employees with necessary safety knowledge and skills. We also share with new joiners the OHS matters that required their extra attention in written documents prior to their report of duties. In 2020, due to the COVID-19 pandemic, some operating regions of the Group were not able to deliver the safety training in face-to-face arrangement. To ensure employees were updated with the latest information regarding workplace and production safety, we uploaded the training materials, test questions and videos to an online platform and a mobile application for their study at anytime and anywhere. Also, we strive to advocate innovative thinking and introduced interactive training, cloud classroom, VR technologies and safety knowledge competition to raise employees' awareness with memorable experience and fun.

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○ Safety Knowledge Competition



○ Interactive Safety Training Event

We have also organised the “Safety Month” to familiarise employees with the fire safety equipment and equip them with ability to respond swiftly under emergencies. COSCO Kansai Companies have provided trainings and drills for the three manufacturing plants specifically to strengthen the capabilities of evacuation, firefighting and rescue. For example, the Tianjin plant and Shanghai plant organised fire drills with focuses on erosive material leakage and evacuation and simulation of fire accident in laboratory respectively. Meanwhile, Jotun COSCO invited the local fire brigades and government bodies to assist in the drill for incidents of hazardous chemical leakage. We also organised a plant-level fire and evacuation drill in the production area.



○ Fire Drills and Training on Fire Safety

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○ Evacuation and Rescue Training

## 5.3 Non-Production Safety Management

Our non-production businesses such as ship trading agency services, insurance brokerage services and the supply of marine equipment and spare parts, are exposed to lower health and safety risks. Upholding our deep-rooted spirit of “safety first”, we adopted a series of safety measures to further eliminate OHS risks in the offices across our non-production businesses.

We continued to organise the “Safety Month” event during the year. Apart from fire drills and fire safety training, we also arranged a team for safety inspections to ensure proper measures are adopted within our properties and offices. Besides, we invited property management companies to deliver training and strengthen employees’ awareness of safety hazards in typhoons and rainy seasons. This helps minimise risks of injury at employees’ day-to-day performance of duties. To maintain a comfortable working environment for employees, we also monitored the properties management companies and air-conditioning technicians to conduct air quality tests. We constantly monitored the test progress and results so as to ensure a good indoor air quality for employees.

During the year, different business segments organised educational events to promote fire safety awareness among employees and conducted inspections to identify fire risks of the offices. We also ensured the fire-fighting equipment within the office area and escape route are in good conditions.

## 5.4 Reporting and Investigation Mechanism

The Group established a reporting and investigation mechanism for safety incidents. We adopted an accountability system and clarified the duties of responsible personnel. In case of any safety accidents, the relevant personnel are required to immediately report to the head of relevant departments and then notify the Safety Committee Office within 60 minutes and submit a complete accident report. The Safety Committee Office conducts preliminary verification and inspection on the accident and further report the Group’s Safety Committee. Based on the severity of the incident, the Group sends out a specific investigation team for internal investigations and, if necessary, invite internal and external experts to conduct in-depth investigation on the root causes and losses of the incidents. They also help identify the accountable parties and provide effective suggestions for risk mitigation.

According to our accountability system, relevant employees shall be subject to admonitory interview or warnings based on the severity of the incident. Upon detection of any concealment of facts, delay report and omitted report or failure to demonstrate immediate and sustained improvement, the personnel may be subject to disciplinary actions.

In 2020, the Group received no recorded incidents of non-compliance with relevant laws, regulations and standards with significant impacts. The Group also maintains zero work-related fatalities (2019: Nil), nor any significant production safety accidents.

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## 5.5 COVID-19 Responses

The COVID-19 pandemic has certainly posed severe health and safety risks on our employees. The Group has taken various measures in response to the situation and strives to ensure employees are free from risks of infection at work by upholding high standards of environmental hygiene and providing employees with sufficient resources.

At Group level, we formed a Pandemic Control Taskforce and stipulated a COVID-19 response plan. Led by the Chairman of the Board, the Taskforce implemented a three-level response mechanism and provided employees with clear guidelines and procedures for their safe and smooth resumption of work when a stable situation was observed. Meanwhile, the Group's Human Resources Department has formed a commanding committee office to report to the Taskforce to further streamline the pandemic prevention work.

The Group paid continuous and close attention to the development of the pandemic and abided by local regulations to implement corresponding work and operational arrangements. We actively sourced pandemic prevention supplies and personal protective equipment, such as gloves, masks and sanitisers, for distribution to employees. We kept close record of the number of the materials on a daily basis to ensure sufficient inventory and effective distribution of resources.

To create a safe working environment and prevent infection among employees, we required employees to wear masks and take body temperature before entering the offices. Additional masks, thermometers, disinfectants and other prevention materials were prepared for them. Also, we commissioned a third party to carry our disinfection work at our workplace and ordered lunch for employees during severe pandemic to reduce their chance of infection when dining out. Besides, employees returning from high-risk areas were required to undergo quarantine according the regulatory and internal standards. In response to the social distancing rules and measures, we allowed flexible working hours, work from home arrangement or "A/B Shift" arrangement, by which employees can avoid commuting in rush hours and thus reduce close contact with people.



Office Disinfection



Knowledge Contest on COVID-19



Temperature Checking

We provided training to employees to enhance their knowledge of the virus and increase their awareness of infection prevention. The training courses covered tips for pandemic prevention, the national quarantine regulations, the internal tracing mechanism, possible routes of transmission, relevant symptoms, etc.. We aimed to remind employees of being alert and protecting themselves from infection inside and outside the workplace.



# Environmental, Social and Governance Report

## 6. EMPLOYEE EMPOWERMENT

Our employee management strategy adheres to four management principles, namely, managing by regulations, establishing a fair and open system, meritocracy and emphasizing the coexistence of rights and obligations.

We regard our employees as a crucial contributing factor to drive our long-term business success. To attract and retain talents, the Group offers competitive compensation and benefits, together with great development opportunities based on a well-established appraisal and recognition system. We strive to nurture a continuous learning culture to help employees unleash their great potential. We take various initiatives and invest in our employees to promote good work-life balance and to create a supportive and inclusive workplace that embraces employees with diverse interests and background.

We are committed to quality, professionalism and integrity throughout our business. We strictly comply with the employment laws and regulations, including “Employment Ordinance” and the “Employees’ Compensation Ordinance” in Hong Kong and the “Labour Law of the People’s Republic of China”, the “Labour Contract Law of the People’s Republic of China” and the “Law of the People’s Republic of China on the Protection of Disabled Persons” in Mainland China. In 2020, there is no non-compliance case reported regarding our employment practices.

	For the year ended 31st December		
	2020	2019	2018
Total Number of Employees	833	901	876
<b>By gender</b>			
Male	616	669	652
Female	217	232	224
<b>By region</b>			
Hong Kong	185	168	196
Mainland China	611	697	644
Oversea	37	36	36
<b>By age group</b>			
Below or equal 30	58	79	110
31 to 50	598	649	627
Over 50	177	173	139

	For the year ended 31st December		
	2020	2019	2018
Overall Turnover Rate of Employee	12%	7%	10%
<b>By gender</b>			
Male	9%	7%	10%
Female	15%	7%	11%
<b>By region</b>			
Hong Kong	6%	14%	24%
Mainland China	13%	6%	6%
Oversea	3%	0%	0%
<b>By age group</b>			
Below or equal 30	17%	13%	5%
31 to 50	8%	5%	10%
Over 50	18%	13%	14%



# Environmental, Social and Governance Report

## 6.1 Inclusive and Supportive Workplace

We are committed to fostering an inclusive and supportive workplace where every employee is fairly treated and respected regardless of their gender, age, family status, race, religion, nationality, sexual orientation or disability. We offer competitive remuneration packages, including basic salary, incentive bonus, mandatory provident fund. Our comprehensive benefits include paid annual leave, paid sick leave, medical insurance, healthcare benefits, further educational opportunities and training subsidies. Also, additional leave options such as paid wedding leave and employee paternity leave are available subject to employees' specific needs. In view of the changing working and lifestyles of the modern societies, we formulated the "Flexible Working Time Policy" to enable employees' pursuit of diverse personal development.

We prohibit any use of child labour and forced labour in our operations by setting our standardised recruitment procedures with comprehensive employment related policies in place, including the "Administrative Measures on Recruitment and Employment" and the "Administrative Measures on Labour Contract". We also regularly update and verify employees' personal information to ensure no violation of any regulations and policies.

To create a family-friendly workplace, we cooperated with the United Nations Children's Fund (UNICEF) and participated in the "Say Yes to Breastfeeding" campaign by setting up a nursing room in a designated office area to show our fully support to working mothers.

## 6.2 Employee Training and Development

Equipping employees with skills and knowledge is always the key to our long-term business success. We, therefore, formulated "Management Methods for Setting Up of Professional Talent Pool (專業人才庫建設管理辦法)" to facilitate our talent management. The Group offers a structured leadership development plan, which is managed and reviewed by a dedicated team under the leadership of the Human Resources Division. We regularly review the talent pool categorized by various businesses and industries. We have an incentive mechanism in place to offer bonus and development opportunities, including training courses, academics conferences, and exchange programmes, to accelerate the growth of talented individuals.

To recognise and motivate employees with outstanding performance, we conduct regular performance assessments to evaluate employee contribution and provide them with timely feedback. We employed an updated online performance assessment system to streamline and facilitate the assessment process. The system also creates anonymous accounts to collect and consider feedback from other members of the teams in the evaluation process to make comprehensive assessment on participating employees.

We strive to promote a continuous learning culture to enrich our employee's capabilities. The Group developed a comprehensive training and development system with four training categories in response to employees' specific training needs:

- We provide induction training for all new employees to introduce corporate strategic plans, policies, and logistics rules to better integrate them into our organisation. We also ensure they are aware of our occupational health and safety standards and other standard operating procedures, as well as our expectations on their workplace behaviours, through induction training.

# Environmental, Social and Governance Report

- Regular assessments are conducted by our Human Resources Division and various divisions to identify key training aspects tailored to our business needs. We also invite relevant experts and professionals to host training programmes to give presentations.
- We provide general employees with regular training and keep them abreast of the related market and regulatory information.
- We encourage employees to participate in external training programmes such as certificates, diplomas, degree courses, lectures, seminars, and conferences by providing training subsidies.

In 2020, we invited Liquefied Natural Gas (“LNG”) experts to host a specific training on LNG-powered vessels for employees to strengthen their professional knowledge and introduce them with the latest development trends of the shipping industry. Besides, general data management training was also conducted for employees to further enhance their skills required to perform their duties.



○ Training on LNG-powered Vessels



○ General data management training

	For the year ended 31st December		
	2020	2019	2018
Total no. of training hours received <sup>Note</sup>	<b>12,254 hours</b>	16,254 hours	13,911 hours
Average no. of training hours per employee rate of employees trained by employee category <sup>Note</sup>			
Senior	<b>23 hours/86%</b>	35 hours/89%	18 hours/81%
Middle-level	<b>16 hours/94%</b>	27 hours/49%	24 hours/55%
General	<b>14 hours/85%</b>	19 hours/97%	16 hours/88%
Average no. of training hours per employee rate of employees trained by gender category <sup>Note</sup>			
Male	<b>15 hours/84%</b>	18 hours/90%	13 hours/84%
Female	<b>14 hours/96%</b>	29 hours/79%	32 hours/76%

Note:

The decrease in total and average number of training hours resulted from the disruption of business operations due to COVID-19 pandemic in 2020.

# Environmental, Social and Governance Report

## 6.3 Employee Well-being

### 6.3.1 Employee Communication

The Group recognises frequent and open dialogues with our employees as the key of building mutual trust and respect. Therefore, we constantly collect employees' feedback and opinions via diverse communication channels. Under our "Implementation Award Measures for Reasonable Recommendations (合理化建議獎勵實施辦法)", employees are encouraged and incentivised to submit their recommendations to the management. Our recommendation team are responsible for assessing and reviewing the proposals and then approving the provision of monetary incentives for employees' outstanding suggestions based on the actual benefits brought to the companies. The programme aims to foster an open and dynamic culture that encourages the internal improvement driven by employees' observations and open sharing.

Besides, a human resources mailbox was also set up on the Group's internal system homepage, serving as a regular platform for employees to voice out their concerns. The Human Resources Division helps gather the incoming mails and transfer enquiries to relevant departments for the formulations and implementations of follow-up actions for not only an individual, but for every one's sake.

### 6.3.2 Employee Work-Life Balance

It is the Group's commitment to improving the health and wellness of its employees by creating a workplace with work-life balance. We provide them with recreational and team-building exercises such as sports activities and interest classes to improve their wellbeing. We aim to motivate employees to attain higher morale and build stronger team bonding, thereby increasing productivity and sense of belonging at work.

To facilitate the interactions between employees, we established an employee association, which helps bring employees together by setting up a volunteer team and coordinating different volunteer services.

We offered employees different welfare services and activities. In 2020, we arranged free hair-cutting services for front-line employees working under the emergency of COVID-19 pandemic. We also provided employees with online food ordering services to reduce their risk of contacting COVID-19 by avoiding their visits to markets and other crowded areas. In December 2020, as the COVID-19 situation in Mainland China remained stable, we organised the annual badminton competition and arranged fruit distribution at work to promote a healthy lifestyle among employees.



○ Hair-cutting Services for Employees



○ Annual Badminton Competition





# Environmental, Social and Governance Report

## 7. BUSINESS DEVELOPMENT AND COLLABORATION

The Group values the collaboration with its business partners and the quality of products and services as the fundamentals of our sustainable business development. As such, we devote effort to build a responsible supply chain and ensure customer satisfaction towards the products and services we deliver. With an aim of upholding business ethics in our operations and keeping potential risks at a minimum level, relevant policies and standards supervising our business conducts and operations are in place to maintain a high standard of integrity.

### 7.1 Supply Chain Management

#### 7.1.1 Sustainable Procurement

The Group seeks to establish a green and responsible supply chain with carefully selected suppliers that fulfil our high-standard requirements on sustainability. A set of standardised procurement procedures were set out to facilitate the selection and assessment of suppliers with consideration of their environmental and social impacts. We select supplier in accordance with the specifications outlined in the “Procurement Management Measures” and the “Supplier Management Measures” which require potential suppliers to meet the Group’s expectations on aspects namely environmental protection, health and safety. At the early stage of selection, we carry out screening based on the accreditation of ISO9001, ISO14001 and ISO45001 for key suppliers involved in our coating production business. Relevant terms are also incorporated in the contracts to further ensure their compliance. Only selected suppliers are added in the Group’s procurement supplier database where purchasing units reach out to the suppliers that fulfil the specific requirements.

To ensure our sustainability performance and reputation along the supply chain, we continuously monitor the compliance status of shortlisted suppliers and update the database every three years to exclude suppliers who fail to comply with relevant laws and regulations. In case of any non-compliance with the safety regulations, we shall terminate our relationships or contracts with the concerned suppliers and, when they have properly addressed and resolved the matters, we assess the effectiveness of their measures and the readiness to re-establish partnership. In addition, we have other sustainable procurement policies in place to facilitate the selection and engagement with suppliers, including the “Tendering Procurement Management Measures”, “Non-tendering Procurement Management Measures”, “Centralised Procurement Management Measures”, “Special Affiliated Enterprises Management Measures” and “Procurement, Outsourcing and Supplier Management Supervision Measures”.

Apart from the standardised supplier selection measures, we customise and implement special management procedures on our suppliers whose product or service supplies are particularly material to our operations. For instance, the “Asphalt Supplier Management System” has been implemented to evaluate the sustainability performance of asphalt suppliers, including their initiatives in fire prevention and environmental assessment.

#### 7.1.2 Supplier Monitoring and Supervision

Through our supplier monitoring mechanism, suppliers’ performance is evaluated and reviewed on a yearly basis in accordance with a comprehensive set of quantitative indicators, including fundamental capability, cost competitiveness, delivery fulfilment, quality control, customer service, business innovation, and safety and environmental protection. We provide preventive and improvement suggestions to suppliers based on their evaluation results and supervise their implementation in attempt to enhance their product and service quality. Penalties and immediate termination of the contractual relationship will be given to suppliers who fail to maintain professional conducts or qualifications on safety and environmental protection, and those committed bribery and other commercial misbehaviours.



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To prioritise suppliers with outstanding sustainability performance, the supplier rating system has been established to rank suppliers based on their evaluation result. The rating system classifies suppliers into five levels, that are “A – Strategic Suppliers”, “B – Quality Suppliers”, “C – Qualified Suppliers”, “D – Negative Suppliers”, and “E – Eliminated Suppliers”. Ratings are jointly reviewed by the supplier purchasing departments as well as the user departments every year to ensure credibility. Partnership opportunities or extensions are favourably given to suppliers receiving higher ratings. Suppliers being absent or failed in the annual inspection or have not maintained a partnership with the Group for three consecutive years shall be excluded from the database.

Besides, the Group takes a proactive role in supporting the localisation of supply chain to reduce the delivery time and environmental footprints due to transportation and to boost local economic development.

	For the year ended 31st December		
	2020	2019	2018
Mainland China	766	857	686
Hong Kong	245	290	223
Other Countries	557	761	619

## 7.2 Product Quality and Responsibility

It is a longstanding commitment of the Group to deliver high-quality products and services that take the business operations, as well as health and safety, of our customers into account. In adherence to both the internal guidelines and international standards on product quality and safety, we strictly monitor the execution of technical standards and ensure the product and service quality throughout the lifecycle of our products from sourcing raw materials, production, sales and marketing to recall, return and replacement.

Internal policies on Health, Safety, Environment and Quality (HSEQ) are developed in line with international standards focusing on subsidiaries involved in chemical productions. A comprehensive set of control procedures are in place to monitor and evaluate the quality of our coating products. Tests and inspections are carried out for intermediate and final products to determine their compliance with our quality control requirements. To create values with safe and environmentally conscious products, we strive to achieve the technical requirements of the Ministry of Emergency Management of the PRC and have complied with the followings:

- The notice of the “Implementation Plan for Reducing Lead Content in Coatings of the Container Industry” issued by China Container Industry Association
- The “Rules for Classification and Labelling of Chemicals” under the GB30000 national standard series of the People’s Republic of China
- The “Product Quality Law of the People’s Republic of China”
- The “Regulations of the People’s Republic of China on Administration of Chemicals subjected to Supervision and Control”
- The “Regulations on Administration of Precursor Chemicals”
- The “Measures for Environmental Management of New Chemical Substances”

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During the reporting period, the Group was not aware of any non-compliance with relevant standards, rules and regulations that had a significant impact on the Group.

Apart from the implementation of internal policies and adherence to industry standards, raising the awareness and promoting technical knowledge exchange on product responsibility among suppliers, customers and the industry are equally essential to progress towards a responsible market. During the year, we communicated with our suppliers more frequently in view of the market fluctuations. Prices were updated every month and new suppliers were introduced to maintain a healthy competition, reducing costs and enhancing cost efficiency. Jotun COSCO also organised a discussion session introducing green solutions and antifouling coating techniques, as well as coating-related standards, laws and regulations.

One step further, we continued to explore opportunities in making effective use of the latest technologies to provide innovative solutions to satisfy customers' demands systematically. Jotun COSCO applied ship coating solutions for the first auto-cargo ship in China. Upon understanding the coating needs of the new types of ship, we attempted to lower the risk of corrosion and thus to reduce the frequency of ship maintenance. Jotun COSCO utilised the world's leading coating techniques and took reference from the cases of auto-cargo ships in other countries. We will keep up with the latest market of auto-cargo ships and to claim the leading position in the expanding market.



○ Discussions with Customers on Product Solutions and Big Data Technology

## 7.3 Customer Care

### 7.3.1 Customer Satisfaction

The Group values the opinions from customers as an important driver for its continuous business improvement. We keep close monitoring of our customer satisfaction through survey that delves into the multiple facets of customer experience, covering the quality of service by sales and technical service personnel, delivery, ordering and invoicing, and the overall experience in contact with us.

Procedures for handling complaints are in place to address customers' concerns about our products and services. COSCO Kansai Companies and Jotun COSCO stipulated the "Administrative Procedure for Customer Feedback" to enable systematic management of complaints and to guarantee complaints handling in a fair, consistent and expeditious manner. Upon the receipt of complaints, relevant personnel are delegated to investigate the case and take corresponding measures as appropriate to avoid reoccurrence of similar issues. Meanwhile, our "Process for Paint Return" spells out the management's awareness of the return of disqualified products and the necessary measures to be taken to address the issues.

During the reporting period, we did not receive any major products and services related complaint and recall of product due to any safety and health reasons.

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Also, we seek to maintain close customer relationships to better understand their needs, thereby delivering products and services with satisfactory feedback. In amid of the COVID-19 pandemic, Yuantong conducted meetings utilising an online video conferencing system with ship owners and production plants to keep up the close relationships, minimising the impacts induced by the pandemic on our trading businesses, such as irregular delivery dates and longer quotation periods. Our insurance brokerage services also paid visits to clients to discuss on the relevant measures in business continuity under the pandemic, the shipping market and other concerned topics, seeking to offer all-round risk management advise from an insurance perspective.



○ Technical Discussions with Ship Owners and Production Plants

## 7.3.2 Customer Privacy

The Group stresses the importance of customer privacy in our business operations with strict compliance with applicable local and international laws and regulations, including the “Personal Data (Privacy) Ordinance” in Hong Kong. Jotun COSCO also adheres to the “EU General Data Protection Regulation (GDPR)”. The “Binding Corporate Rules (BCR)” is also established to call for employees’ compliance with the same system on privacy protection.

In close observation of international statutory standards, we put in place a series of internal policies to ensure information confidentiality and to avoid the leakage of sensitive information of stakeholders. The “Information Management Method” affirms the four basic principles — “Truth, Accuracy, Completeness and Timeliness” — in our approach of information dissemination. To securely protect all trade secrets and customer information, we formulated the “Administrative Measures on the Protection of Trade Secrets” following the Anti-Unfair Competition Law of the People’s Republic of China”, the “Interim Provisions on the Protection of Trade Secrets of Central Enterprises” promulgated by the State-owned Assets Supervision and Administration Commission of the State Council, and the “Administrative Measures on the Protection of Trade Secrets of China COSCO Shipping Corporation Limited”. Our “Staff Management Measures” are in practice to prohibit any leakage of customer information and strategic cooperation agreements to any third parties.

During the reporting period, there was no complaint regarding breaches of customer privacy or loss of customer data.



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## 7.4 Anti-Corruption

### 7.4.1 Anti-corruption Policy

The Group holds zero tolerance towards any forms of corruption and bribery, abiding by national laws including the “Criminal Law of the People’s Republic of China”, the “Anti-Unfair Competition Law of the People’s Republic of China” and the “Bidding Law of the People’s Republic of China”. In consideration of the importance of corporate ethics and anti-corruption, topics in relation to business ethics and code of conduct were incorporated into the Group’s risk management framework and were subject to close monitoring.

The Group established the “Professional Ethics and Code of Conduct for the Staff of COSCO SHIPPING International” (the “Code”) to require employees’ acknowledgement and adherence to the provisions listed in order to practise high integrity and moral standards. We also offer guidelines for employees’ appropriate behaviours in occasions that they may encounter. In particular, the Code highlights that any staff should not use their authority to engage in bribery behaviour or to receive inappropriate benefits, seize any business opportunities from the Group, use company assets in any form for personal interests, and engage in other activities that may potentially compromise the interests of the Group. Employees are also expected to maintain long-lasting relationships with our suppliers, contractors and customers that rest on mutual trust. For any breaches of the Code, the concerned personnel shall be subject to disciplinary punishment, including the termination of employment. For any breaches suspected of regulation and law violations, the Group shall report the relevant cases to corresponding authorities and cooperate for the further investigations.

To maintain openness, probity and accountability, the Group’s “Whistleblowing Policy for COSCO SHIPPING International” (“Whistleblowing Policy”) details the reporting channels for employees to raise concerns in suspicion anonymously. Upholding confidentiality, the Whistleblowing Policy ensures that the identities of employees making the allegation are not disclosed or accessed without consents. Any attempt to interfere in the investigation process is regarded as a severe disciplinary breach. The Board assumes the overall responsibilities in ensuring effective implementation and enforcement of the policy, maintaining a high degree of corporate justice.

### 7.4.2 Anti-corruption Supervision

The Group strictly forbids any kinds of corruption activities, including but not limited to receiving benefits and rebates from business partners, colluding with suppliers, committing fraud and forging business volume. Adopting the principle of “whoever takes charge should be responsible (誰主管誰負責)”, managers in relation shall be responsible while the individuals who commit the mentioned activities remain liable. In case of any identified behaviour of transferring benefits, we shall undergo investigation involving not only the liable personnel, but the entire business unit. As set out in the “Measures for Managing Performance Examination of Companies under Direct Management”, restrictive indicators on management transactions, risk and internal control and other requirements on employee ethics and anti-corruption are closely tracked and evaluated in our business assessment guidelines.



# Environmental, Social and Governance Report

Supervising the implementation of anti-corruption policies, dedicated divisions and various business units exert extensive efforts in preventing any unethical business behaviours. The Audit & Supervision Division of the headquarters of the Company oversees the related matters at the Group level. As specified in the “Measures for Managing Special Affiliated Enterprises”, the Audit & Supervision Division also supervises special affiliated enterprises via a range of channels, namely special examination, efficiency supervision and audit on either a regular or irregular basis. The delegates of each business unit shoulder the responsibilities of rolling out anti-corruption initiatives. Departments are in charge of guiding their own suppliers to provide products and services in accordance with the Group’s procurement and supply chain management policies, while the Audit & Supervision Division oversees the inspection and assessment in relation to the implementation of practices. Further, subsidiaries shall be responsible for reporting employees’ compliance with the Code to the Audit & Supervision Division.

We seek to enhance employees’ awareness on business integrity and honesty. Thus, departments and subsidiaries conduct an annual employee self-evaluation survey that examines a wide array of areas covered in relation to the Code, namely integrity and fairness, acceptance and provision of interest, conflict of interest, handling confidential information and company’s property, and relationships with customers, suppliers and contractors. During the reporting period, more than 960 person-time of the self-evaluation survey were completed.

During the reporting period, the Group complied with all the relevant standards, rules and regulations. There was no legal case regarding corruption practices brought against the Group.

## 7.4.3 Anti-corruption Training

We regard training as an important precautionary measure to remind employees our commitments and standards of ethical business practices. In 2020, COSCO Kansai Companies invited representatives from the regulatory body to deliver an online seminar on fraud, introducing the national reform of anti-corruption system. HK COSCO SHIPPING Insurance Brokers also worked closely with the Hong Kong Independent Commission Against Corruption (“ICAC”) to provide a training on anti-corruption and integrity. With short clips presenting the relevant cases handled by ICAC, employees were reminded of the common risks of integrity in the insurance industry and the central importance of protecting customers’ assets as insurance intermediaries.



○ Seminar on Corporate Probity and Corruption Prevention



○ Anti-Bribery Compliance training by ICAC

# Environmental, Social and Governance Report

## 8. COMMUNITY INVESTMENT

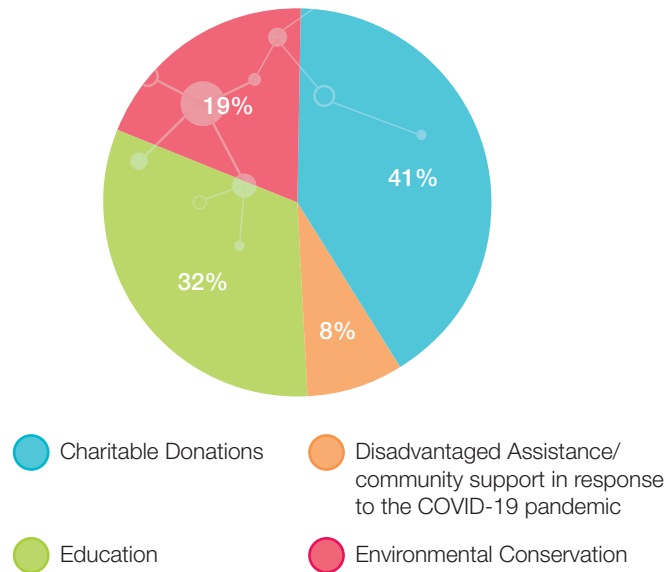
With a firm focus on “giving back to the community with what it gets from the community”, the Group is committed to promoting and investing in the development and betterment of the communities in which it operates. Established in 2014, the Group’s Charity Donation Policy underpins its attentiveness to local needs and interest of the people in each community. The policy details our partnership strategies with local NGOs and other like-minded charitable bodies, and the manners in which our philanthropic efforts are handled. The policy provides clear guidelines on determining the amount and method of community investment or donation events, together with information related to the annual charitable donation budgets.

We established volunteer teams and coordinated employees who are enthusiastic about serving the community to join us in sharing love and care with people in need. To encourage employees’ active participations and show recognition for their on-going support and enthusiasm, we offered them volunteer holidays with a half-day or one-day paid leave respectively when they contributed more than 2 but less than 4 hours or 4 or more hours on the event day.

### 8.1 Contribution to Community

The Group’s team slogan of “Our Passion to Serve” reaffirms our commitment to community engagement and investment. By regularly reviewing our community investment strategies, we strive to create long-term positive shared values through devotion of our resources and time. In 2020, our community contribution mainly focused on five major areas: charitable donations, environmental conservation, education, disadvantaged assistance and community support in response to the COVID-19 pandemic.

Resources Distribution in 2020



# Environmental, Social and Governance Report

## 8.1.1 Charitable Donation

During the reporting period, the Group donated to various charities as a direct way to support the community. Details are as indicated in the table below:

<b>Donation Organisation</b>	<b>Donation Amount (HK\$)</b>
World Wide Fund For Nature Hong Kong ("WWF")	50,000
The Neighbourhood Advice-Action Council	23,000
Sowers Action	166,000
UNICEF Hong Kong ("UNICEF HK")	30,000

## 8.1.2 Environmental Conservation

As a shipping services company, we recognise that our primary responsibilities for the environment begin with the sea and extend beyond the horizons. We are aware of the surging marine pollutions and other environmental problems and therefore strive to contribute by providing financial assistance and participating in activities to minimise the adverse impacts brought by human-activities.

During the reporting period, the Group donated HKD\$50,000 and became a Silver member of WWF. Under the Corporate Membership Programme, the Group is committed to the partnership with WWF and funding its environmental conservation projects in transforming Hong Kong into a more sustainable city.

On the International Coastal Clean-up Day in September 2020, Jotun COSCO organised a beach cleaning event, with more than 20 senior management members participated. We aimed to fulfil our aspiration for raising internal and public awareness of waste reduction, as well as marine and environmental conservation.



○ Beach Cleaning Event





# Environmental, Social and Governance Report

## 8.1.3 Education

We believe that young people are the future pillar of our society and the Group has an important role in empowering future generations. We invest in youth education and development to help inspire them with creativity, knowledge and skills beneficial for their future academic and career development.

In 2020, we continued to fund projects and education sponsorships to support under-resourced students in both Hong Kong and Mainland China under the partnership with Sowers Action. As part of the initiative, the Group donated to the Education Assistance Programs (內地助學項目) to improve the learning conditions of students living in impoverished mountainous areas, with an accumulated total of 1,244 students benefited.

Meanwhile, Jotun COSCO also funded RMB100,000 for the purchase of robots and pianos for primary schools in the Qingdao National high-tech Industrial Development Zone, students to pursue studies in technology and music. In December 2020, after the General Manager's visit paid to the primary and secondary schools in the national poverty-stricken counties of Yunnan provinces, Jotun COSCO has decided to set up scholarship programmes for outstanding students, with an aim to allow for access to quality education and resources.



○ Donation to primary schools in Mainland China

## 8.1.4 Disadvantaged Assistance

The Group embraces the uniqueness of each individual and truly understands that people are facing different challenges in their everyday life. With this in mind, we are committed to foster greater social integration and inclusiveness among the communities. We actively collaborate with local NGOs and mobilise our resources to respond appropriately to different community needs.

Since 2011, we have partnered with the Neighbourhood Advice-Action Council to organise volunteering activities to visit singleton elderlies during festive seasons. During Chinese Lunar New Year in 2020, the Group provided financial assistance to the Council for purchasing personal protective equipment and invited 39 members of our volunteer team to participate in the "Inheriting Love Deep Care Plan" hosted by the Sham Shui Po District Elderly

# Environmental, Social and Governance Report

Community Centre of Neighbourhood Advice-Action Council. Our volunteers also prepared and distributed warm soup and festive gift bags, as well as conducted simple household safety inspection for the elderlies. In late October 2020, we, again, gathered 30 of our employee volunteers and their family members to distribute anti-pandemic supplies to elderlies living in Shek Kip Mei. We have contributed about 2,600 hours in total and reached out to more than 620 singletons and household-elderly in this event.



○ Inheriting Love Deep Care Event



○ Distribution of Anti-pandemic Supplies to Elderlies

## 8.1.5 Community Support in Response to COVID-19

The COVID-19 pandemic has brought unprecedented challenges to the global and local communities. As a responsible corporate citizen, the Group proactively sought to help relieve the burden of people in need during the challenging time.

In early 2020, we acknowledged that there were extremely high demands in anti-pandemic items, including medical masks and hand sanitizers, in which the low-income families encountered difficulties in affording and obtaining such supplies. Therefore, in Hong Kong, we identified an opportunity to help alleviate their burden by supporting UNICEF HK's "for every child, hygiene" emergency action to safeguard the health of disadvantaged children and their families living in sub-divided flats. The Group made an HK\$30,000 in-kind donations to UNICEF HK and launched a donation website to raise funds to provide material support, particularly toilet disinfection services and hygiene bags, and share with them education resources on disease prevention. Since the launching of the donation website 6 months ago, we have raised HK\$5,100 from our employees and business partners with their heart-warming love and care.



○ Home Visits during the "For every child, hygiene" Emergency Action

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Due to the social distancing regulations and arrangements, remote schooling was widely adopted in Hong Kong, where students had to utilise digital devices and learning platforms to attend classes and perform their studies. Despite the technological advancement in nowadays societies, access to digital devices could be difficult for students from underprivileged families. To help maintain their learning progress and performance, the Group, as a bronze sponsor, donated HK\$50,000 for the purchase of laptops under Sowers Action Hong Kong's "E-classroom Program". In October 2020, 22 employees and their family members joined us with Sower Action and paid visits to the beneficiary families living in Kwun Tong and delivered them material packages, including a laptop and anti-pandemic supplies.



○ Home visit during the "E-classroom Program"

Our community engagement and investment figures of 2020 are summarised in the table below.

	For the year ended 31st December		
	2020	2019	2018
<b>Community Investment</b>			
Corporate charitable donations & sponsorships (HK\$)	269,000	294,000	293,000
<b>Volunteer Participation</b>			
Participants	91	401	283
Service hours	546	2,818	1,335
<b>Beneficiaries</b>			
Number of beneficiaries	177	224	158



# Environmental, Social and Governance Report

## 9. AWARDS AND RECOGNITIONS

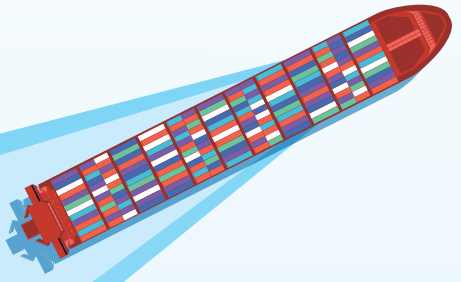
In 2020, the Group continued to prioritise sustainability in our business operations and achieved notable business successes. We are proud and honoured to receive recognition and awards from different parties in the market in diverse aspects.

The Group garnered the “Certificate of Excellence” from the Hong Kong Investor Relations Association. The award recognises the Group’s dedication to maintaining high standard investor relationship management despite the challenges brought by the COVID-19 pandemic. In addition, the Group’s 2019 Annual Report won a Gold Award of the “Annual Report” Category and a Bronze award of the “Financial Data” Category in the Shipping Service Industry in the 34th International ARC Awards held by MerComm, Inc. These accolades are a testament of the Group’s excellence in maintaining transparency and credibility through financial reporting among its global industrial peers.

For the 3rd consecutive year, the Group received the “10 Years Plus Caring Company Logo” awarded by the Hong Kong Council of Social Service in recognition of our contribution and commitment to caring for employees, the environment and the society. The programme encourages partnerships between the business and the social welfare communities to jointly promote corporate social responsibility.

Continued from the participation in the event, the Group was awarded the “2019 Gold Award for Outstanding Corporate Participation in the ‘Challenging 12 Hours’ Marathon” hosted by Sower Action. Since 2008, we have sponsored the event for 13 consecutive years and continued to support Sower Action’s vision in promoting equitable wealth distribution and improving the learning conditions of underprivileged children. We are glad to receive this award from our long-standing community partners and look forward to the future collaborations.





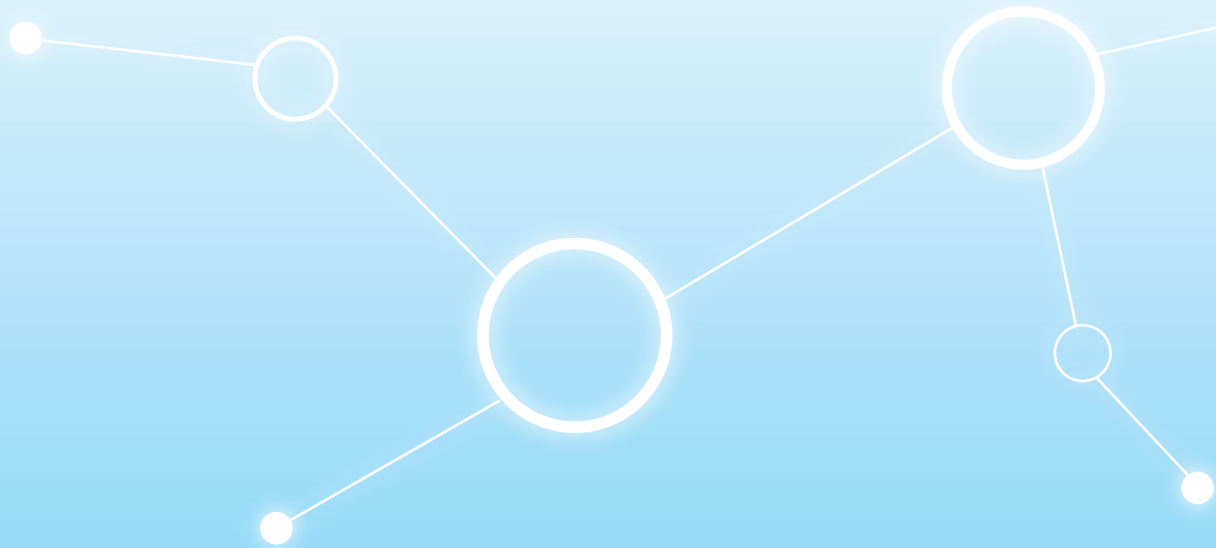
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